



# DRAFT Statement of Accounts

2025/26

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This document includes detailed financial information we are required to publish. Some of this information is presented in table and graph format and for these reasons, screen readers may not work effectively on all pages.

If you need help understanding this document, please call us on 01732 227000.

## Narrative Report

This Narrative Report seeks to clarify the relationship between the Council's financial statements and other financial information the Council reports externally.

It is the purpose of this report to explain the financial facts and performance of the Council. It follows approved accounting standards and where technical or complex language is required a glossary of key terms can be found at the end of this publication.

### 1. Introduction

The Statement of Accounts sets out the Council's financial performance for the year and its financial position at the year ended 31 March 2026. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 and the Service Reporting Code of Practice 2025/26.

The Core Statements are:

The **Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year. This expenditure represents a combination of:

- services and activities that the Council is required to carry out by law (statutory duties) such as waste collection, street cleaning, housing and homelessness, building control, planning, and planning enforcement; and
- expenditure focused on local priorities and needs.

The **Movement in Reserves Statement** is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into "usable", which can be invested in capital projects or service improvements, and "unusable" which must be set aside for specific purposes.

The **Balance Sheet** is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date.

The **Cash Flow Statement** shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long-term liabilities).

The Supplementary Financial Statements are:

The **Annual Governance Statement**, which sets out the governance structures of the Council and its key internal controls.

The **Collection Fund**, which summarises the collection of council tax and business rates, and the redistribution of a proportion of that money to other public authorities and central government.

The **Pension Fund Account** reports the contributions received, payments to pensioners and the value of net assets invested in the Local Government Pension Scheme on behalf of Council employees.

The Notes to these financial statements provide more detail about the Council's accounting policies and individual transactions.

## **2. Introduction to Sevenoaks District and the Council**

Sevenoaks District is one of 12 districts within the county of Kent. It has several borders including with Greater London, Surrey and East Sussex as well as other Kent districts, including Tonbridge and Malling and Tunbridge Wells.

The district is 142 square miles in area and mainly rural in character, with a population of around 121,000 residents, over 50,000 households. 93% of the district is designated Green Belt and 60% Natural Landscapes.

There are four main towns: Edenbridge, Swanley, Sevenoaks and Westerham with 2 further main settlements in New Ash Green and Otford and nearly 30 other villages and hamlets. The M25, M20 and M26 motorways cross the district.

### **Council Priorities**

Adopted in February 2026, Our Council Priorities replaced the previous Council Plan, adopted 2023. Following the work started during the previous Council Plan period, it has a clear focus on three priority areas as the Council approaches Local Government Reorganisation, due to take effect from 1 April 2028.

Our Council Priorities are:

- Housing, economic growth and infrastructure
- Protection our health, wellbeing and environment; and
- Care and quality at the centre of all we do.

Delivery of the Priorities is structured through relevant strategies and action plans: the Community Plan, Community Safety Action Plan, Economic Development Strategy, Housing Strategy, Local Plan, Town Centre Strategy, Climate Change Strategy and Movement Strategy.

## **Corporate Strategy**

Our Corporate Strategy sets out how we will work as an organisation to deliver the promises set out in the Council Plan and associated strategies and plans. It seeks to provide clarity about how the efforts that people make every day at work contribute to achieving the promises set out in the Council Plan.

The strategy includes our vision for 'brilliant people, exceptional services, thriving communities' and sets three priorities with a clear focus on what we need to do to be successful: Customer, Culture & Wellbeing. A number of related strategies, which relate to Customer, Digital, Financial and Workforce, support the Corporate Strategy.

How we work as a team of officers is critical to the success of the organisation; to help us achieve our aims, the Corporate Strategy seeks to unite us all behind the same priorities and approach.

## **Governance**

The Council has a Leader and Cabinet style of governance.

During 2025/26 the Cabinet had six Members. The Leader of Council also held the Portfolio for Finance and Investment. The remaining five Portfolio Holders held responsibility for Cleaner & Greener Development & Infrastructure; Housing & Health; Improvement & Innovation; and People & Places. Cabinet responsibilities are clearly defined.

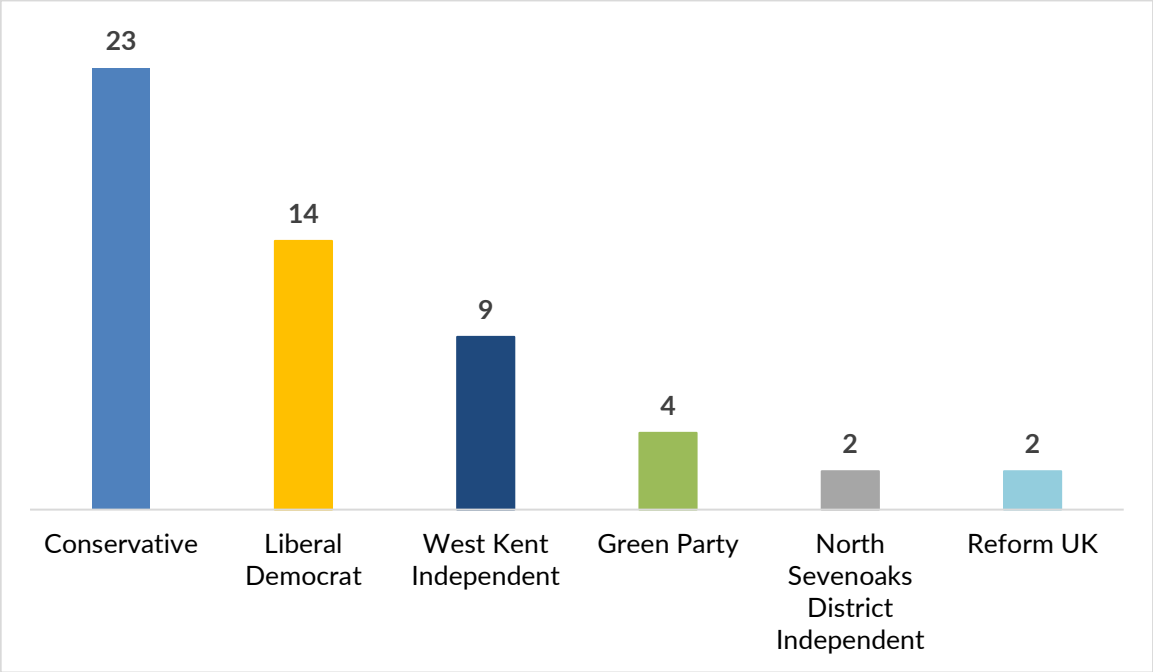
For each Portfolio, there is an Advisory Committee. These committees perform an advisory function and make recommendations to Cabinet, which meets monthly.

There are two statutory committees outside of the advisory system: Development Management and Licensing.

Scrutiny Committee and the Audit Committee also sit independently from the Cabinet system. Scrutiny Committee regularly designates its own Member Working Groups for in-depth scrutiny exercises and the Audit Committee forms its own working group annually to examine the Statement of Accounts.

As at 31 March 2026, our 54 District Councillors were members of political groups as shown in chart 1.

**Chart 1: Political Groups**



### 3. Chief Finance Officer's Statement

Through 2025/26 the Council has continued to maintain its focus on delivering high quality services based on Members' priorities and engagement with residents and stakeholders.

This has been enabled through the aims of the Council's financial strategy, which seeks to deliver long-term financial health and, despite the difficult fiscal outlook and funding position, improving financial sustainability.

Over previous years the financial strategy has been successful through the use of a number of actions including:

- implementing efficiency initiatives;
- significantly reducing the back-office function;
- improved value for money;
- maximising external income;
- the movement of resources away from low priority services; and
- an emphasis on statutory rather than non-statutory services.

As at the end of March 2026, our approach to our finances has realised £10.7m in savings since 2011/12.

Government funding to the public sector continues to be beset by difficult decisions. Local authority grant funding to District Councils is insufficient to meet current demands. A reliance on council tax increases to the maximum amount permissible under government legislation in the calculation of core spending power has become self-fulfilling.

The District Council increased its proportion of the Council tax in 2025/26 by 2.99%, generating an income of £12.8m. Through the business rate retention scheme a further £3.2m is generated locally. Funding from Government, predominantly through the funding floor provided £1.2m.

Lower than expected growth in the council tax base, increases in both pay and non-pay costs and higher demand for services continue to put pressure on Council budgets.

We remain cautious about financial prospects in future years. The fair funding review has provided greater certainty with a three-year settlement, and the increased revenue support grant for 2026/27 was welcomed. However, this will reduce in future years. The impact of the delayed business rate reset, due during 2026/27 is yet to be known.

At the same time, the Government has committed to a programme of local

government reorganisation (LGR), which will see Sevenoaks District Council closed, in favour of a new unitary council from 1 April 2028. In planning for LGR financial resources have been allocated to the change programme from 2026/27 and has led to a three-year budget being set for future years in place of the 10-year budget that has been so successful since its inception in 2011.

As a Council we will meet these financial and restructuring challenges head on, plan early, be prepared to make decisions that will help us to prioritise the delivery of those services on which local residents and businesses rely.

I would like to record my thanks to Members, the Finance team. Senior Managers and colleagues across the Council that have worked hard to make decisions in light of the financial pressures the Council faces and have ensured that services are delivered, and money is managed in line with the budgets that were set.

Jessica Booth

Strategic Head of Finance and Section 151 Officer

#### **4. Council performance**

Council performance against key indicators for 2025/26 shows that despite financial and resource constraints, and an increase in pressure on all services, the council performed well.

Performance information is collated by a central Policy and Performance team on a monthly basis which allows for data calculations and comparisons to be drawn. At the end of 2025/26 more than 75% of performance indicators were at or above target level.

Outside of the performance and productivity data, progress against action plans and objectives that arise from our strategies and plans is kept under frequent review and is reported to Members as appropriate.

Our Council Priorities are set out against three themes, with our key promise to the district and performance examples against them listed below:

##### **Housing, economic growth and infrastructure**

We will deliver more affordable homes and reduce reliance on temporary housing through our Local Plan. We will help local businesses grow, promoting sustainable economic growth and enhancing job creation within our local community.

- The Council's Local Plan has progressed through consultation at regulation 18 stage and will seek to meet Sevenoaks Districts housing need in full.
- 26 new affordable homes were delivered in the District through 2025/26
- 261 families were housed through the Sevenoaks District Housing Register and 194 households were prevented from homelessness through interventions by the Council's housing team.
- The Council made decisions on 1,334 planning applications during 2025/26, with 94% processed within the 8 to 13 week target time.
- The Council continues to progress its own capital projects. These include the provision of new homes at Spitals Cross, Edenbridge, a hotel at Bevan Place and new homes at White Oak, Swanley, and the development of the Land East of Sevenoaks High Street.
- The West Kent Expo attracted over 500 attendees and hosted 62 exhibitors to promote business support and economic growth across the Sevenoaks District and the wider West Kent area.

##### **Protecting our health, wellbeing and environment**

We will work with our residents and businesses to promote health and wellbeing including preventing social isolation. We will collaborate with our public and voluntary sector partners to maintain low crime rates and will champion initiatives which support and protect our natural environment.

- 97% of the actions set out in the Sevenoaks District Community Plan were achieved by the Council and its partners in 2025/26
- 96% of the actions in the Sevenoaks District Community Safety Strategy & Action Plan were delivered during the year
- Public Space Protection Orders remained in place for two locations in the Sevenoaks District and the Council was working with residents and community groups to consider further Protection Orders to improve public safety
- 96% of the actions set out in the Health & Wellbeing Partnership Action Plan were on target to deliver positive outcomes.
- 20 Family Fun Days were provided free of charge at locations across the Sevenoaks District
- In 2025/26 the Council provided £31,039 to local organisations through its community grants scheme. In return, the scheme has contributed 10,895 volunteer hours within the Sevenoaks District, which equates to a net present value of £122,569.
- During 2025/26 the amount of waste recycled or composted increased to 43.3% from 35.3% the previous year
- The District Council has agreed its waste transition programme and from early 2026/27 will collect food waste to further improve the rate of recycling across the District, before moving to bi-weekly bin collections later in the year.
- In delivering the Climate Change Action Plan, significant progress has been made on delivering active travel projects, home energy improvements have been facilitated through the Home Upgrade and Warm Homes Local Grants and Council's carbon emissions have reduced again, from 2,410 tCO<sub>2</sub> in to 2,198 tCO<sub>2</sub>

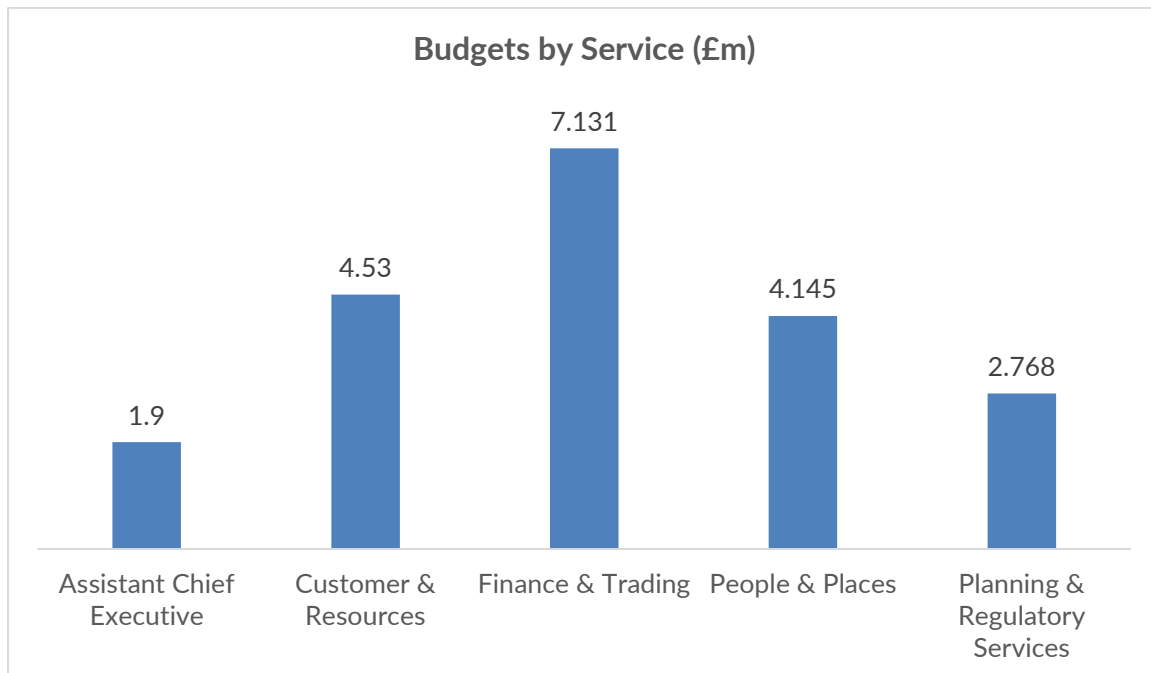
### **Care and quality at the centre of all we do**

We will provide high-quality services for residents and businesses, with care and our communities at the heart of everything we do. As our services move to a new unitary council, we will ensure that residents continue to have services that they can rely on.

- 75% of performance measures across the Council were at or above target level
- Overall satisfaction with services received when contacting Customer Solutions reached 89.6%
- 97.8% of the council tax due was collected within the year
- 95.7% of the business rates due were collected within the year

## Service expenditure

**Chart 2:** The following chart shows our expenditure by service for 2025/26.



\*Assistant Chief Executive includes communications, corporate management, elections, print studio, performance and improvement.

### 5. Corporate Risk

The Council's strategic risk management arrangements are co-ordinated by the Internal Audit team and are within the responsibilities of the Audit Committee.

The identified risk owners, who are formally met with each quarter to review the status of risks they hold responsibility for, keep the Strategic Risk Register under regular review. Collectively, the Strategic Management Team receive reports on the strategic risk register and are able to identify any new or emerging risks and ask further questions of risk owners with regard to their assessment and mitigation of the risk faced.

The Strategic Risk Register is reported to each meeting of the Audit Committee.

**Figure 1: Strategic Risk summary**

No.	Risk	June 2025	September 2025	December 2025	March 2026	Risk within appetite?
1	Council Budgets & Finances	6	6	6	6	Yes
2	Staff Resources & Capacity	12	12	12	12	No
3	Financial Hardship	6	6	6	6	Yes
4	Housing & Homelessness	6	6	6	6	Yes
5	Capacity of voluntary, community and public sector partners	6	6	6	6	Yes
6	Local Government Reorganisation	12	12	9	9	Yes
7	Delivery of Capital Projects	12	12	12	12	No
8	Asset Management	9	9	9	9	Yes
9	Climate Change/Decarbonisation	9	9	9	9	Yes
10	Health & Safety	8	8	8	8	Yes
11	Legal, Regulation & Procurement	12	12	12	8	Yes
12	Business Continuity & Cyber Security	12	8	10	10	No

## 6. Operating Environment

At a time when difficult decisions continue to be made about the funding and priorities of public services, the operating environment for local government continues to be challenging and is now heavily influenced by the forthcoming programme of Local Government Reorganisation.

We continue to feel the impact on our finances from the pressing issue of increased cost of living, inflation rates and increased energy prices, exacerbated by recent global conflicts.

These same issues continue to provide our residents, and businesses with a highly challenging environment. It is well known that many councils are experiencing severe financial challenges.

Throughout 2025/26 there has been a considerable effort to design an effective form of Local Government Reorganisation (LGR) for Kent & Medway. Sevenoaks District Council has supported a three unitary council option that would see the districts and boroughs of Maidstone, Sevenoaks, Tonbridge & Malling and Tunbridge Wells join with a disaggregated Kent County Council to form a new West Kent authority.

The three unitary council model was one of five different options submitted by Kent councils to the Government in November 2025. The Government has since consulted on those options and their decision on the unitary local government model to be implemented in Kent & Medway is expected in July 2026.

Delivering the change that is ahead effectively will be critical to the hundreds of thousands of residents that rely on County Council and District services.

Whilst Kent & Medway as a whole has worked hard to manage the varying pressures on their budgets, meeting the cost of a transformation programme, whilst keeping services on track and staff retained, engaged and enthused has the potential to be a significant challenge.

## **Revenue**

Each of the reports that enable the Council to set its budgets in a transparent way, with opportunity for Member involvement throughout, were considered by Advisory Committees, Cabinet and Council between September and the budget setting Council meeting in February.

Sevenoaks District Council set its budget for 2025/26 at a meeting of the Council on 25 February 2025.

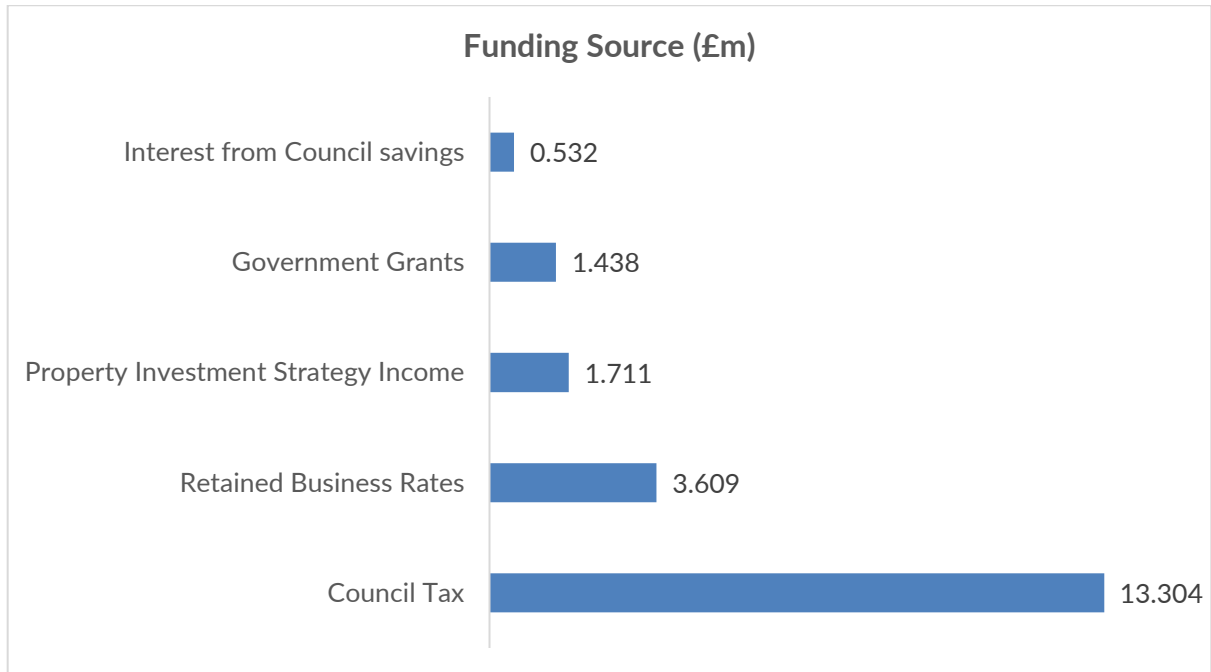
Overall, the Council's net revenue budget was agreed at £20.257m for 2025/2026 (£19.445m in 2024/25).

The final outturn position for 2025/26 is £161,000 unfavourable variance (£103,000 unfavourable variance in 2024/25) which will be funded from the Budget Stabilisation Reserve.

There were no material events after the reporting period.

## 2025/26 Funding sources

**Chart 3:** The chart below illustrates where the Council receives the money it spends.



In addition income from services of £14.6m is budgeted.



## **Borrowing & Investments**

The Council's existing investments within Sevenoaks include office accommodation at Pembroke Road, Suffolk Way and an 80-bedroom hotel. Within Swanley they include Swanley petrol filling station, retail accommodation at 96 The High Street. These are all tenanted and the rents received are assisting to maintain the Council's financial self-sufficiency in response to the removal of government grant contributions to the Council.

The annual income yields for completed schemes range from 7.4% to 9.6% and provided an income of £1.77m for 2025/26, an increase from £1.72m in 2024/25.

To enable other capital schemes to progress, the Property Investment Strategy was removed from the current capital programme as agreed by Council on 16 November 2021. Therefore, in line with Government and CIPFA advice, no further property investments within the strategy will take place.

During 2025/26 the decision was made to progress with a hotel development at Bevan Place, subject to financial viability. The White Oak residential scheme gained planning permission, and progress has been made on the Land East of Sevenoaks High Street scheme with a procurement exercise for a delivery partner. Farmstead Drive will achieve practical completion during 2026/27.

## **Contingencies**

The Council's significant provision relates to Business Rates valuation appeals. Following Business Rates localisation, introduced in 2013, the Council has to set aside a provision for any future successful ratepayer appeals against rateable valuations. The business rates valuation appeals provision is £3.2m at 31 March 2026 (£3.5m at 31 March 2025).

## **Pensions**

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

The Council has net defined pension liabilities of £2.6m compared to £7.1 at 31 March 2025 in the Balance Sheet. This reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested in the pension fund.

The Council's pension fund has to be revalued every three years to set future contribution rates. The last valuation was in November 2025 and reported a funding deficit of £4.63m at 31 March 2025, with the next valuation being due in 2028/29.

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Strategic Head of Finance and Section 151 Officer;
- manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

## The Strategic Head of Finance and Section 151 Officer's Responsibilities

The Strategic Head of Finance and Section 151 Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Strategic Head of Finance and Section 151 Officer has:

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Strategic Head of Finance and Section 151 Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

## The Strategic Head of Finance and Section 151 Officer Certificate

The Accounts present a true and fair view of the financial position as at 31 March 2026 and its income and expenditure for the year ended on that date.



JESSICA BOOTH

Strategic Head of Finance and Section 151 Officer

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

### Comprehensive Income and Expenditure Statement

2024/25			2025/26			
Gross Exp. £'000	Gross Income £'000	Net Exp £'000	Note	Gross Exp £'000	Gross Income £'000	Net Exp £'000
13,053	(10,024)	3,029		9,931	(6,813)	3,119
19,183	(17,469)	1,714		15,740	(13,983)	1,757
2,946	(677)	2,269		2,694	(411)	2,283
2,104	(1,731)	373		1,695	(1,577)	118
19,389	(14,624)	4,765		16,437	(12,492)	3,945
8,316	(4,062)	4,254		10,728	(4,436)	6,291
<b>64,991</b>	<b>(48,588)</b>	<b>16,404</b>	<b>24</b>	<b>57,224</b>	<b>(39,711)</b>	<b>17,513</b>
	(26)					(169)
	5,559					5,949
	-					(108)
	<u>5,533</u>					<u>5,673</u>
	24					(88)
						(897)
	-					-
	(2,032)		11			(1,923)
	214					366
	394		34			(549)
	(830)					(818)
	<u>(2,230)</u>					<u>(228)</u>
						<u>(4,136)</u>
	(1,833)		28			(1,162)
	(18,328)					(19,255)
	(6,798)		28			(1,075)
	(1,733)		28			(5,542)
	<u>(28,692)</u>					<u>(27,034)</u>
						<u>(7,985)</u>
	(1,936)		20			(2,982)
	(1,802)		34			(1,053)
	<u>(3,738)</u>					<u>(4,035)</u>
						<u>(12,020)</u>

## MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves. The Movement in Reserves statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

### Movement in Reserve Statement

Financial Year 2024/25 - Restated								
Notes	General Fund Balance	Earmark'd Reserves Balance	Total General Fund Balance	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2024	(1,800)	(20,204)	(22,004)	(3,690)	(2,017)	(27,710)	(66,450)	(94,160)
<b>Movement in reserves during 2024/25</b>								
(Surplus) or deficit on the provision of services	(8,986)	-	(8,986)	-	-	(8,986)	-	(8,986)
Other Comprehensive Income and Expenditure	(1,935)	-	(1,935)	-	-	(1,935)	(4,917)	(6,852)
<b>Total Comprehensive Income and Expenditure</b>	<b>(10,921)</b>	<b>-</b>	<b>(10,921)</b>	<b>-</b>	<b>-</b>	<b>(10,921)</b>	<b>(4,917)</b>	<b>(15,838)</b>
Adjustments between accounting basis & funding basis under regulations (note 8)	7,424	-	7,424	(1,328)	(318)	5,778	(5,457)	321
<b>Net (Increase)/ Decrease before Transfers to Earmarked reserves</b>	<b>(3,497)</b>	<b>-</b>	<b>(3,497)</b>	<b>(1,328)</b>	<b>(318)</b>	<b>(5,143)</b>	<b>(10,374)</b>	<b>(15,517)</b>
Other transfers to/(from) Earmarked Reserves	3,400	(3,400)	-	-	-	-	-	-
<b>Total transfers to/(from) Earmarked Reserves (Note 9)</b>	<b>3,297</b>	<b>(3,297)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(Increase)/ Decrease in 2024/25</b>	<b>(200)</b>	<b>(3,297)</b>	<b>(3,497)</b>	<b>(1,328)</b>	<b>(318)</b>	<b>(5,143)</b>	<b>(10,374)</b>	<b>(15,517)</b>
Balance at 31 March 2025	(2,000)	(23,501)	(25,502)	(5,018)	(2,334)	(32,854)	(76,824)	(109,678)

Financial Year 2025/26								
Notes	General Fund Balance	Earmark'd Reserves Balance	Total General Fund Balance	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2025	(2,000)	(23,501)	(25,502)	(5,018)	(2,334)	(32,854)	(76,824)	(109,678)
<b>Movement in reserves during 2025/26</b>								
(Surplus) or deficit on the provision of services	(7,985)	-	(7,985)	-	-	(7,985)	-	(7,985)
Other Comprehensive Income and Expenditure	(2,982)	-	(2,982)	-	-	(2,982)	(1,053)	(4,035)
<b>Total Comprehensive Income and Expenditure</b>	<b>(10,967)</b>	<b>-</b>	<b>(10,967)</b>	<b>-</b>	<b>-</b>	<b>(10,967)</b>	<b>(1,053)</b>	<b>(12,020)</b>
Adjustments between accounting basis & funding basis under regulations (note 8)	5,445	-	5,445	188	2,262	7,895	(7,895)	(0)
<b>Net (Increase)/ Decrease before Transfers to Earmarked reserves</b>	<b>(5,521)</b>	<b>-</b>	<b>(5,521)</b>	<b>188</b>	<b>2,262</b>	<b>(3,071)</b>	<b>(8,948)</b>	<b>(12,020)</b>
Other transfers to/from Earmarked Reserves	1,954	(1,954)	-	-	-	-	-	-
<b>Total transfers (to)/from Earmarked Reserves (Note 9)</b>	<b>5,421</b>	<b>(5,421)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(Increase)/ Decrease in 2025/26</b>	<b>(100)</b>	<b>(5,421)</b>	<b>(5,521)</b>	<b>188</b>	<b>2,262</b>	<b>(3,071)</b>	<b>(8,948)</b>	<b>(12,020)</b>
Balance at 31 March 2026	(2,100)	(28,923)	(31,023)	(4,830)	(72)	(35,925)	(85,772)	(121,698)

## **BALANCE SHEET**

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

Restated 31/03/2025		31/03/2026	
£'000	Note		£'000
		<b>Long Term Assets</b>	
87,065	10	Property, Plant and Equipment	90,398
91	10	Surplus Assets	61
-	37	Heritage Assets	-
32,172	11	Investment Property	32,084
-		Intangible Assets	-
9,041	12	Long Term Investments	9,906
8,651	14	Long Term Debtors	8,641
<u>137,020</u>		<b>Total Long Term Assets</b>	<u>141,090</u>
		<b>Current Assets</b>	
-	12	Short Term Investments	-
26	16	Assets held for sale	26
6,667	15	Cash and Cash Equivalents	1,687
4,292	13	Inventories	8,361
5,133	14	Short Term Debtors	8,792
1,439	14	Payments in Advance	1,364
<u>17,557</u>		<b>Total Current Assets</b>	<u>20,230</u>
		<b>Current Liabilities</b>	
(1,643)	17	Receipts in Advance	(1,491)
(284)	28	Revenue Grants Receipts in Advance	(373)
(4,696)	39	Short Term Borrowing	(11,308)
(630)	17	Short Term Lease Liability	(176)
(10,208)	17	Short Term Creditors	(7,105)
(1,984)	18	Short Term Provisions	(1,575)
<u>(19,445)</u>		<b>Total Current Liabilities</b>	<u>(22,028)</u>
<u>(1,888)</u>		<b>Net Current Assets/(Liabilities)</b>	<u>(1,797)</u>
		<b>Long Term Liabilities</b>	
(13,767)	39	Long Term Borrowing	(10,332)
(688)	17	Long Term Lease Liability	(187)
(256)	18	Long Term Provisions	(256)
(7,109)	34	Net Pensions Liability	(3,990)
(3,635)	28	Capital Grants Receipts in Adv.	(2,831)
<u>(25,454)</u>		<b>Total Long Term Liabilities</b>	<u>(17,595)</u>
<u>109,678</u>		<b>Total Net Assets/(Liabilities)</b>	<u>121,698</u>

## BALANCE SHEET (cont)

Restated			
31/03/25			31/03/26
£'000	Note		£'000
		<b>Usable Reserves</b>	
(2,334)	MIRS	Usable Capital Receipts Reserve	(72)
(23,501)	9	Earmarked Reserves	(28,923)
-		Profit and Loss Reserve	-
(5,018)	MIRS	Capital Grants Unapplied	(4,830)
(2,000)	MIRS	General Fund	(2,100)
<u>(32,854)</u>		Subtotal Usable Reserves	<u>(35,925)</u>
		<b>Unusable Reserves</b>	
(35,347)	20	Capital Adjustment Account	(40,210)
(47,731)	20	Revaluation Reserve	(50,351)
-	20	Financial Instruments Adjustment Account	(897)
199	20	Accumulated Absences Act.	284
(1,054)	20	Collection Fund Adj. Account	1,411
7,109	20 & 34	Pensions Reserve	3,990
-	20	Deferred Capital Receipts	-
		Share Capital	
<u>(76,824)</u>		Subtotal Unusable Reserves	<u>(85,772)</u>
<u>(109,678)</u>		Total Reserves	<u>(121,698)</u>

Jessica Booth  
 Strategic Head of Finance and Section 151 Officer  
 2 July 2026

## THE CASH FLOW STATEMENT

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

2024/25			2025/26
£'000	Note		£'000
(8,986)		Net (surplus) or deficit on the provision of services	(7,985)
(2,410)	21	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	17,216
294	21	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	57
(11,102)		Net cash flows from operating activities	9,288
4,199	22	Investing Activities	(804)
1,520	23	Financing Activities	(3,504)
(5,382)		Net (increase) or decrease in cash and cash equivalents	4,981
(1,285)		Cash and cash equivalents at the beginning of the reporting period	(6,667)
(6,667)	15	Cash and Cash Equivalents at the end of the reporting period	(1,687)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Note 1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices are presented more fully in the Comprehensive Income and Expenditure Statement.

#### Expenditure and Funding Analysis

Net Expenditure Chargeable to the General Fund	2024/25		Net Expenditure in the Comprehensive Income and Expenditure Statement		2025/26		Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments between the Funding and Accounting Basis	£000			Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	
2,154	874	3,029	People & Places	2,187	932	3,119	
4,675	(2,961)	1,714	Customer & Resources	4,878	(3,122)	1,757	
7,128	(2,363)	4,765	Finance & Trading	7,413	(3,468)	3,945	
2,364	1,890	4,254	Planning & Regulatory	3,137	3,154	6,291	
1,919	349	2,269	Assistant Chief Executive	2,054	230	2,283	
1,851	(1,478)	373	Strategic Property	1,953	(1,835)	118	
20,091	(3,689)	16,404	Net Cost of Services	21,622	(4,109)	17,513	
(23,588)	(1,800)	(25,389)	Other Income and Expenditure	(27,143)	1,646	(25,498)	
(3,497)	(5,489)	(8,985)	(Surplus) or Deficit	(5,521)	(2,463)	(7,985)	
(22,004)			Opening General Fund Balance	(25,501)			
(3,497)			(Surplus) or Deficit on General Fund Balance in Year	(5,521)			
(25,501)			Closing General Fund Balance at 31 March	(31,023)			

## **Note 2. Accounting Policies**

### **2.1 General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2025/26 financial year and its position at the year end of 31 March 2026. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 and the Service Reporting Code of Practice 2025/26, supported by International Financial Reporting Standards (IFRS).

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.

Going Concern.

- Local authorities that can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis of accounting.

### **2.2 Accruals of Income and Expenditure**

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year.

This policy is consistently applied each year and therefore does not have a material effect on the year's accounts. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **2.3 Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

### **2.4 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

### **2.5 Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are charged an accounting estimate of 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;
- any subsequent reversal of such losses;
- the amortisation of intangible assets attributable to the service;
- any revenue costs which are met from capital resources as Revenue Expenditure Financed from Capital under Statute (REFCUS – see 2.19 below)

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation, and they are therefore reversed through appropriations from the Capital Adjustment Account to the General Fund. However, the Council is required to make an annual contribution from revenue resources to the Capital Adjustment Account to reduce its overall borrowing requirement. This is termed the Minimum Revenue Provision (MRP).

## **2.6 Council Tax and Non-domestic Rates**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

### **Accounting for Council Tax and NDR**

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the 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 authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## **2.7 Provisions Contingent Assets and Liabilities**

### **Provisions**

Provisions are made where an event has taken place on or before the Balance Sheet date:

- that gives the authority a present obligation
- that probably requires settlement by a transfer of economic benefits or service potential, and
- where a reliable estimate can be made of the amount of the obligation.

If it is not clear whether an event has taken place on or before the Balance Sheet date, it is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the Balance Sheet date. The present obligation can be legal or constructive.

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

Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now 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 (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of 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 disclosed in a note to the accounts.

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## **2.8 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, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave) 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 rate applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment

at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority 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 Authority 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 are required to and from the Pensions Reserve 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 amount payable but unpaid at the year-end.

### **Post-employment Benefits**

Employees of the Authority are members of the Local Government Pension Scheme, administered by Kent County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees working for the Authority.

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

The liabilities of the Kent County Council Pension Fund attributable to the Authority are included in the 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 employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

The assets of the Kent County Council Pension Fund attributable to the Authority 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 pensions liability is analysed into components:

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the service for which the employees worked.
  - 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 – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement.
  - Net interest on the defined liability – i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
  
- Remeasurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – 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 last actuarial valuation or because the actuaries have updated their assumptions – charged to the pensions reserve as other comprehensive income and expenditure.
  - contributions paid to the Kent County Council Pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement 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.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary Benefits**

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **2.9 Events After the Reporting Period**

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

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

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

### **2.10 Financial Instruments**

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. This includes trade creditors and loans.

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. The authority holds financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

### **Financial assets measured at fair value through other comprehensive income.**

Financial assets that are measured at FVOCI are recognised on the balance sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

### **Financial Assets Measured at Fair Value through Profit or Loss**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

### **Fair Value Measurements of Financial Assets**

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

### **Expected Credit Loss Model**

The authority recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

### **2.11 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 Authority when there is reasonable assurance that:

- the Authority 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 (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) 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 once they have been applied to fund capital expenditure.

### **2.12 Community Infrastructure Levy**

The authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area.

CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

## **2.13 Inventories**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the following methods. Fuel cost is assigned on a FIFO basis and wood is valued at net realisable value. Properties constructed for resale are carried at cost until completion of construction.

## **2.14 Investment Property**

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 held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. 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 on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The 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 and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **2.15 Leases**

### **The authority as lessee**

The authority classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use.

The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

## Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the authority is reasonably certain to exercise
- lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received.

However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

## Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The authority considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee
- the authority changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

### **Low value and short lease exemption**

As permitted by the Code, the authority excludes leases:

- for low-value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

### **Lease expenditure**

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

### **The authority as lessor**

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.

## **Finance leases**

Where the authority 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 commencement 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. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal 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. 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.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

## **Operating leases**

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease or where this is initiated by a service to the individual service, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are

### **2.16 Overheads and Support Services**

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

### **2.17 Property, Plant and Equipment**

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.

## Recognition

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 Authority 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.

## 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 Authority does not capitalise borrowing costs incurred whilst assets are under construction.

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 Authority). 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 Authority.

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 and expenditure 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 then carried in the Balance Sheet using the following measurement basis:

- infrastructure, community assets and assets under construction - in the Code these assets have been consistently required to be measured at depreciated historical cost, but this practice has been subject to modification.
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), and that are measured at depreciated replacement cost (instant build) as an estimate of current value. surplus assets – the current value measurement base is fair value, estimated at the highest and best use from a market participant's perspective.
- all other assets – current value determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for in the following ways:

- 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(s) in the Comprehensive Income and Expenditure Statement.

From 2025/26, revaluations for each class of PPE are undertaken using one of the following:

- A quinquennial revaluation, supplemented by annual indexation in intervening years.
- A rolling programme of revaluations over a five-year cycle, with annual indexation applied to assets during the intervening four years.
- For non-property assets only, appropriate indices.

## **Impairment**

Assets are assessed at each 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 by:

- 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(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) 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 on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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 and Non-current 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 is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line 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 or 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.

When an asset is disposed of or decommissioned, 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. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also 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 received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, 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 authority's underlying need to borrow. 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 non-current 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.

## **2.18 Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement, and employee benefits and do not represent usable resources for the Authority - these reserves are explained in the relevant policies.

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

Expenditure incurred during the year that may be capitalised under statutory provisions but 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 in the year. Where the Authority 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 then reverses out the amounts charged so there is no impact on the level of council tax.

## **2.20 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 (HMRC). VAT receivable is excluded from income.

## **2.21 Heritage Assets**

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies for Property, Plant and Equipment as set out in 2.17.

At present the Council has no material heritage assets.

## **2.22 Fair Value Measurement of Non-Financial Assets**

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings 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
- in the absence of a principal market, in the most advantageous market for the asset.

The authority measures the fair value of an asset using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants

act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in an authority's financial statements are categorised within the fair value hierarchy, as follows:

- level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- level 2 - inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly.
- level 3 - unobservable inputs for the asset or liability.

## **2.23 Group Accounts**

Group Accounts are prepared in accordance with IFRS 10 (consolidated financial statements) and IFRS 12 (disclosure of interest in other entities), where it is considered that the Council has a material interest in subsidiaries.

Where applicable the following principles will be followed:

### **Basis of Consolidation**

Group Accounts will be prepared on the basis of a full consolidation of the financial transactions and balances of the Council and a relevant subsidiary. Any gains and losses arising from a subsidiary will be fully reflected in the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement and Cashflow Statement within the Group column.

### **Accounting Policies**

Group Accounts will be prepared using consistent accounting policies where possible; where there are conflicting policies with IFRS requirements, then the requirements of the Code of practice for Local Authority accounting will be adopted for consolidation purposes.

Where Intra-group charges occur, they will be removed during consolidation of the accounts.

The decision to group account is determined by Qualitative and Quantitative materiality, therefore when considering whether to group, not only the values are relevant, the interest to all stakeholders is also taken into account.

## **2.24 Interests in companies and other entities**

Where the authority has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.



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

- Paragraph 3.3.2.13 of the Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.
- Paragraph 3.3.4.3 and Appendix C of the Code adapt IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* on an annual basis to limit the impact of standards that have been issued but not yet adopted to those listed in Appendix C of the Code in the relevant year of account (in this case the 2025/26 Code). This means that only the standards listed in paragraph below are included in the requirements for IAS 8 for standards that have been issued and not yet adopted.

There are no new standards that have been issued but not yet adopted which are expected to have a material impact on the Council's financial statements.

### **Note 4. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

#### **4.1 Other Judgements**

- Preparation of Group accounts as detailed in 2.23 and Group Accounts Section
- Construction of Properties for re-sale. This is where properties are built and sold with the sole purpose of providing financing for capital schemes. Where it is the intention of the Council to obtain economic benefit within one period from the sale of property (capital use) rather than over a period of time from rental (operational use) the code required these assets to be treated as inventory. Therefore, when determining whether the construction of assets should be treated as capital or operational the Council must account for them based on final intended use. In funding this type of capital scheme, a statutory provisions for Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012 (SI 2012/265). Regulation 7b of SI 2012/265 has been applied meaning that expenditure is deemed to be capital under statute and the related receipts from the disposals are capital receipts.

### **Note 5. Prior Period Adjustment**

There have been adjustments made to Fixed Asset Balances and Leases information for the prior year. The Balance Sheet has therefore been restated to reflect the following changes. The table below lists the changes to the 2024/25 figures.

	Previously Published Figure £'000	Amended Figure £'000	Change £'000	Comments
<b>Long Term Assets</b>				
Property, Plant and Equipment	83,230	87,065	3,835	Changes due to Fixed Asset valuation amendments
Long Term Debtors	8,661	8,651	- 10	Amendments due to implementation of IFRS16
<b>Current Assets</b>				
Inventories	4,615	4,292	- 323	Changes due to Fixed Asset valuation amendments
Short Term Debtors	5,192	5,133	- 59	Amendments due to implementation of IFRS16
<b>Current Liabilities</b>				
Short Term Lease Liability	- 372	- 630	- 259	Amendments due to implementation of IFRS16
<b>Long Term Liabilities</b>				
Long Term Lease Liability	- 621	- 688	- 67	Amendments due to implementation of IFRS16
<b>Unusable Reserves</b>				
Capital Adjustment Account	- 30,965	- 35,347	- 4,382	Changes due to Fixed Asset valuation amendments
Revaluation Reserve	- 48,927	- 47,731	1,196	Changes due to Fixed Asset valuation amendments
Deferred Capital Receipts	-70	-	70	Changes due to implementation of IFRS16

## Note 6. Events After the Reporting Period

The statement of accounts was authorised for issue by the Strategic Head of Finance and Section 151 Officer on 2<sup>nd</sup> July 2026. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2026, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## Note 7. Notes to the Expenditure and Funding Analysis

### Adjustments between Funding and Accounting Basis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund Balance to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2024/25	Adjustments for Capital £'000s	Net change for the Pensions adjustments £'000s	Other Statutory Adjustments £'000s	Other Differences £'000s	Total £'000s
People & Places	401	316	-	157	874
Customer & Resources	113	331	-	(3,406)	(2,961)
Finance & Trading	294	(3,354)	-	697	(2,363)
Planning & Regulatory	512	624	-	753	1,890
Assistant Chief Executive	-	236	-	113	349
Strategic Property	(484)	143	-	(1,136)	(1,478)
Net Cost of Services	836	(1,704)	-	(2,822)	(3,689)
Other Income and Expenditure from the Expenditure and Funding Analysis	(4,579)	(394)	351	2,822	(1,800)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	(3,743)	(2,098)	351	-	(5,489)

## Adjustments between Funding and Accounting Basis (cont)

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2025/26	Adjustments for Capital £'000s	Net change for the Pensions adjustments £'000s	Other Statutory Adjustments £'000s	Other Differences £'000s	Total £'000s
People & Places	695	270		(32)	932
Customer & Resources	112	273		(3,507)	(3,122)
Finance & Trading	70	(2,902)		(635)	(3,467)
Planning & Regulatory	1,305	534		1,315	3,154
Assistant Chief Executive	11	188		31	229
Strategic Property	(975)	121		(981)	(1,835)
<b>Net Cost of Services</b>	<b>1,218</b>	<b>(1,517)</b>	<b>-</b>	<b>(3,811)</b>	<b>(4,109)</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>(1,668)</b>	<b>-</b>	<b>(497)</b>	<b>3,811</b>	<b>1,646</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services</b>	<b>(450)</b>	<b>(1,517)</b>	<b>(497)</b>	<b>-</b>	<b>(2,463)</b>

### Note 8. 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 authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the authority 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

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority 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 (or the deficit of resources that the Council is required to recover) at the end of the financial year.

#### Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or 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.

#### Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received

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

### Adjustments Between Accounting Basis and Funding Regulations

Adjustments between Accounting Basis and Funding Basis under Regulations 2025/26	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:				
Charges for depreciation and impairment of non-current assets	(1,863)	-	-	1,863
Revaluation gain on Property, Plant and Equipment	3,233	-	-	(3,233)
Movements in the market value of Investment Properties	(88)	-	-	88
Disposal of Inventory recognised as Capital Under Statute	-	-	-	-
Capital grants and contributions applied	5,763	-	-	(5,763)
Repayment of internal borrowing	141	-	-	(141)
Movement in Fair Value of Long Term Investments	897	-	-	(897)
Reduction in Liability for Lease Payments made in year	109	-	-	(109)
	-	-	-	-
<b>Non Specific Capital Grants</b>	<b>(5,261)</b>	-	-	
Revenue expenditure funded from capital under statute	-	-	-	-
Write out of Inventory recognised as Capital under statute	-	-	-	-
Amount of non-current assets written off on disposal or sale as part of the (gain) /loss on disposal to Comprehensive Income and Expenditure Statement	-	-	-	-
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements.	-	-	-	-
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:</b>				
Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve	57	(57)	-	-
Administrative costs of non current asset disposals (funded by a contribution from the Capital Receipts Reserve	580	-	-	(580)
Capital expenditure charged against the General Fund Balance	684	-	-	(684)
Statutory provision for the repayment of debt	(191)	-	191	-
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,353	-	(3)	(1,350)
Application of grants to Capital Financing	-	-	-	-

## Adjustments Between Accounting Basis and Funding Regulations (cont)

Adjustments between Accounting Basis and Funding Basis under Regulations 2025/26 (continued)	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	546	2,290	-	(2,836)
Disposal of Inventory (Capital Under Statute)	-	-	-	-
	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(30)	30	-	-
	-	-	-	-
Adjustments primarily involving the Pensions Reserve	-	-	-	-
	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(2,541)	-	-	2,541
	-	-	-	-
Employer's pensions contributions and direct payments to pensioners payable in the year	4,607	-	-	(4,607)
	-	-	-	-
Adjustments primarily involving the Collection Fund Adjustment Account	-	-	-	-
	-	-	-	-
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(411)	-	-	411
	-	-	-	-
Amount by which Business Rate income credited to the Comprehensive Income and Expenditure Statement is different from Business Rate income calculated for the year in accordance with statutory requirements	(2,054)	-	-	2,054
	-	-	-	-
Adjustments primarily involving the Accumulated Absences Account	(86)	-	-	86
	-	-	-	-
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from Remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-
	-	-	-	-
<b>Total Adjustments</b>	<b>5,445</b>	<b>2,262</b>	<b>188</b>	<b>(7,895)</b>

## Note 9. Movement in Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2024/25 and 2025/26.

	Balance at 31/03/2024 £'000	Transfers Out 2024/25 £'000	Transfers In 2024/25 £'000	Balance at 31/03/2025 £'000	Transfers Out 2025/26 £'000	Transfers In 2025/26 £'000	Balance at 31/03/2026 £'000
<b>Useable Reserves</b>							
Budget Stabilisation	(7,283)	1,077	(5,400)	(11,606)	750	(3,455)	(14,312)
Financial Plan	(3,796)	783	(64)	(3,077)	2,226	(2,276)	(3,127)
Business Rates Retention	(1,431)	1,238	-	(193)	-	(2,054)	(2,247)
Waste and Recycling	-	-	-	-	-	(1,093)	(1,093)
Homelessness Prevention	(577)	771	(825)	(631)	542	(858)	(945)
Vehicle Renewal	(1,078)	570	(883)	(1,392)	1,014	(432)	(809)
Property Investment Strategy Maintenance	(545)	-	(90)	(634)	100	(113)	(647)
Planning and Regulatory Services	(170)	234	(519)	(455)	499	(691)	(647)
Housing and Commercial Growth Fund	(566)	-	-	(566)	-	-	(566)
Carry Forward Items	(1,290)	624	(195)	(860)	735	(438)	(564)
IT Asset Maintenance	(579)	7	(33)	(605)	42	-	(562)
Asset Maintenance	(500)	-	(8)	(508)	-	(8)	(516)
Pension Fund Valuation Adj.	(338)	-	(28)	(366)	-	(28)	(394)
On Street Parking Reserve	(127)	41	(148)	(234)	26	(91)	(299)
Action and Development	(296)	-	-	(296)	-	-	(296)
Local Plan	(127)	250	(486)	(363)	679	(585)	(268)
People and Places	(226)	15	-	(211)	46	(98)	(263)
Vehicle Insurance	(243)	-	(13)	(256)	-	(4)	(260)
Climate Change	(157)	37	(80)	(200)	85	(129)	(244)
District Elections	(85)	-	(52)	(137)	-	(33)	(170)
Housing Benefit Subsidy	(36)	593	(558)	(1)	265	(382)	(117)
Private Sector Repairs and Improvements	(6)	-	(77)	(83)	-	(17)	(100)
Other	(747)	141	(221)	(827)	867	(516)	(475)
	(20,203)	6,381	(9,680)	(23,501)	7,876	(13,301)	(28,923)
<b>General Fund</b>	(1,800)	-	(200)	(2,000)	-	(100)	(2,100)
<b>Total</b>	(22,003)	6,381	(9,880)	(25,501)	7,876	(13,401)	(31,023)
<b>Net Movement</b>			(3,499)			(5,525)	

The purpose of these usable reserves is shown below:

- Budget Stabilisation - To support decisions required to continue to produce a balanced budget in future years in spite of expected funding reductions.
- Financial Plan - Funds that support the 10-year budget strategy.
- Waste and Recycling - Funds the new Waste and Recycling strategy
- Homelessness - To assist in the delivery of the Homelessness Reduction Act
- Vehicle Renewal - Funding for future commercial vehicle replacements.
- Property Investment Strategy Maintenance - To fund future maintenance and void periods.
- Planning & Regulatory Services - To fund ongoing and future projects.
- Housing and Commercial Growth Fund - To fund projects as part of the West Kent Partnership within the district.
- Carry Forward Items - For specific items agreed by Cabinet.

- IT Asset Maintenance – To fund future IT asset maintenance costs.
- Asset Maintenance – To fund emergency asset maintenance works.
- Pension Fund - To contribute towards any future downturns in the pension fund following actuarial.
- On street Parking – To comply with the requirements of the Traffic Management Act 2004 and our on-street parking agency agreement with Kent County Council
- Action and Development - To fund ad hoc expenditure e.g. resulting from an emergency.
- Local Plan - To help support the Local Plan
- People and Places - To fund ongoing and future projects.
- Vehicle Insurance - Provides own damage cover on the Council’s commercial vehicle fleet.
- Climate Change - The Council aims to be carbon neutral by 2030 and this reserve will be used to fund expenditure to achieve that target. Business Rates Retention- To manage the volatility in yearly cash flows in the Collection Fund caused by the complexities in the Business Rates Retention Scheme.
- District Elections - To fund future District Elections
- Housing Benefit – To hold timing differences in Housing Benefit Subsidy
- Private Sector Repairs and improvements – to hold recycled grants to fund repairs and improvements.
- Other - Other small reserves set aside.

## Note 10. Property, Plant and Equipment

### Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- other land and buildings – 30–55 years
- vehicles, plant, furniture & equipment – 10% to 35% of carrying amount.

### Movements on Balances

	Land and Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Movements in 2024/25:						
Cost or Valuation						
At 1 April 2024	80,720	8,279	211	1,026	1,250	91,486
Additions	1,000	437	-	-	283	1,719
Revaluation increases/ (decreases) recognised in:						
- Revaluation Reserve	1,038	-	-	-	-	1,038
- Surplus or Deficit	1,038	-	-	-	-	1,038
Derecognition – Disposals	-	(21)	-	-	-	(21)
Derecognition – Other	-	-	-	-	-	-
Reclassifications in PPE	(249)	-	-	(935)	1,184	-
Reclassifications to/from inventory	-	-	-	-	-	-
Other movements in cost or valuation	(127)	-	-	-	-	(127)
At 31 March 2025	83,421	8,694	211	91	2,716	95,133
Accumulated Depreciation and Impairment						
At 1 April 2024	(443)	(5,381)	-	-	-	(5,824)
Depreciation Charge	(1,084)	(1,195)	-	-	-	(2,280)
Depreciation written out to the						
- Revaluation Reserve	-	-	-	-	-	-
- Surplus or Deficit on the provision of services	-	-	-	-	-	-
Derecognition – Disposals	-	-	-	-	-	-
Derecognition – Other	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Other movements in depreciation and impairment	127	-	-	-	-	127
At 31 March 2024	(1,400)	(6,577)	-	-	-	(7,977)
Net Book Value						
As at 31 March 2025	82,021	2,117	211	91	2,716	87,156

	Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
Movements in 2025/26:						
Cost or Valuation						
At 1 April 2025	83,421	8,694	211	91	2,716	95,133
Additions	703	994	45	-	672	2,413
Revaluation increases/ (decreases) recognised in:						
- Revaluation Reserve	2,296	-	-	(30)	804	3,070
- Surplus or Deficit	163	-	-	-	-	163
Derecognition – Disposals	-	-	-	-	-	-
Derecognition – Other	-	-	-	-	-	-
Reclassifications in PPE	-	-	-	-	-	-
Reclassifications to/from inventory	-	-	-	-	-	-
Other movements in cost or valuation	(1,753)	(480)	-	-	-	(2,233)
At 31 March 2026	84,830	9,208	256	61	4,192	98,546
Accumulated Depreciation and Impairment						
At 1 April 2025	(1,400)	(6,577)	-	-	(0)	(7,977)
Depreciation Charge	(1,093)	(770)	-	-	-	(1,863)
Depreciation written out to the						
- Revaluation Reserve	-	-	-	-	-	-
- Surplus or Deficit on the provision of services	-	-	-	-	-	-
Derecognition – Disposals	-	-	-	-	-	-
Derecognition - Other	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Other movements in depreciation and impairment	1,753	-	-	-	-	1,753
At 31 March 2026	(740)	(7,347)	-	-	(0)	(8,087)
Net Book Value						
As at 31 March 2026	84,090	1,862	256	61	4,191	90,459

## Capital Commitments

At 31 March 2026, the capital commitments outstanding on capital contracts were approximately £23.9m.

## Non-operational property, plant and equipment (Surplus Assets)

Details of the authority's Surplus Assets

	31st March 2025	31st March 2026
	£'000	£'000
<b>Surplus Assets</b>		
Quoted Prices in active market for identical assets (Level 1)	-	-
Other significant observable inputs (Level 2)	91	61
Significant un-observable inputs (Level 3)	-	-
Fair Value	<u>91</u>	<u>61</u>

The following significant observable inputs were used to determine the level 2 fair value for Surplus Assets.

The fair value of the authority's Surplus Assets is measured as part of the valuation rolling programme. All valuations are carried out by external valuers in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

### Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value or current value (for EUV assets) is revalued at least every five years. Each class of asset is valued at the same time.

The freehold and leasehold properties which comprise the Authority's property portfolio have been valued as at 31st March 2026, by external independent valuers, Wilks, Head and Eve, Chartered Surveyors.

Plant and machinery that forms part of a building is included in the valuation.

Properties regarded by the Authority as operational were valued on the basis of Existing Use Value or where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost. Useful economic lives for these properties are generally 35 years.

Properties regarded by the Authority as investment properties have been valued on the basis of market value, again with useful economic lives of generally 35 years.

Vehicles, plant, and equipment in the balance sheet relate to the Council's commercial vehicle fleet, computer equipment, fitness equipment in the leisure centres, air quality monitoring

equipment, CCTV equipment and playground equipment. Most equipment is depreciated over 5 years, with larger commercial vehicles over 7 years or, exceptionally, 10 years.

Assets are revalued over a 5-year rolling programme where appropriate.

Year of Valuation	Assets within the following classifications may have been revalued in year
2025/26	Car parks, Property Plant & Equipment, Offices, Depots and some Leisure facilities
2024/25	Car parks, Amenity Land, Property Plant & Equipment, some Leisure facilities
2023/24	Car parks, Property Plant & Equipment
2022/23	Car parks, Amenity Land, Community Offices and Surplus Operational Assets
2021/22	Car parks, Amenity Land, Community Offices and Surplus Operational Assets
2020/21	Car parks; Amenity Land, Playgrounds and Surplus Operational Assets
2019/20	Amenity Land, Car Parks and Community Offices
2018/19	Amenity Land, Car Parks and Community Offices

The following statement shows the progress on the Council's rolling programme for the revaluation of Property, Plant and Equipment:

	Land & Buildings	Vehicles, Plant & Equip-ment	Comm-unity Assets	Assets Under Con-struction	Surplus Assets	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost:	13,126	1,862	256	2,537	-	<b>17,780</b>
Valued at current value in:	-	-	-	-	-	
	-	-	-	-	-	
2025/26	20,285	-	-	1,654	61	<b>21,999</b>
2024/25	21,476	-	-	-	-	<b>21,476</b>
2023/24	29,204	-	-	-	-	<b>29,204</b>
2022/23	-	-	-	-	-	-
2021/22	-	-	-	-	-	-
<b>Total</b>	<b>84,090</b>	<b>1,862</b>	<b>256</b>	<b>4,191</b>	<b>61</b>	<b>90,459</b>

## Note 11. 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.

	2024/25 £'000	2024/25 £'000
Rental income from investment property	(2,301)	(2,384)
Direct operating expenses from investment property	269	612
Net income from Investment Properties	<u>(2,032)</u>	<u>(1,772)</u>

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or to make repairs, maintenance, or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2024/25 £'000	2025/26 £'000
Balance at start of the year	32,148	32,172
Purchases	-	-
Reclassifications	-	-
Disposals	-	-
Net Gains/ (losses) from fair value adjustment	24	(88)
	<u>32,172</u>	<u>32,084</u>

Details of the authority's Investment Properties and information about the fair value hierarchy at 31 March 2026 are as follows:

	31 March 2025 £'000	31 March 2026 £'000
<b>Investment Property</b>		
Quoted Prices in active market for identical assets (Level 1)		
Other significant observable inputs (Level 2)	32,196	32,084
Significant un-observable inputs (Level 3)		
Total Fair Value	<u>32,196</u>	<u>32,084</u>

The observable inputs used for the fair value calculation for Investment properties are the same as previously stated for Surplus Assets.

Properties are subject to leases with varying review dates.

The fair value of the authority's Investment Properties is measured annually. All valuations are carried out by external valuers in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The valuers work closely with finance officers reporting directly to the Corporate Director – Finance & Trading on a regular basis regarding all valuation matters.

## Note 12. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

## Categories of Financial Assets

	Long Term				Short Term			
	Investments		Debtors		Investments		Debtors	
	2024/25 £'000	2025/26 £'000	2024/25 £'000	2025/26 £'000	2024/25 £'000	2025/26 £'000	2024/25 £'000	2025/26 £'000
FVPL	5,050	5,947						
Amortised cost			8,619	8,641	-	-	2,321	2,390
Total Financial Assets	<u>5,050</u>	<u>5,947</u>	<u>8,619</u>	<u>8,641</u>	<u>-</u>	<u>-</u>	<u>2,321</u>	<u>2,390</u>
Non-Financial Assets			115,535	122,543			8,951	16,153
Total			<u>129,204</u>	<u>137,131</u>			<u>11,272</u>	<u>18,544</u>

## Categories of Financial Liabilities

	Long Term				Short Term			
	Borrowings		Creditors		Borrowings		Creditors	
	2024/25 £'000	2025/26 £'000	2024/25 £'000	2025/26 £'000	2024/25 £'000	2025/26 £'000	2024/25 £'000	2025/26 £'000
Amortised cost	(13,766)	(10,331)	(330)	(1)	(4,696)	(11,308)	(7,625)	(13,500)
Total Financial Liabilities	<u>(13,766)</u>	<u>(10,331)</u>	<u>(330)</u>	<u>(1)</u>	<u>(4,696)</u>	<u>(11,308)</u>	<u>(7,625)</u>	<u>(13,500)</u>
Non-Financial Liabilities			(11,621)	(7,264)			(5,786)	2,780
Total			<u>(25,387)</u>	<u>(17,596)</u>			<u>(19,542)</u>	<u>(22,028)</u>

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

	2024/25		2025/26	
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£'000	£'000	£'000	£'000
Interest and Expense Recognised				
Interest revenue				
financial assets measured at Amortised cost	(831)		(702)	
Total interest revenue	<u>(831)</u>	<u>-</u>	<u>(702)</u>	<u>-</u>
Interest expense	<u>292</u>		<u>522</u>	

## Fair Value

Some of the authority's financial assets are measured at fair value on a recurring basis and described in the following table, including the valuation technique used to measure them:

	Input level in fair value hierarchy	Valuation technique	As at 31/3/25 £'000	As at 31/3/26 £'000
FVPL				
UK Municipal Bond Agency	Level 3	Cost	50	50
Multi Asset Income Funds	Level 1	Market	5,164	5,897

Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For both non-PWLB loan payable and the loan from the PWLB new loan rate has been applied to provide the fair value.
- For loans receivable 24 months Investment market rates have been used to provide fair values.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months (investments) or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

	Input level in fair value hierarchy	2024/25		2025/26	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£'000	£'000	£'000	£'000
<b>Financial liabilities</b>					
PWLB Borrowings	Level 2	(10,732)	(9,321)	(8,216)	(8,162)
Other Local Authorities Borrowings	Level 2	(3,034)	(3,124)	-	-
Short term creditors	Level 2	(7,637)	(7,637)	-	-
<b>Financial Assets</b>					
Financial Institutions (banks)	Level 2	-	-	-	-
Building Societies	Level 2	-	-	-	-
Other Local Authorities	Level 2	-	-	-	-
Money Market Funds	Level 2	5,735	5,735	1,000	1,000
Long term debtors	Level 2	8,641	7,682	8,641	7,074
Short term debtors	Level 2	2,390	2,390	2,390	2,390

The fair values calculated for financial assets and financial liabilities that are not measured at fair value are disclosed below.

The fair value of liabilities is lower than the carrying amount because the Council's portfolio of loans includes fixed rates loans where the interest rate payable is lower than the rates available for similar loans in the market at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2026) arising from a commitment to pay interest to lenders below current market rates.

The fair value of the PWLB loan £8.162m measures the economic effect of terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loan under the agreement with the PWLB, against what would be paid if the loan was at the current PWLB new loan rate.

The fair value of assets is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for investments the Council would be allowed to make in accordance with the Council's Investment Policy at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2026) arising from a commitment to receive interest from borrowers below current Investment market rates.

## **Disclosure of nature and extent of risks arising from financial instruments**

The Authority's activities expose it to a variety of financial risks:

- 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 the funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate or stock market movements.

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.

Risk management is carried out by treasury management officers under policies approved by the Council in the annual treasury management strategy. The Council maintains written principles for overall risk management, as well as written 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 & 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 its treasury management consultant, Link Asset Services. This service uses a sophisticated modelling approach that combines credit ratings from the above-mentioned rating agencies as the core element with other subjective overlays. In addition, the Council has the following policies:

- Maximum investment period of two years.
- Lending to Building Societies restricted to those Societies having assets in excess of £3bn with a maximum investment period of 1 year if the Society does not satisfy the creditworthiness modelling approach.
- No more than £7m per counterparty. For Building Societies, the limit is £5m where the Society satisfies the creditworthiness modelling approach, or £3m if it doesn't.

Investments are limited to 25% of the total fund to any single institution or institutions within a group of companies.

Total investments in any one country outside of the UK, is limited to 15% of the total fund. Investment in non-UK banks is subject to prior approval by Committee.

The Strategy also permits investment with other local authorities and the UK Government's Debt Management Office for periods up to 2 years and six months respectively. Money Market Funds and Enhanced Money Market Funds are also utilised with a combined maximum deposit of £5m per provider. Multi Asset Income Funds are also used for long term investment with a maximum of £5m invested.

The full investment strategy for 2025/26 was approved by Council on 25 February 2025. There were no breaches of the Council's counterparty criteria during the reporting period.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £0.7m at 31 March 2026 cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2026 that this was likely to crystallise.

The Council calculates impairment losses to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on basis of 12-month expected losses. Only lifetime losses are recognised for trade receivables held by the authority.

The changes in loss allowances for the trade receivables during the year are shown in the table below:

	Input level in fair value hierarchy	2024/25		2025/26	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£'000	£'000	£'000	£'000
<b>Financial liabilities</b>					
PWLB Borrowings	Level 2	3,034	(9,321)	(8,216)	(8,162)
Other Local Authorities Borrowings	Level 2	(3,034)	(3,124)	-	-
Short term creditors	Level 2	(10)	(10)	-	-
<b>Financial Assets</b>					
Financial Institutions (banks)	Level 2	-	-	-	-
Building Societies	Level 2	-	-	-	-
Other Local Authorities	Level 2	-	-	-	-
Money Market Funds	Level 2	5,735	5,735	1,000	1,000
Long term debtors	Level 2	8,641	7,682	8,641	7,074
Short term debtors	Level 2	2,390	2,390	2,390	2,390

	Lifetime ECL - simplified approach	Total
	£'000	£'000
Opening Balance as at 01/04/24	(47)	(47)
Trade debtors: individual assessment	-	-
Trade debtors: collective assessment	(7)	(7)
Amounts written-off	15	15
Balance as at 31/03/25	(39)	(39)
Trade debtors: individual assessment	-	-
Trade debtors: collective assessment	-	-
Amounts written-off	10	10
Balance as at 31/03/26	(29)	(29)

## 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 strategy reports), as well as through a comprehensive cash flow management system, as required by

the CIPFA Treasury Management 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. Thus, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to

borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The authority will therefore look to spread the maturity dates of borrowing wherever possible. The maturity analysis of financial liabilities is as follows:

2024/25 £'000		2025/26 £'000
( 12,333)	Less than one year	( 24,808)
( 2,600)	Between one and two years	( 2,600)
-	Between two and five years	-
( 11,495)	More than five years	( 7,732)
<u>( 26,428)</u>	Total	<u>( 35,139)</u>

## Market Risk

### Interest Rate Risk

Upwards or downwards movements in interest rates may have a complex impact on the Council. 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 (but no impact on revenue balances).

Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and

Investments at fixed rates – the fair value of the assets will fall (but no impact on revenue balances).

The treasury management team has an active strategy for assessing interest risk exposure that feeds into the setting of the annual budget.

**Price Risk**

The Council does not invest in equity shares or marketable bonds for trading purposes and is not, therefore, exposed to losses arising from movements in prices.

**Foreign Exchange Risk**

The Council has no financial assets or liabilities denominated in foreign currencies. It, therefore, has no exposure to loss arising from movements in exchange rates.

### Note 13. Inventories

This refers to stocks of salt and fuel held at the Dunbrik depot and wood stocks at Farningham Woods. Properties constructed for resale relates to residential properties that are built for the purposes of resale in order to fund capital schemes. Further details can be found in Note 4.1.

	Property constructed for resale	Other Inventory	Total	Property constructed for resale	Other Inventory	Total
	2024/25	2024/25	2024/25	2025/26	2025/26	2025/26
	£'000	£'000	£'000	£'000	£'000	£'000
Balance outstanding at start of the year	5,708	48	5,756	4,256	37	4,293
Purchases	3,092	345	3,437	4,061	435	4,496
Reclassified to Inventory	-	-	-	-	-	-
Reclassified to other	(323)	-	(323)	-	-	-
Disposals	(4,221)	-	(4,221)	-	-	-
Recognised as an expense in the year	-	(356)	(356)	-	(427)	(427)
Balance outstanding at end of the year	4,256	37	4,293	8,316	45	8,361

### Note 14. Debtors

#### Short Term Debtors

31/03/2025		31/03/2026	
£'000		£'000	
714	Central Government Bodies	616	
1,033	Other Local Authorities	1,512	
674	Council Tax Payers	3,642	
1,086	Non Domestic Rate	1,675	
3,065	Other entities and individuals	2,712	
<u>6,571</u>	Total	<u>10,156</u>	

#### Long Term Debtors

31/03/2025		31/03/2026	
£'000		£'000	
8,518	Loans to Subsidiary Companies	8,538	
132	Registered charges and Car Loans	103	
<u>8,650</u>	Total	<u>8,641</u>	

The carrying amount is also deemed to be the fair value (being the amount that the market is willing to exchange assets).

## Note 15. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31/03/2025	31/03/2026
	£'000	£'000
Cash held by the Authority	1	1
Bank current accounts	909	682
Short-term deposits with:		
Money Market Funds	5,757	1,004
<b>Total Cash and Cash Equivalents</b>	<b>6,667</b>	<b>1,687</b>

## Note 16. Assets Held for Sale

	2024/25	2025/26
	£'000	£'000
Balance at start of the year	26	26
Purchases	-	-
Disposals	-	-
Net Gains/ (losses) from fair value adjustment	-	-
Assets newly classified as held for sale	-	-
Reclassifications Other	-	-
	<u>26</u>	<u>26</u>

	Carrying Value	Fair Value	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	£'000	£'000	£'000	£'000	£'000
Assets held for Sale 2025/26	26	26	-	26	-
Assets held for Sale 2024/25	26	26	-	26	-
Assets held for Sale 2023/24	26	26	-	26	-
Assets held for Sale 2022/23	26	26	-	26	-
Assets held for Sale 2021/22	175	175	-	175	-

## Note 17. Creditors and Receipts in Advance

### Short Term Creditors

31/03/2025		31/03/2026
£'000		£'000
( 409)	Central Government Bodies	( 432)
( 1,311)	Other Local Authorities	( 864)
( 73)	Council Tax Payers	
( 6,107)	Non Domestic Rate	( 3,900)
( 2,321)	Other entities and individuals	( 1,909)
<u>( 10,220)</u>	Total	<u>( 7,105)</u>
-	Short Term Lease Liability	( 176)
<u>( 10,220)</u>	Total	<u>( 7,281)</u>

### Short Term Receipts in Advance

31/03/2025		31/03/2026
£'000		£'000
( 87)	Central Government Bodies	( 112)
( 438)	Other Local Authorities	( 51)
( 299)	Council Tax Payers	( 501)
( 931)	Non Domestic Rate	-
( 557)	Other entities and individuals	( 827)
<u>( 2,312)</u>	Total	<u>( 1,491)</u>

## Long Term Creditors

31/03/2025 £'000		31/03/2026 £'000
-	Central Government Bodies	-
-	Other Local Authorities	-
( 1)	Other Entities and Individuals	( 1)
<u>( 1)</u>	Total	<u>( 1)</u>
( 2,600)	Long Term Lease Liability	( 187)
<u>( 2,601)</u>	Total	<u>( 187)</u>

## Note 18. Provisions

The following provisions have been made by the Council:

The carrying amount is also deemed to be the fair value (being the amount that the market is willing to settle liabilities).

	Long Term	Short Term			Total Short Term
	MMI	Accumulated Absences	NDR Appeals	Legal Provision	
	£'000	£'000	£'000	£'000	
Balance at 31 March 2025	256	199	1,387	398	1,984
Additional Provisions made during year	-	-	-	-	-
Amounts Used during the year	-	-	( 97)	( 398)	( 495)
Amounts reversed as not required	-	86	-	-	86
Balance at 31 March 2026	<u>256</u>	<u>284</u>	<u>1,290</u>	<u>-</u>	<u>1,575</u>

Municipal Mutual Insurance Limited (MMI) – MMI was the main local authority insurer for many years up until 1992 when the company failed and went into “run off”. A Scheme of Arrangement was approved in 1994 with the aim of meeting all claims and achieving a solvent run-off. For a number of years, the Administration and Creditors Committee reported that a solvent run-off was likely to be achieved and sought to sell the business to another insurer to bring the arrangement to a conclusion. The settlement of claim is dependant a court ruling as such is dependent on a future event as such due to the uncertainty regarding the MMI figures in the Financial Statements, reflects the best estimate for this provision.

The Accumulated Absences Provision is the opposite of the Accumulated Absences Account included in Unusable Reserves. This absorbs the difference that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March 2026.

NDR Appeals – Business ratepayers can make an appeal against the rateable value attributed to their property by the Valuation Office. Changes brought about by the Business Rates Retention scheme mean that the Council has to provide for its share of the costs arising from

successful appeals.

A legal provision was previously made for a claim against Sevenoaks District Council. Although we are trying to trace insurers for this historic claim it had become apparent that we are likely to need to make a payment in this case. This provision has been utilised during 2025/26.

#### Other Provisions

All other provisions are individually insignificant.

#### **Note 19. Usable Reserves**

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and note 9.

## Note 20. Unusable Reserves

	31/03/2025	Movement	31/03/2026
	£'000	in Year	£'000
		£'000	£'000
Capital Adjustment Account	(35,347)	(4,863)	(40,210)
Revaluation Reserve	(47,731)	(2,620)	(50,351)
Financial Instruments Adjustment Account	-	(897)	(897)
Accumulated Absences Account	198	86	284
Collection Fund Adjustment Account	(1,054)	2,466	1,411
Pensions Reserve	7,109	(3,119)	3,990
Deferred Capital Receipts Reserve	-	-	-
Total Unusable Reserves	<u>(76,825)</u>	<u>(8,948)</u>	<u>(85,772)</u>

### 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. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations 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). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction, and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. 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 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

## Capital Adjustment Account

2024/25 £'000		2025/26 £'000
( 29,722)	Balance at 1 April	( 35,347)
-	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
2,447	Charges for depreciation and impairment of non current assets	1,250
-	Revaluation Losses on Property, Plant and Equipment	-
7,581	Revenue expenditure funded from capital under statute	5,261
-	Disposal of Inventory recognised as Capital Under Statute	-
-	Deferred Capital Receipts movement	-
( 93)	Charges for the change in lease liability	( 109)
( 4,959)	Charges for the recognition of Right-of-use assets	-
4,242	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	-
9,218		6,402
( 1,488)	Adjusting Amounts written out of the Revaluation Reserve	-
7,730	Net Written out amount of the cost of non current assets consumed in the year	6,402
	<b>Capital Financing applied in the year:</b>	
( 3,960)	Use of the Capital Receipts Reserve to finance new capital expenditure	( 2,836)
-	Repayment of Internal borrowing from disposal in inventory	-
( 136)	Repayment of Internal borrowing from revenue	( 141)
( 6,076)	Capital Grants and contributions credited to the Comprehensive Income and expenditure statement that have been applied to capital financing	( 7,052)
-	Non-specific capital grant	-
( 1,950)	Application of Grants to capital financing from the Capital Grants Unapplied Account	( 60)
( 532)	Capital Expenditure charged against the General Fund	( 580)
( 678)	Statutory provision for the repayment of debt	( 684)
( 13,332)		( 11,353)
( 24)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	88
( 35,347)	Balance at 31 March	( 40,210)

## Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority 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, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2024/25			2025/26	
£'000	£'000		£'000	£'000
	(47,466)	Balance at 1 April		(47,731)
(2,508)		Upward Revaluation of Assets	(4,042)	
1,792		Downward Revaluation of Assets and impairment losses not charged to Surplus Deficit on the Provision of Services	973	
	(716)	Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on Provision of Services		(3,070)
	450	Difference between fair value depreciation and historical cost depreciation		450
	-	Accumulated gains on assets sold or scrapped		-
	<u>(47,731)</u>	<b>Balance at 31 March</b>		<u>(50,351)</u>

## Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March 2026. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2024/25		2025/26
£'000		£'000
203	Balance at 1 April	198
-	Settlement or cancellation of accrual made at the end of previous year	-
(4)	Amounts accrued at the current year end	86
-	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-
198	Balance at 31 March	284

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and non-domestic rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2024/25		2025/26
£'000		£'000
425	Balance at 1 April	(1,054)
(1,479)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	2,466
(1,054)	Balance at 31 March	1,411

### Pensions 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 Authority 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 Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Authority 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.

2024/25 £'000		2025/26 £'000
10,205	Balance at 1 April	7,109
(1,802)	Actuarial Gains/(Losses) on pensions assets and liabilities	(1,053)
3,102	Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	2,541
(4,396)	Employer's pensions contributions and direct payments to pensioners payable in the year	(4,607)
7,109	Balance at 31 March	3,990

### 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 Authority 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.

2024/25 £'000		2025/26 £'000
(94)	Balance at 1 April	-
94	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	-
-	Transfer to the Capital receipts reserve upon receipt of cash	-
-	Balance at 31 March	-

## Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account holds the unrealised gains or losses relating to changes in the value of financial instruments.

2024/25 £'000		2025/26 £'000
-	Balance at 1 April	-
-	Upward Change in Market Value of Long Term Assets	( 897)
-	Downward Change in Market Value of Long Term Assets	-
-	Balance at 31 March	( 897)

## Note 21. Cash Flow Statement – Operating Activities

Adjustments to net surplus or deficit on the provision of services for non-cash movements:

2024/25 £'000		2025/26 £'000
( 1,326)	Depreciation	( 1,754)
-	Revaluations	3,145
-	Amortisation	-
-	Increase/(Decrease) in impairment provision for bad debts	( 409)
( 1,159)	(Increase)/Decrease in creditors	( 1,383)
( 1,058)	Increase/(Decrease) in debtors / payments in advance	3,375
( 1,140)	Increase/(Decrease) in stock	4,069
3,096	Pension liability	3,119
( 1,017)	Carrying amount of non-current assets sold	-
676	Other non-cash items charged to the net surplus or deficit on the provision of services	7,054
( 1,928)	<b>Net cashflows from operating activities</b>	<b>17,216</b>

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

2024/25 £'000		2025/26 £'000
-	Purchase of short-term and long-term investments	-
-	Proceeds from short-term and long-term investments	-
294	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	57
<u>294</u>		<u>57</u>

The cash flows for operating activities include the following items:

2024/25 £'000		2025/26 £'000
( 830)	Interest received	( 818)
214	Interest paid	366

## Note 22. Cash Flow Statement – Investing Activities

2024/25 £'000		2025/26 £'000
-	Purchase of property, plant & equipment, investment property and intangible assets	-
-	Purchase of short term and long term investments	-
3,048	Other payments for investing activities	( 1,990)
( 318)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	-
-	Proceeds from sale of short-term and long-term investments	-
1,469	Other receipts from investing activities	1,186
<u>4,199</u>	<b>Net Cash Flow from Investing activities</b>	<u>( 804)</u>

### Note 23. Cash Flow Statement – Financing Activities

2024/25		2025/26
£'000		£'000
1,543	Cash receipts of short and long term borrowing	( 8,000)
-	Other receipts from financing activities	-
( 23)	Cash receipts for finance leases	-
-	Other payments for financing activities	-
	Repayment of short and long term borrowing	4,496
<u>1,520</u>	<b>Net Cash Flow from Financing activities</b>	<u>( 3,504)</u>

### Note 24. Segmental Reporting and Reconciliation to Subjective Analysis

The Council is required to present information on reportable segments. Reporting segments are to be based on an authority's internal management reporting arrangements. The segments are based on Corporate Director responsibilities.

## Note 24.a Subjective Reporting by Directorate segments.

	People & Places	Customer & Resources	Assistant Chief Executive	Strategic Property	Finance & Trading	Planning & Regulatory Services	Total
<b>Chief Officer Income and Expenditure 2024/25</b>							
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Service Income	(7,674)	776	(654)	(1,538)	(7,851)	(3,426)	(20,367)
Grants	3,480	(18,098)	(20)	992	(13)	(130)	(13,789)
Total Income	(4,194)	(17,322)	(674)	(546)	(7,864)	(3,556)	(34,156)
Employee Expenses	2,033	2,854	1,471	1,011	6,537	4,045	17,951
Other Service Expenses	4,315	19,143	1,122	1,386	8,455	1,875	36,296
Total Expenditure	6,348	21,997	2,593	2,397	14,992	5,920	54,247
Net Expenditure	2,154	4,675	1,919	1,851	7,128	2,364	20,091
<b>Chief Officer Income and Expenditure 2025/26</b>							
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Service Income	(4,468)	4,286	(388)	(1,350)	(9,990)	(3,800)	(15,710)
Grants	537	(18,098)	(20)	933	685	345	(15,618)
Total Income	(3,931)	(13,812)	(408)	(417)	(9,305)	(3,455)	(31,328)
Employee Expenses	2,245	2,826	1,457	1,122	6,922	4,505	19,077
Other Service Expenses	3,873	15,865	1,004	1,248	9,796	2,088	33,874
Total Expenditure	6,118	18,691	2,461	2,370	16,718	6,593	52,951
Net Expenditure	2,187	4,879	2,053	1,953	7,413	3,138	21,623

Reporting is made to Corporate Directors and Members on the above segmental basis.

## Note 24.b Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

The reconciliation shows how the figures in the analysis of income and expenditure related to the amounts included in the Comprehensive Income and Expenditure Statement.

2024/25		2025/26
£'000		£'000
20,091	Net Expenditure in Chief Officer Analysis	21,622
(3,689)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(4,109)
-	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement.	-
16,402	Cost of Services in Comprehensive Income and Expenditure Statement	17,513

## Note 24.c Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Corporate Director income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Subjective Analysis 2024/25	Chief Officer Analysis	Amounts not reported to management	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Inc.	(20,367)	(6,948)	-	(27,315)	-	(27,315)
Interest Income	-	-	-	-	(830)	(830)
Investment Income	-	-	-	-	(2,032)	(2,032)
Disposal of Items of Property Plant & Equipment	-	-	-	-	(26)	(26)
Income from Council Tax and NDR	-	-	-	-	(18,328)	(18,328)
Movement on Fair Value of Investment Property	-	-	-	-	24	24
Government Grants and Contributions	(13,790)	-	-	(13,790)	(1,733)	(15,523)
Capital Grants and Contributions	-	(7,483)	-	(7,483)	(1,833)	(9,316)
<b>Total Income</b>	<b>(34,157)</b>	<b>(14,431)</b>	<b>-</b>	<b>(48,588)</b>	<b>(31,556)</b>	<b>(80,144)</b>
Employee Expenses	17,950	(1,598)	-	16,353	394	16,747
Other Service Expenses	36,308	12,737	-	49,045	-	49,045
Depreciation, amortisation and Impairment	-	(373)	-	(373)	-	(373)
Interest Payments & similar payments	-	(33)	-	(33)	214	182
Precepts & Levies	-	-	-	-	5,559	5,559
Appropriations from Capital Reserve	-	-	-	-	-	-
Gain or loss on disposal of non current assets	-	-	-	-	-	-
Capital Grants and Contributions	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>54,258</b>	<b>10,733</b>	<b>-</b>	<b>64,991</b>	<b>6,167</b>	<b>71,158</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>20,101</b>	<b>(3,698)</b>	<b>-</b>	<b>16,403</b>	<b>(25,389)</b>	<b>(8,984)</b>

## Reconciliation to Subjective Analysis (Cont).

Reconciliation to Subjective Analysis 2025/26	Chief Officer Analysis £'000	Amounts not reported to management £'000	Amounts not included in I&E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges & Other Service Inc.	(15,710)	(2,620)	-	(18,330)	-	(18,330)
Interest Income	-	-	-	-	(897)	(897)
Investment Income	-	-	-	-	(818)	(818)
Disposal of Items of Property Plant & Equipment	-	-	-	-	(169)	(169)
Income from Council Tax and NDR	-	-	-	-	(5,969)	(5,969)
	-	-	-	-	1,097	1,097
Movement on Fair Value of Investment Property	-	-	-	-	(88)	(88)
Government Grants and Contributions	(13,899)	-	-	(13,899)	(13,671)	(27,570)
Capital Grants and Contributions	-	(7,483)	-	(7,483)	-	(7,483)
<b>Total Income</b>	<b>(29,609)</b>	<b>(10,103)</b>	<b>-</b>	<b>(39,712)</b>	<b>(20,515)</b>	<b>(60,227)</b>
Employee Expenses	19,077	(1,497)	-	17,580	(549)	17,031
Other Service Expenses	33,873	4,412	-	38,285	-	38,285
Depreciation, amortisation and Impairment	-	1,422	-	1,422	-	1,422
Interest Payments & similar payments	-	(63)	-	(63)	-	(63)
Precepts & Levies	-	-	-	-	5,949	5,949
Appropriations from Capital Reserve	-	-	-	-	-	-
Gain or loss on disposal of non current assets	-	-	-	-	-	-
Capital Grants and Contributions	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>52,950</b>	<b>4,274</b>	<b>-</b>	<b>57,224</b>	<b>5,400</b>	<b>62,624</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>23,341</b>	<b>(5,829)</b>	<b>-</b>	<b>17,512</b>	<b>(15,115)</b>	<b>2,399</b>

Note 24.d Expenditure and Income analysed by nature.

2024/25	Expenditure and Income analysed by nature	2025/26
£'000		£'000
	<b>Expenditure</b>	
16,747	Employee Benefit Expenses	17,031
49,045	Other Service Expenses	38,285
( 373)	Depreciation, amortisation and impairment	1,422
-	Loss on Disposal of non current assets	-
182	Interest payments	( 63)
5,559	Precepts and levies	5,949
-	Appropriations from Capital Reserve	-
<u>71,158</u>	<b>Total Expenditure</b>	<u>62,624</u>
	<b>Income</b>	
( 27,315)	Fees and Charges and other service income	( 18,330)
( 25,126)	Income from Council Tax and Business Rates	( 4,872)
( 15,523)	Government Grants and contributions	( 27,570)
( 2,862)	Interest and Investment income	( 1,715)
( 26)	Gain on disposal of non current assets	( 169)
24	Movement on Fair Value of Investment Property	( 88)
( 9,316)	Capital Grants and Contributions	( 7,483)
<u>( 80,144)</u>	<b>Total Income</b>	<u>( 60,227)</u>
<u>( 8,984)</u>	<b>Net Service cost/income</b>	<u>2,397</u>

## Note 24.e Segmental Income and Expenditure

Income and expenditure on a segmental basis							
2024/25	People & Places	Customer & Resources	Assistant Chief Executive	Strategic Property	Finance & Trading	Planning & Regulatory Services	Total
<b>Expenditure</b>							
Employee Benefit Expenses	2,269	3,150	1,645	1,164	3,566	4,558	16,352
Other Service Expenses	10,454	15,920	1,301	946	16,665	3,758	49,044
Depreciation, amortisation & impairment	329	113	-	(6)	(809)	-	(373)
Interest payments	-	-	-	-	(33)	-	(33)
Total Segmental Expenditure	13,052	19,183	2,946	2,104	19,390	8,316	64,991
<b>Income</b>							
Fees and Charges and other service income	(7,654)	629	(657)	(1,596)	(14,611)	(3,426)	(27,315)
Benefits and other Gov. grants	(2,370)	(18,098)	(20)	(136)	(13)	(636)	(21,273)
Total Segmental Income	(10,024)	(17,469)	(677)	(1,732)	(14,624)	(4,062)	(48,588)
Net Segmental Expenditure	3,028	1,714	2,269	372	4,766	4,254	16,403
Reconciliation to CIES							
Other Income and Expenditure not segmentally reported							(25,390)
Net Service Expenditure							(8,987)

## Note 24.e Segmental Income and Expenditure (cont)

Income and expenditure on a segmental basis							
2025/26	People & Places	Customer & Resources	Assistant Chief Executive	Strategic Property	Finance & Trading	Planning & Regulatory Services	Total
<b>Expenditure</b>							
Employee Benefit Expenses	2,631	3,145	1,726	1,284	3,590	5,203	<b>17,579</b>
Other Service Expenses	6,283	12,483	956	485	12,555	5,524	<b>38,286</b>
impairment	1,017	112	11	(74)	355	-	<b>1,421</b>
Interest payments	-	-	-	-	(63)	-	<b>(63)</b>
Total Segmental Expenditure	9,931	15,740	2,693	1,695	16,438	10,727	<b>57,224</b>
<b>Income</b>							
service income	(4,443)	4,115	(391)	(1,441)	(12,370)	(3,800)	<b>(18,330)</b>
Benefits and other Gov. grants	(2,370)	(18,098)	(20)	(136)	(122)	(636)	<b>(21,382)</b>
Total Segmental Income	(6,813)	(13,983)	(411)	(1,577)	(12,492)	(4,436)	<b>(39,712)</b>
Net Segmental Expenditure	3,118	1,757	2,282	118	3,946	6,291	<b>17,512</b>
Reconciliation to CIES							
Other Income and Expenditure not segmentally reported							<b>(25,497)</b>
Net Service Expenditure							<b>(7,985)</b>

## Note 25. Members' Allowances

The authority paid the following amounts to Members of the Council during the year:

2024/25		2025/26
£'000		£'000
498	Allowances	507
4	Expenses	4
<u>502</u>	Total	<u>511</u>

## Note 26. Officers' Remuneration

The remuneration paid to the Authority's senior employees, being the Head of Paid Service and those officers reporting directly to him, was as follows.

2025/26	Salary £	Bonuses £	Compensation Loss of employment £	Pension £	Other Emoluments £	Total £
Chief Executive - Pav Ramewal	182,115	4,381	-	38,791	-	225,288
Deputy Chief Executive and Chief Officer Finance & Trading	124,169	2,804	-	26,410	-	153,383
Deputy Chief Executive and Chief Officer Customer & Resources	124,169	2,804	-	26,410	-	153,383
Deputy Chief Executive and Chief Officer People & Places	124,169	4,004	-	26,660	-	154,833
Deputy Chief Executive and Chief Officer Planning & Regulatory Services	124,169	2,804	-	26,410	-	153,383
Assistant Chief Executive Transformation and Strategy	106,991	2,375	-	22,748	296	132,410
Strategic Head of Property & Commerical Economic Development and Property	113,950	-	-	23,702	-	137,728
Head of Legal & Democratic Services	94,768	1,949	-	20,117	-	116,835

2024/25	Salary £	Bonuses £	Compensation Loss of employment £	Pension £	Other Emoluments £	Total £
Chief Executive - Pav Ramewal	176,468	4,246	-	37,588	4,510	222,811
Deputy Chief Executive and Chief Officer Finance & Trading	120,318	2,717	-	25,591	-	148,627
Deputy Chief Executive and Chief Officer Customer & Resources	120,318	2,717	-	25,591	800	149,427
Deputy Chief Executive and Chief Officer People & Places	120,318	2,717	-	25,591	-	148,627
Deputy Chief Executive and Chief Officer Planning & Regulatory Services	120,318	2,717	-	25,591	-	148,627
Assistant Chief Executive Transformation and Strategy	103,672	2,301	-	22,042	2,483	130,499
Strategic Head of Property & Commerical Economic Development and Property	111,132	2,099	-	23,552	-	136,783
Head of Legal & Democratic Services	91,830	1,889	-	19,493	-	113,212

The Chief Executive receives other payments for being the Deputy Returning Officer at elections.

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Number of Employees	Remuneration Bands	Number of Employees
2024/25		2025/26
13	50,000 - 55,000	19
7	55,001 - 60,000	10
5	60,001 - 65,000	7
9	65,001 - 70,000	6
1	70,001 - 75,000	-
2	75,001 - 80,000	1
1	80,001 - 85,000	5
1	85,001 - 90,000	1
2	90,001 - 95,000	-
-	95,001 - 100,000	1
-	100,001 - 105,000	-

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the following table:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	24/25	25/26	24/25	25/26	24/25	25/26	24/25	25/26
							£'000	£'000
£0 - £20,000	2	4	11	3	13	7	44	70
£20,001 - £40,000	2	-	-	2	2	2	81	59
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
Over £100k	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4</b>	<b>4</b>	<b>11</b>	<b>5</b>	<b>15</b>	<b>9</b>	<b>125</b>	<b>129</b>

## Note 27. External Audit Fees

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors.

2024/25 £'000		2025/26 £'000
176	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor	163
-	Fees Payable to external auditors in respect of statutory inspections	-
22	Fees payable to external auditors for the certification of grant claims and returns	23
-	Fees payable in respect of other services provided by external auditors during the year	-
24	Other - Prior Year Charges	(26)
<u>222</u>	<b>Total</b>	<u>160</u>

## Note 28. Grant income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure statement:

2024/25 £'000		2025/26 £'000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
(3,157)	S31 Small Business Rate Reduction (DLUHC)	(3,998)
(14)	New Homes Bonus (DLUHC)	(20)
(1,833)	Community Infrastructure Levy	(973)
-	S31 Council Tax Family Annexes (DLUHC)	-
(198)	Revenue Support Grant	(198)
-	Energy Rebate (Non Discretionary)	-
-	Energy Bills Support Scheme	-
-	Alternative Fuels Payment	-
<u>(5,202)</u>	Total	<u>(5,188)</u>
	<b>Credited to Services</b>	
(16,193)	Benefit Subsidy (DWP)	(12,906)
(1,547)	Funding Guarantee	-
-	Funding Floor	(1,047)
-	Employer NI Grant	(171)
-	Refuse & Waste	(1,370)
(211)	Housing Benefit Administration (DWP)	-
(233)	New Burdens (Planning)	(236)
(392)	Housing Support (KCC/Other LA)	(320)
(48)	New Burdens	(47)
	Planning - Other	(176)
(103)	UK Shared Prosperity	(128)
(1,707)	Homelessness (MHCLG/KCC)	(1,583)
(125)	Choosing Health PCT (KCC)	(187)
-	National Heritage	(235)
(318)	Neighbourhood Grant	-
(16)	Services Grant	-
(38)	Net Zero	(102)
-	Audit	(87)
(39)	Domestic Abuse Grant	(54)
(28)	Cyber Support Grant BEIS)	-
(26)	Housing Energy Retraining Options (HERO)	-
-	Warm Homes Local Grant	(65)
(331)	Other	(81)
<u>(21,355)</u>	Total	<u>(18,794)</u>

## Breakdown of Business Rates Grants

2024/25 £'000		2025/26 £'000
	<b>Business Rates</b>	
933	NNDR Safety Net/Levy	<b>1,116</b>
( 971)	NNDR Pool Growth	<b>( 670)</b>
( 226)	NNDR Net (Surplus)/Deficit	<b>( 1,522)</b>
<u>( 264)</u>	<b>Total</b>	<u><b>( 1,076)</b></u>

The authority receives 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 if conditions are not met. The balances at year-end are as follows:

2024/25 £'000		2025/26 £'000
	<b>Capital Grants Receipts in Advance</b>	
( 5,187)	Opening Balance	<b>( 3,635)</b>
( 5,108)	Receipts During the Year	<b>( 4,019)</b>
6,660	Used for Financing	<b>4,823</b>
<u>( 3,635)</u>	<b>Balance</b>	<u><b>( 2,831)</b></u>

The following table shows Capital Grants released for financing.

2024/25 £'000		2025/26 £'000
	<b>Capital Grants and Financing</b>	
( 1,302)	Better Care Fund (KCC)	<b>( 1,437)</b>
( 224)	Home Upgrade/ Warm Homes Grant	<b>( 488)</b>
( 227)	UK Shared Prosperity Fund	<b>( 60)</b>
( 2,376)	Local Authority Housing Fund	<b>( 873)</b>
( 1,397)	KCC Local Authority Housing Fund	-
-	Brownfield Land Release Fund	<b>( 1,000)</b>
( 415)	Rural England Prosperity Fund	<b>( 108)</b>
( 506)	Capital Grants CIL	<b>( 981)</b>
( 563)	Capital Grants S106	<b>( 8)</b>
( 473)	Swimming Pool Support fund	-
-	Food Waste Collection Grant	<b>( 806)</b>
<u>( 7,483)</u>	<b>Total</b>	<u><b>( 5,763)</b></u>

The authority also holds Revenue Grants received in advance as detailed below.

2024/25 £'000		2025/26 £'000
	<b>Revenue Grants Receipts in Advance</b>	
( 284)	Section 106 receipts	( 373)
<u>( 284)</u>	Total	<u>( 373)</u>

## Note 29. Related Party Transactions

The Authority is required to disclose material 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 allows readers to assess 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 bargain freely with the Council.

### Central Government

Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 24 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2026 are shown in Note 28.

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2025/26 is shown in Note 25. Related party disclosure forms were sent to all members and Corporate Directors in respect of the 2025/26 financial year requesting details of any transactions that had taken place between them or close family members.

There were no significant supplier transactions with any counterparties identified as related parties through this process. For completeness a table showing grants paid to these organisation is listed below.

2024/25 £'000	Organisation	2025/26 £'000
25	Kent County Council	0
0	Sevenoaks Town Council	26
51	Swanley Town Council	0
10	Stag Community Arts Centre	0

## Senior Officers

Senior officers of the Council have control over the day-to-day management of the authority. The Chief Executive and Corporate Directors are required to declare any related party transactions. Three officers are Directors of Quercus 7 Limited and Quercus Housing Limited, and the Monitoring Officer is the Company Secretary. There have been no material transactions with any entity that is a related party through senior officer individuals for 2025/26 other than Quercus 7 and Quercus Housing.

## Kent County Council pension fund

See Note 34.

## Quercus 7 Limited and Quercus Housing

Quercus 7 and Quercus Housing are fully owned subsidiaries of the Council. For details see Group Accounts.

## Note 30. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, 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 as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The Capital Financing Requirement is analysed in the second part of this note.

2024/25 £'000		2025/26 £'000
( 52,190)	<b>Opening Capital Financing Requirement</b>	( 52,882)
	Capital Investment:	
1,731	Property Plant and Equipment	2,413
3,092	Inventory	4,061
-	Investment Properties	-
-	Long term debtors relating to capital	-
7,581	Revenue Expenditure Funded from Capital under Statute	5,261
-	Investments	-
<b>12,404</b>		<b>11,736</b>
	<b>Sources of Finance:</b>	
( 3,920)	Capital Receipts	( 2,290)
( 6,504)	Government Grants and other contributions	( 5,763)
( 610)	Sums set aside from revenue	( 580)
-	Repayment of Internal Borrowing	-
-	Capital Reserve	( 1,896)
<b>( 11,034)</b>		<b>( 10,528)</b>
678	MRP for the year	684
<b>( 52,882)</b>	<b>Closing Capital Financing Requirement</b>	<b>( 53,406)</b>

## Note 31 Leases

### Leases Authority as Lessee

The authority's lease contracts comprise leases of operational land and buildings, plant and equipment and motor vehicles.

### Right-of-use assets

The following table provides a summary of the right-of-use assets that are included in the balance sheet, and the movement on these assets. As per the CIPFA code, where possible the Right-of-use of an asset is measured as the present value of the lease payments over the term of the lease. The authority will recognise the right-of-use of leases for nil consideration using the fair value of the asset at the lease commencement, as set out in the CIPFA code.

At 31 March 2026, the authority had one right-of-Use asset leased for nil consideration. The lease of land at Bligh's Meadow, with remaining term of 124 years, was carried at fair value on the Balance Sheet.

	Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Total £000s
<b>Balance at 1 April 2024</b>	-	-	-
Additions	5,398	1,102	6,500
Revaluations	-	-	-
Depreciation and amortisation	- 99	- 100	- 199
Disposals	-	-	-
<b>Balance at 31 March 2025</b>	<b>5,299</b>	<b>1,002</b>	<b>6,301</b>
	-	-	-
<b>Balance at 1 April 2025</b>	<b>5,299</b>	<b>1,002</b>	<b>6,301</b>
Additions	-	56	56
Revaluations	-	480	480
Depreciation and amortisation	- 139	- 341	- 480
Disposals	-	-	-
<b>Balance at 31 March 2026</b>	<b>5,159</b>	<b>237</b>	<b>5,397</b>

## Transactions under leases

The authority incurred the following expenses and cash flows in relation to leases.

2024/25 £000s		2025/26 £000s
<b>Comprehensive income and expenditure statement</b>		
74	Interest expense on lease liabilities	34
-	Expense relating to short-term leases	-
4	Expense relating to exempt leases of low-value items	4
-	Variable lease payments not included in the measure of lease liabilities	-
-	Gains or losses arising from sale and leaseback transactions	-
<b>Cash flow statement</b>		
559	Total Cash (Inflow)/Outflow for leases	675

## Maturity analysis of lease liabilities

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

2024/25 £000s		2025/26 £000s
667	Less than one year	547
655	One to five years	161
-	More than five years	-
<b>1,322</b>	<b>Total undiscounted liabilities</b>	<b>708</b>

## Authority as Lessor

### Finance Leases

Where the Council grants a finance lease over an asset, the relevant asset is written out of the Balance Sheet as a disposal and replaced by a long-term debtor in the Balance Sheet valued on the future income due under the finance lease. This value then reduces over time as principal repayments are made. The authority held no Finance Leases in 2024/25 or 2025/26.

### Operating Leases

The authority leases out land and property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses
- for commercial use

The lease receivables are due to be collected over the following time bands (measured at the undiscounted amounts of expected cash receipts):

2024/25 £000s		2025/26 £000s
1,698	Less than one year	1,648
6,345	One to five years	6,121
13,230	More than five years	11,806
<b>21,273</b>	<b>Total undiscounted receivables</b>	<b>19,575</b>

Transactions under leases

2024/25 £000s		2025/26 £000s
	<b>Operating leases</b>	
1,879	Total lease income	1,783

### Note 32. Impairment Losses

Disclosure is required by class of assets of the amounts for impairment losses and impairment reversals charged to the surplus or deficit on the provision of services and to other comprehensive income and expenditure

During 2025/26 there were no specific impairment events that affected the Council's assets.

### Note 33. Termination Benefits

The Authority terminated the contracts of 9 employees in 2025/26, incurring costs of £129,000 (£125,000 in 2024/25) – see Note 26 for the number of exit packages and total cost per band.

### Note 34. Defined Benefit Pension Schemes

#### Participation in Pension Schemes

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

#### Characteristics of the Defined Benefit Scheme

The Authority participates in the Local Government Pension Scheme, administered by Kent County Council. This is a funded career average (CARE) scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Participation in a defined benefit pension scheme means that the Authority is exposed to a number of risks, statutory changes to the scheme, change to inflation, bond yields and the performance of the equity investments held by the scheme.

- 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, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest Rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities, the value of the assets and liabilities may not move in the same way.
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that assets are not linked to inflation.
- Longevity risk. In the event that the members live longer than assumed, a deficit will emerge in the Fund. There are also other demographic risks.

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

### **Pension related judgements**

The figures represented with these Financial Statements reflect the judgements and their impact on the Pension Fund and accordingly the effect on Sevenoaks District Council.

#### **McCloud / Sargeant**

The "Sargeant Pension Judgement," also often referred to as the "McCloud/Sargeant Judgement," is a 2018 Court of Appeal ruling that found the transitional protection arrangements within the Firefighters' Pension Scheme (where "Sargeant" represents a claimant) to be discriminatory against younger members, essentially stating that the protection offered to older members in the scheme constituted unlawful age discrimination; this ruling applied to other public sector pension schemes as well, including the Judges' Pension Scheme (represented by "McCloud") and impacted how pension reforms were implemented in 2015 across various public sector scheme. The government has implemented changes to public sector pensions to remedy this discrimination

### **Transactions relating to Post Employment Benefits**

The Authority 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 we are required to make against council tax is based on cash payable in the year, so the real cost of post-employment benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure statement and the General Fund balance via the Movement in Reserves Statement during the year:

2024/25 £'000		2025/26 £'000
	<b>Comprehensive Income and Expenditure Statement</b>	
	Cost of Services	
	Service cost comprising:	
2,590	Current Service cost	2,127
-	Past Service costs	-
118	Administrative Expenses	134
394	Net Interest Expense (includes administration expense)	280
3,102	Provision of Services	2,541
	Other post employment charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined liability comprising:	
1,966	Return on plan assets (excluding the amount included in the net interest expense)	( 7,065)
-	Other actuarial (gains)/losses on assets	539
( 357)	Actuarial (gains) and losses arising on change in demographic assumptions	1,830
( 17,389)	Actuarial (gains) and losses arising on changes in financial assumptions	( 4,922)
( 319)	Other	1,152
14,297	Changes in impact of asset ceiling	7,413
( 1,802)	Total post employment benefits charged to the Comprehensive Income and Expenditure statement	( 1,053)
	<b>Movement in Reserves Statement</b>	
	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefit in accordance with the Accounting Code of Practice	( 2,541)
4,396	Actual Amount charged against the General Fund balance for pensions in the year Employers contributions payable to the scheme	4,607

## Pension Assets and Liabilities recognised in the balance Sheet

2024/25 £'000		2025/26 £'000
	<b>Present value of the Defined Obligations</b>	
( 120,679)	Present value of Funded Liabilities	( 121,795)
128,869	Fair Value of plan assets (at bid value)	141,338
8,190	Total Defined Benefit Obligation	19,543
( 1,002)	Present Value of Unfunded Liabilities	( 994)
( 14,297)	Impact of asset ceiling	( 22,539)
( 7,109)	<b>Net defined benefit liability/(asset)</b>	<b>( 3,990)</b>

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

2024/25 £'000		2025/26 £'000
124,581	Opening fair value of scheme assets	128,869
6,114	Interest on assets	7,436
( 1,966)	Return on assets less interest	7,065
-	Other actuarial gains/(losses)	( 539)
( 118)	Administration expense	( 134)
4,396	Contributions from employer	4,607
966	Contributions from scheme participants	999
( 5,153)	Estimated benefits paid plus unfunded net of transfers in	( 6,965)
49	Settlement Prices received/(paid)	-
128,869	Closing Value of scheme assets	141,338

## Reconciliation of the movements in defined benefit obligation

2024/25 £'000		2025/26 £'000
134,786	Opening Defined Benefit Obligation	121,681
2,574	Current Service Cost	2,127
6,508	Interest Cost	6,887
966	Contributions by scheme participants	999
	<b>Remeasurements (gains) and losses:</b>	-
( 17,389)	Change in Financial Assumptions	( 4,922)
( 357)	Change in Demographic assumptions	1,830
( 319)	Experience loss/(gain) on defined benefit obligation	1,152
( 4,993)	Estimated benefits paid net of transfers in	( 6,810)
29	Past service costs including curtailments	-
( 160)	Unfunded pension payments	( 155)
36	Liabilities assumed / (extinguished) on settlements	-
121,681	Closing Defined Benefit Obligation	122,789

## Reconciliation of change in impact of asset ceiling

During the previous financial year, an asset ceiling was introduced in accordance with the requirements of IFRIC 14. The asset ceiling limits the recognition of a surplus in the pension scheme, to the extent that it is recoverable through refunds or reductions in future contributions. Movements for 2025/26 are set out below. This adjustment reflects the portion of the pension scheme surplus that is not considered to be an economic benefit available to the employer.

2024/25 £'000		2025/26 £'000
-	Opening Impact of the asset ceiling	14,297
-	Interest on impact of asset ceiling	829
14,297	Actuarial losses / (gains)	7,413
14,297	Closing Impact of asset ceiling	22,539

## Scheme Assets

The scheme's assets consist of the following categories, by proportion of the total assets held:

31/03/2025 %		31/03/2026 %
57	Equity investments	58
6	Gilts	6
15	Bonds	14
8	Property	10
4	Cash	3
5	Absolute Return Fund	5
5	Infrastructure	4
100	<b>Total</b>	100

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Kent County Council Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2026.

The principal assumptions used by the actuary have been:

2024/25		2025/26
	Mortality Assumptions:	
	Longevity at 65 for current pensioners	
20.7	Men	21.6
23.3	Women	23.9
	Longevity at 65 for future pensioners	
22.0	Men	23.2
24.7	Women	25.6
	Financial Assumptions	
3.20%	Rate of Inflation (RPI)	3%
3.90%	Rate of increase in salaries	4%
2.90%	Rate of increase in pensions	3%
5.80%	Rate for discounting scheme liabilities	6%
	Take-up of option to convert annual pension into retirement lump sum	

Barnett Waddingham estimate the duration of SDC's Employers liabilities at 14 years and the Rate of Inflation (RPI) was 3.30%.

### Return on Assets

The return on the Fund (on a bid value basis) for the year to 31 March 2026 is calculated to be 11.3% based on the Fund asset statements and Fund cashflows. The Employer's share of the assets of the Fund is approximately 1.50%.

### Sensitivity Analysis

The estimation of the defined Benefit Obligation is sensitive to actuarial assumptions. The financial impact on the Defined Benefit Obligation in the scheme to variances in those assumptions are given in the following table. These assumptions are based on the present value of the total obligation of £121.8m.

### Projected Pension Expense for the year to 31 March 2027

	2026/27 Projection £'000
Service Cost	1,979
Net interest on the defined liability	128
Administration expense	132
Total	2,239
Employer Contributions	3,709

## Note 35. Contingent Liabilities

### Virgin Media Ltd

Sevenoaks District Council is aware of the 'Virgin Media Ltd v NTL Pension Trustees II Ltd (and others)' case and considers that there is potential for the outcome of this case to have an impact on for the Council. The case affects defined benefit schemes that provided contracted-out benefits before 6 April 2016 based on meeting the reference scheme test. Where scheme rules were amended, potentially impacting benefits accrued from 6 April 1997 to 5 April 2016, schemes needed the actuary to confirm that the reference scheme test was still being met by providing written confirmation under Section 37 of the Pension Schemes Act 1993. In the Virgin Media case the judge ruled that alterations to the scheme rules were void and ineffective because of the absence of written actuarial confirmation required under Section 37 of the Pension Schemes Act 1993. The case was taken to The Court of Appeal in June 2024 and the original ruling was upheld.

As a result, there may be a further liability to Sevenoaks District Council's share of the Kent Pension Fund for benefits that were reduced by previous amendments, if those amendments prove invalid (i.e. were made without obtaining s37 confirmation). The Government Actuary's Department is currently undertaking a review to confirm whether such changes occurred in Local Government Pension Schemes. At this point it is not possible to estimate the potential impact, if any, on Sevenoaks District Council's Accounts.

## Note 36. Contingent Assets

There are no contingent assets identified in the year.

## Note 37. Heritage Assets

Under the CIPFA code of practise where an authority has information on the cost or value of a heritage asset, the authority shall recognise the asset in accordance with Section 4.10 of the Code.

Where this information is not available, and cannot be obtained at a cost that is commensurate with the benefits to users of the financial statements, the assets will not be recognised in the Balance Sheet. Disclosure shall be made in respect of heritage assets not recognised in the Balance Sheet in accordance with Section 4.10.4 of the Code.

### Otford Palace

The site of Archbishop's Palace in Otford, Kent, dates back to 821 AD but it was in 1515 AD that Archbishop Warham built one of the largest palaces in England, comparable in size to Hampton Court. In the 17th Century, the buildings fell into disrepair and now all that remains is part of the North Range – the Northwest corner tower, part of the Northern Gatehouse and connecting wall.

Therefore, following the requirement set out above the Council does not have information on cost or valuation and as such Otford Palace is not recognised with the Financial Statements.

### Note 38. Highway Infrastructure Assets (Transport Infrastructure Assets Code)

The Council owns two roads and some footpaths; however, these components do not form a network of Highways Infrastructure Assets and have therefore not been recognised in the balance sheet as Highways assets.

### Note 39. Borrowing

The information below sets out the Council's borrowing. Short term borrowing shows the amount to be repaid with the next financial year whereas the Long term borrowing is due over 1 year.

#### Short Term Borrowing

31/03/2025 £'000		31/03/2026 £'000
( 586)	Central Government Bodies	( 592)
( 4,110)	Other Local Authorities	( 10,716)
<u>( 4,696)</u>	Total	<u>( 11,308)</u>

#### Long Term Borrowing

31/03/2025 £'000		31/03/2026 £'000
( 10,837)	Central Government Bodies	( 10,331)
( 2,929)	Other Local Authorities	0
<u>( 13,766)</u>	Total	<u>( 10,331)</u>

## **GROUP ACCOUNTS**

The Group Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA)

These notes should be read in conjunction with the explanatory notes to the Council's single entity accounts.

## Group Balance Sheet

31/03/2025			31/03/2026	
£'000	£'000		£'000	£'000
<b>SDC</b>	<b>Group</b>	<b>Long Term Assets</b>	<b>SDC</b>	<b>Group</b>
83,230	83,230	Property, Plant and Equipment	90,398	90,398
91	91	Surplus Assets	61	61
-	-	Heritage Assets	-	-
32,172	57,181	Investment Property	32,084	58,300
-	-	Intangible Assets	-	-
9,041	5,050	Long Term Investments	9,906	5,914
8,661	138	Long Term Debtors	8,641	2,718
<u>133,195</u>	<u>145,689</u>	<b>Total Long Term Assets</b>	<u>141,090</u>	<u>157,392</u>
		<b>Current Assets</b>		
-	-	Short Term Investments	-	-
26	26	Assets held for sale	26	26
6,667	7,336	Cash and Cash Equivalents	1,687	2,479
4,615	4,615	Inventories	8,361	8,361
5,192	7,085	Short Term Debtors	8,792	6,171
1,439	1,439	Payments in Advance	1,364	1,364
<u>17,939</u>	<u>20,501</u>	<b>Total Current Assets</b>	<u>20,230</u>	<u>18,402</u>
		<b>Current Liabilities</b>		
(1,642)	(2,545)	Receipts in Advance	(1,491)	(1,491)
(284)	(446)	Revenue Grants Receipts in Advance	(373)	(373)
(4,696)	(4,696)	Short Term Borrowing	(11,308)	(11,308)
(372)	(372)	Short Term Lease Liability	(176)	(176)
(10,208)	(10,197)	Short Term Creditors	(7,105)	(7,362)
(1,984)	(4,897)	Short Term Provisions	(1,575)	(1,575)
<u>(19,186)</u>	<u>(23,154)</u>	<b>Total Current Liabilities</b>	<u>(22,028)</u>	<u>(22,284)</u>
		<b>Net Current Assets/(Liabilities)</b>		
(1,247)	(2,653)		(1,797)	(3,882)
		<b>Long Term Liabilities</b>		
(13,767)	(13,767)	Long Term Borrowing	(10,332)	(13,767)
(621)	(621)	Long Term Lease Liability	(187)	(621)
(256)	(546)	Long Term Provisions	(256)	(546)
(7,109)	(7,109)	Net Pensions Liability	(3,990)	(7,109)
(3,635)	(3,635)	Capital Grants Receipts in Adv.	(2,831)	(2,831)
<u>(25,388)</u>	<u>(25,678)</u>	<b>Total Long Term Liabilities</b>	<u>(17,595)</u>	<u>(24,874)</u>
<u>106,561</u>	<u>117,358</u>	<b>Total Net Assets/(Liabilities)</b>	<u>121,699</u>	<u>128,635</u>

## Group Balance Sheet (cont)

31/03/2025		31/03/2026	
£'000	£'000	£'000	£'000
<b>Usable Reserves</b>			
( 2,334)	( 2,334)	( 72)	-
(23,501)	(23,888)	(28,923)	( 72)
-	(10,411)	-	(42,546)
( 5,018)	( 5,018)	( 4,830)	( 4,830)
( 2,000)	( 2,000)	( 2,100)	( 2,100)
(32,853)	(43,651)	(35,925)	(49,548)
<b>Unusable Reserves</b>			
(30,965)	(30,965)	(40,210)	(40,210)
(48,927)	(48,927)	(50,351)	(50,351)
			( 897)
199	199	284	284
( 1,054)	( 1,054)	1,411	1,411
7,109	7,109	3,990	3,990
( 70)	( 70)	-	-
-	-	-	-
(73,708)	(73,708)	(84,876)	(85,772)
(106,561)	(117,358)	(120,801)	(135,321)
<b>Total Reserves</b>			

## Group Movement in Reserves Statement

Financial Year 2024/25					
	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000	Group Reserves £'000	Total Group Reserves £'000
Balance at 31 March 2024	(27,710)	(66,450)	(94,159)	(8,752)	(102,911) *
Movement in reserves during 2024/25					
(Surplus) or deficit on the provision of services	(8,986)	-	(8,986)	(1,093)	(10,079)
Other Comprehensive Income and Expenditure	(1,935)	(1,802)	(3,737)	(283)	(4,020)
Total Comprehensive Income and Expenditure	(10,921)	(1,802)	(12,723)	(1,377)	(14,100)
Adjustments between accounting basis & funding basis under regulations (note 8)	5,778	(5,456)	322	-	322
Net (Increase)/ Decrease before Transfers to Earmarked reserves	(5,143)	(7,258)	(12,401)	(1,324)	(13,725)
Year end balance transferred (to)/from Budget Stabilisation Reserve	-	-	-	-	-
Other transfers to/from Earmarked Reserves	-	-	-	-	-
Total transfers (to)/from Earmarked Reserves (Note 9)	-	-	-	-	-
(Increase)/ Decrease in 2024/25	(5,143)	(7,258)	(12,401)	(1,324)	(13,725)
Balance at 31 March 2025	(32,853)	(73,307)	(106,560)	(10,076)	(116,636)

## Group Movement in Reserves Statement (cont)

Financial Year 2025/26					
	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000	Group Reserves £'000	Total Group Reserves £'000
Balance at 31 March 2025	(32,853)	(73,307)	(106,560)	(10,076)	(116,636)
Movement in reserves during 2026/26					
(Surplus) or deficit on the provision of services	(7,985)	-	(7,985)	7,152	(833)
Other Comprehensive Income and Expenditure	(2,982)	(1,053)	(4,035)	(16,486)	(20,521)
Total Comprehensive Income and Expenditure	(10,967)	(1,053)	(12,020)	(9,334)	(21,354)
Adjustments between accounting basis & funding basis under regulations (note 8)	7,895	(7,895)	-	-	-
Net (Increase)/ Decrease before Transfers to Earmarked reserves	(3,071)	(8,948)	(12,020)	(9,300)	(21,320)
Other transfers to/(from) Earmarked Reserves	-	-	-	-	-
Total transfers to/(from) Earmarked Reserves (Note 9)	-	-	-	-	-
(Increase)/ Decrease in 2025/26	(3,071)	(8,948)	(12,020)	(9,300)	(21,320)
Balance at 31 March 2026	(35,925)	(85,772)	(121,698)	18,787	(102,911)

## Group Comprehensive Income and Expenditure Statement

2024/25				2025/26		
Gross Exp.	Gross Income	Net Exp		Gross Exp	Gross Income	Net Exp
£'000	£'000	£'000		£'000	£'000	£'000
13,065	(10,024)	3,041	People & Places	8,134	(5,003)	3,132
19,197	(17,469)	1,728	Customer & Resources	15,740	(13,972)	1,769
2,948	(677)	2,271	Assistant Chief Executive	2,694	(411)	2,283
2,135	(1,731)	404	Strategic Property	1,695	(1,545)	150
19,676	(15,701)	3,975	Finance & Trading	16,742	(13,594)	3,148
8,316	(4,062)	4,254	Planning & Regulatory	10,728	(4,436)	6,291
<b>65,337</b>	<b>(49,664)</b>	<b>15,673</b>	<b>Net Cost of Services</b>	<b>55,732</b>	<b>(38,960)</b>	<b>16,773</b>
	(26)		Loss/(Gain) on Disposal of non current assets			(169)
	5,559		Parish Council Precepts			5,949
	-		Appropriations from Capital Finance			(108)
	<b>5,533</b>		<b>Other Operating (Income)/Expenditure</b>			<b>5,673</b>
	(82)		Movement in Fair Value Investment Property			(1,330)
	-		Loss on Disposal of Investment Property			-
	<b>(2,032)</b>		<b>Investment Property Income</b>			<b>(1,923)</b>
	214		Interest Payable and similar charges			366
	394		Net interest on the net defined benefit liability			(549)
	<b>(421)</b>		<b>Interest and Investment Income</b>			<b>(415)</b>
						(228)
	<b>(1,927)</b>		<b>Financing and Investment Income and Expenditure</b>			<b>(4,077)</b>
	(1,833)		Capital Grants and Contributions			(1,162)
	<b>(18,328)</b>		<b>Council Tax</b>			<b>(19,255)</b>
	(6,798)		Business Rates			(5,218)
	(1,733)		Non Service Related Government Grants			(204)
	<b>(28,692)</b>		<b>Taxation and Non Specific Grant Income</b>			<b>(25,839)</b>
	<b>(9,413)</b>		<b>(Surplus) or Deficit on the Provision of Services</b>			<b>(7,470)</b>
	89		Taxation relating to subsidiaries			392
	<b>(1,936)</b>		<b>equipment assets</b>			<b>(2,982)</b>
	(1,802)		Remeasurement of the net defined benefit liability			(1,053)
	<b>(3,649)</b>		<b>Other Comprehensive Income and Expenditure</b>			<b>(3,643)</b>
	<b>(13,063)</b>		<b>Total Comprehensive Income and Expenditure</b>			<b>(11,114)</b>

## Group Cashflow Statement

SDC 2024/25	Group 2024/25			SDC 2025/26	Group 2025/26
£'000	£'000	Note		£'000	£'000
(8,986)	(9,413)		Net (surplus) or deficit on the provision of services	(8,986)	(7,470)
(2,410)	(5,127)	21	of services for non-cash movements	(2,410)	(5,127)
294	294	21	deficit on the provision of services that are investing and	294	294
(11,102)	(14,245)		Net cash flows from operating activities	(11,102)	(12,302)
4,199	7,226	22	Investing Activities	4,199	7,226
1,520	1,520	23	Financing Activities	1,520	1,520
(5,382)	(5,499)		Net (increase) or decrease in cash and cash equivalents	(5,382)	(3,557)
(1,285)	(1,836)		reporting period	(6,667)	(7,335)
(6,667)	(7,335)	15	period	(12,049)	(10,892)

The following notes are intended to add context to the Group columns in the Council's primary statements.

### Quercus 7 Limited

Council on 31 March 2015 authorised the incorporation of a company and this was incorporated on 31 December 2015 (Quercus7 Limited Number 09933195). Three Corporate Directors were appointed as Directors and there are two Non-Executive Directors. The trading activities of the company are overseen by the Cabinet. The Articles of Association state that there can only be one shareholder and is defined as all the Members of SDC. The liability of the Council is limited to the nominal of its share capital.

The Company will enable the Council to operate property development on a commercial basis as well as allowing the Council to invest in residential property to be leased.

During the year the company were given credit facilities for business expenses totalling £33,381. Quercus 7 Limited. Secured long term borrowing remained at £5.92m.

### Quercus Housing Limited

Council on 21 November 2017 authorised the incorporation of a company and this was incorporated on 13 April 2018 (Quercus Housing Limited Number 11307980). Three Corporate Directors were appointed as Directors and there are two Non-Executive Directors. The trading activities of the company are overseen by the Cabinet. The company is limited by guarantee.

Sevenoaks District Council has ultimate control over the activities of the Company and the Company's operational matters. The Company will enable the Council to operate develop affordable housing using Section 106 receipts. The Company has no commercial properties.

During the year the company were given credit facilities for business expenses totalling £279,704. Secured long-term borrowing remained at £2.6m.

The table below sets of the transactions between the Council and Subsidiaries and the balances held by the Subsidiary at year end.

Transaction and balances	Quercus 7		Quercus Housing	
	Unaudited 2024/25 £'000	2025/26 £'000	Unaudited 2024/25 £'000	2025/26 £'000
Transactions during the year				
Expenses	96	33	92	54
Income	-	-	(13)	(5)
Balances held at year end				
Fixed Assets	10,719	11,049	14,290	15,167
Debtors	10	33	46	205
Creditors	28	33	333	225
Group Undertakings	-	-	-	-
Loans	5,923	5,923	2,600	2,600
Share Capital	3,991	3,991	-	-
S106 and grant funding			11,419	11,519

The Accounting Policies of the group accounts are aligned to the Policies applied to the single entity Council accounts, laid out in Note 2.

### Investment Property for the Group

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.

	2024/25 £'000	2025/26 £'000
Rental income from investment property	(3,309)	(3,309)
Direct operating expenses from investment property	462	462
Net income from Investment Properties	(2,847)	(2,847)

The following table summarises the movement in the fair value of investment properties over the year:

	2024/25	2025/26
	£'000	£'000
Balance at start of the year	54,085	57,181
Purchases	2,967	-
Reclassifications	-	-
Disposals	-	-
Net Gains/ (losses) from fair value adjustment	130	1,242
	<b>57,181</b>	<b>58,423</b>

	2024/25	2025/26
	£'000	£'000
<b>Investment Property</b>		
Quoted Prices in active market for identical assets (Level 1)	-	-
Other significant observable inputs (Level 2)	57,181	58,423
Significant un-observable inputs (Level 3)	-	-
Total Fair Value	<b>57,181</b>	<b>58,423</b>

The observable inputs used for the fair value calculation for Investment properties are the same as previously stated for Surplus Assets.

Properties are subject to leases with varying review dates.

The fair value of the authority's Investment Properties is measured annually. All valuations are carried out by external valuers in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The valuers work closely with finance officers reporting directly to the Corporate Director – Finance & Trading on a regular basis regarding all valuation matters.

## **THE COLLECTION FUND**

### **INCOME AND EXPENDITURE ACCOUNT**

This statement represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income and expenditure relating to Council Tax and Non-Domestic Rates on behalf of Central Government, precepting authorities and the Council's own General Fund. The costs of administering collection are accounted for in the General Fund and the Collection Fund balance sheet is incorporated into the Council's consolidated balance sheet.

2024/25				2025/26		
Council Tax £000	NDR £000	Total £000	Note	Council Tax £000	NDR £000	Total £000
<b>Income</b>						
121,474	-	121,474	Billed to Council Tax Payers	128,533	-	128,533
-	37,429	37,429	Income from Business Ratepayers	-	43,680	43,680
10	-	10	Reduction in Bad Debts Provision	-	-	-
-	1,607	1,607	Transitional Protection	-	29	29
	-	-	Reimbursement of previous year's estimated Collection Fund deficit	3	-	-
58		58	Kent County Council	-		-
9		9	Police & Crime Commissioner for Kent	-		-
3		3	Kent & Medway Fire & Rescue Authority	-		-
13		13	Sevenoaks District Council	-		-
			Central Government			
<b>121,567</b>	<b>39,036</b>	<b>160,603</b>		<b>128,533</b>	<b>43,709</b>	<b>172,242</b>
<b>Expenditure</b>						
Precepts & Demands:						
84,398	3,638	88,036	Kent County Council	89,647	4,008	93,655
13,421	-	13,421	Police & Crime Commissioner for Kent	14,320	-	14,320
4,711	404	5,115	Kent & Medway Fire & Rescue Authority	5,028	445	5,473
12,769	16,167	28,937	Sevenoaks District Council	13,306	17,815	31,121
5,559		5,559	Town & Parish Councils	5,949		5,949
-	20,209	20,209	Payments to Government	-	22,269	22,269
		-	Allowance for non collection			-
		-	Write Offs	-		-
(894)	454	(440)	Change in Allowance for Non Collection	672	570	1,242
	169	169	Cost of Collection Allowance		171	171
	(1,183)	(1,183)	Provision for Alteration of Lists & Appeals Settlement against Provision		(1,100)	(1,100)
-	1,819	1,819	Change In Provision	-	859	859
Allocation of previous year's Estimated Collection Fund Surplus						
	51	51	Kent County Council	1,625	342	1,967
	-	-	Police & Crime Commissioner for Kent	258	-	258
	6	6	Kent & Medway Fire & Rescue Authority	91	38	129
	226	226	Sevenoaks District Council	353	1,522	1,875
	282	282	Central Government		1,902	1,902
<b>119,965</b>	<b>42,242</b>	<b>162,207</b>		<b>131,249</b>	<b>48,843</b>	<b>180,092</b>
<b>1,602</b>	<b>(3,206)</b>	<b>(1,604)</b>	(DEFICIT)/SURPLUS FOR YEAR	<b>(2,716)</b>	<b>(5,134)</b>	<b>(7,850)</b>
COLLECTION FUND BALANCE						
417	2,085	2,502	Balance at beginning of year	2,019	1,867	3,886
1,602	(218)	1,384	(Deficit)/Surplus for year	(2,716)	(5,134)	(7,850)
<b>2,019</b>	<b>1,867</b>	<b>3,886</b>	<b>BALANCE AT END OF YEAR</b>	<b>(697)</b>	<b>(3,267)</b>	<b>(3,963)</b>

## Note 1 Council Tax

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. A different ratio is applied to a small number of properties in band A that have been adapted for use by a disabled person. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Kent County Council, the Police and Crime Commissioner for Kent, Kent & Medway Fire and Rescue Authority and the District Council for the forthcoming year and dividing this by the tax base (i.e. the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of band D dwellings). This gives rise to the basic amount of council tax for a band D property. Taxes for other bands are derived by applying the ratio in the following table to the band D tax.

Band	2024/25			2025/26		
	Estimated no. of taxable properties	Ratio	Band D equivalent dwellings	Estimated no. of taxable properties	Ratio	Band D equivalent dwellings
A*	6.80	5/9ths	3.80	7.76	5/9ths	4.30
A	1,109.20	6/9ths	739.50	1,183.27	6/9ths	788.80
B	2,179.50	7/9ths	1,695.20	2,220.95	7/9ths	1,727.40
C	8,805.00	8/9ths	7,826.70	8,894.25	8/9ths	7,906.00
D	10,346.80	9/9ths	10,346.80	10,445.00	9/9ths	10,445.00
E	6,933.70	11/9ths	8,474.50	6,999.75	11/9ths	8,555.30
F	5,656.40	13/9ths	8,170.40	5,733.07	13/9ths	8,281.00
G	7,505.50	15/9ths	12,509.20	7,593.04	15/9ths	12,655.10
H	1,465.10	18/9ths	2,930.00	1,481.77	18/9ths	2,964.00
	<u>44,008.00</u>		<u>52,696.10</u>	<u>44,558.86</u>		<u>53,326.90</u>
Contributions in lieu for Crown property			14.87			1.40
			<u>52,710.97</u>			<u>53,328.30</u>
Collection rate adjustment			99.40%			99.40%
<b>Council Tax Base</b>			<u><b>52,394.70</b></u>			<u><b>53,008.33</b></u>

The tax base for 2025/26 was approved by Council on 25 February 2025 as follows:

A\* - Concessionary rate for adapted homes

The tax rate for a band D property in 2025/26 was £2,307.21 , excluding Town and Parish Council taxes (2024/25 = £2,200.60).

	2024/25	2025/26
	£	£
Kent County Council	1,610.82	1,691.19
Police & Crime Commissioner for Kent	256.15	270.15
Kent & Medway Fire & Rescue Authority	89.91	94.86
Sevenoaks District Council	243.72	251.01
	<u>2,200.60</u>	<u>2,307.21</u>
Town & Parish Councils (Average)	106.09	112.23
<b>TOTAL (including an average town &amp; parish rate)</b>	<u><u>2,306.69</u></u>	<u><u>2,419.44</u></u>

## Note 2 Non-Domestic Rates (NDR)

Non-domestic rates are calculated on a national basis. For 2025/26, the Government specified a “rate poundage” of 55.5p (2024/25: 54.6p) for large businesses or 49.9p (2024/25: 49.9p) for small businesses and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

The NDR income after relief and provisions of £43,679,906 for 2025/26 (2024/25: £37,429,402) was based on the total rateable value for the Council’s area, which at 31 March 2026 was £109,240,725 (31 March 2025: £109,751,959).

## Note 3 Contributions to Collection Fund surpluses and deficits.

In January each year the Council must estimate the amount of the surplus or deficit expected to arise on the Collection Fund for the coming 31 March in respect of council tax and NDR. The estimated surplus or deficit is then shared between Kent County Council, the Police and Crime Commissioner for Kent, Kent & Medway Fire & Rescue Authority, Central Government, and the District Council as appropriate.

In January 2026, the estimated balance at 31 March 2026 in respect of council tax transactions was a deficit of £836,000 . This deficit is to be shared between Kent County Council, the Police and Crime Commissioner for Kent, Kent & Medway Fire & Rescue Authority and the District Council in proportion to their precepts on the Collection Fund in 2025/26 and taken into account by the respective authorities in the calculation of their council taxes for 2026/27. The actual position at 31 March 2026 was a deficit of £697,000

The actual deficit of £697,000 at 31 March 2026 in respect of council tax and the actual deficit of £3,267,000 in respect of NDR will be taken into account when estimating the surplus or deficit for 2026/27.

## GLOSSARY OF TERMS

Most terms are explained within the “Narrative Report” and “Statement of Accounting Policies” sections of the accounts.

**Accounting Period.** The period of time covered by the accounts, normally 12 months starting on 1st April for Local Authority accounts.

**Accrual.** Item relating to, and accounted for in, one accounting period but actually paid in another.

**Actual.** The final amount of expenditure or income which is recorded in the Council's accounts.

**Agency and Contracted Services.** Services purchased from another public body or external organisation and subject to a contract. Includes the services provided by Direct Services.

**Assets Held for Sale.** Where there is reasonable certainty that an item of property, plant or equipment is likely to be disposed of via a sale in the next twelve months.

**Budget.** A statement of the Council's plans for net revenue and capital expenditure over a specified period of time. And/or Estimate of income and expenditure for a set period of time.

**Business Rate Retention Scheme.** A scheme introduced in April 2013 under which billing authorities are able to retain a proportion of the business rates they collect.

**Capital Expenditure.** The acquisition, construction, enhancement, or replacement of tangible fixed assets (i.e. land, buildings, structures etc.), the acquisition of investments and the making of grants, advances, or other financial assistance towards expenditure by other persons on tangible fixed assets or investments.

**Capital Financing Requirement.** The difference between Capital Expenditure and the resources available to finance such expenditure from grants/contributions, capital receipts or revenue funds. This indicates the fundamental requirement to borrow.

**Capital Programme.** The capital projects the Council proposes to undertake over a set period of time.

**Capital Receipts.** Money obtained on the sale of a capital asset.

**COVID-19.** A pandemic that started in 2020/21.

**Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (The Code)** This specifies the principles and practices of accounting required to prepare a Statement of Accounts which represents a ‘true and fair view’ of the financial position and transactions of the Council.

**CIPFA.** Chartered Institute of Public Finance and Accountancy.

**Collection Fund.** The fund into which council tax and non-domestic rates are paid, and from which we meet demands by preceptors and central government.

**Contingent Liabilities.** Contingent liabilities are either:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control, or

(b) a present obligation that arises from past events but is not recognised because:

it is not probable that a transfer of economic benefits will be required to settle the obligation, or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

**Corporate and Democratic Core.** Costs involved in corporate policy making, representing local interests (including civic ceremonials), support to elected bodies and duties arising from public accountability.

**Cost Centre.** An individual unit to which items of income or expenditure are charged for managerial or control purposes.

**Council Tax.** A local tax set by Councils to help pay for local services. There is one bill per dwelling based on its relative value compared to others in the area. There are discounts, including where only one adult lives in the dwelling. Bills will also be reduced for properties with people on low incomes, some people with disabilities and some other special cases.

**Council Tax Base.** The measure of the taxable capacity of an area. It represents the estimated full year equivalent number of chargeable dwellings in an area, expressed as the equivalent number of band D dwellings, after allowing for disabled reduction (relief) and discounts, adjusted for an allowance for non-collection.

**Creditors.** People or organisations from whom we have received goods or services and as a consequence owe money.

**Current Liabilities.** Those amounts which will become payable or could be called upon within the next accounting period e.g. creditors and cash overdrawn.

**Debtors.** People or organisations who owe money to the Council.

**Deferred Capital Receipts.** Capital Receipts which will accrue in the future, such as mortgage repayments.

**Depreciation.** A charge to a revenue account to reflect the reduction in the useful economic life of a fixed asset.

**DWP.** Department for Work and Pensions.

**ECL.** Expected credit loss. Credit loss in relation to a financial instrument is a cash shortfall measured by the difference between the net present value of all contractual cash flows that are due to an authority in accordance with the contract for the instrument and the net present value of all the cash flows that the authority expects to receive, discounted at the original effective interest rate.

**Employee Costs.** This includes the full costs of employees including salaries, employer's contributions to national insurance and superannuation, and the costs of leased cars.

**Events after the Reporting Period.** The occurrence of a material event between the balance sheet date and the date the accounts are authorised for issue, which might have a bearing on the financial results of the organisation. In such cases the event should be reflected in the Statement of Accounts as a note or amendment.

**Fees and Charges.** In addition to income from council taxpayers, business ratepayers and the government, local authorities charge for some services, e.g. local land charge searches and car parking.**FVPL.** Fair value through profit or loss, a class of Financial Instruments.

**General Fund.** The main revenue fund of the Council from which payments are made to

provide services and into which receipts are paid, including the District Council's share of council tax and non-domestic rates income.

**Government Grants.** Payments by government towards either the revenue or capital cost of local authority services. These may be either in respect of particular services called specific grants, e.g. housing benefits, or in aid of local services generally, e.g. revenue support grant.

**Group Accounts.** A consolidation of the activities of subsidiaries controlled by the holding company and shown as part of the group's total activities.

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

**Impairment.** A downward revaluation of an asset

**KCC.** Kent County Council.

**KMFRA.** Kent and Medway Fire and Rescue Authority.

**LASAAC.** Local Authority (Scotland) Accounts Advisory Committee An organisation that jointly with CIPFA forms the Local Authority Code Board. This board is responsible for preparing, maintaining, developing, and issuing the Code of Practice on Local Authority Accounting for the United Kingdom.

**Leasing.** A method of financing the acquisition of equipment, vehicles etc. The items concerned do not belong to the user (or lessee) but are the property of the lessor to whom the lessee pays an annual rental for a specific period of time.

**MHCLG.** Ministry of Housing, Communities and Local Government (formerly DCLG)

**MRP.** Minimum Revenue Provision.

**Non-Domestic Rate (NDR).** Non-domestic rates are levied on business properties based on the rateable value of the property multiplied by a rate in the pound set nationally by the Government. Local authorities retain a proportion of the total collectable rates.

**PCC.** Police and Crime Commissioner.

**Prior year adjustments.** Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal corrections or adjustments of accounting estimates made in prior years.

**PCT.** Primary Care Trust

**Precept.** The demand on the collection fund by one authority (e.g. Kent County Council) which is collected from the council taxpayer by another (e.g. Sevenoaks). Precepts on Sevenoaks are also made by the Police and Crime Commissioner for Kent, Kent & Medway Fire & Rescue Authority, plus Town and Parish Councils in the District.

**Provisions.** Funds to provide for liabilities or losses which are known obligations but are uncertain as to amounts or dates.

**REFCUS (Revenue Expenditure Funded from Capital Under Statute).** Expenditure which legislation classifies as capital, but which does not result in the creation of a fixed asset belonging to the authority. An example is where the Council pays a grant to a private householder for adaptations required by a person with disabilities; the work done is capital in nature, but the resultant asset does not appear on the Council's balance sheet because it

belongs to the private householder. These were previously defined as deferred charges.

**Related Party Transactions.** The transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

**Reserves.** The general capital and revenue balances of the Council. There are two types of reserves which might be described as either available or not available to finance expenditure. Revenue reserves which result from monies being set aside, surpluses or delayed expenditure can be spent or earmarked at the discretion of the Council. The usable capital receipts reserve is also available to the extent allowed for by statute. However, other capital reserves are not available to meet expenditure, e.g. the reserves brought about by the capital accounting requirements namely the capital adjustment account and the revaluation reserve.

**Revenue Expenditure.** Expenditure to meet the continuing cost of services including wages and salaries, purchase of materials and financing charges on capital expenditure.

**Revenue Support Grant (RSG).** The general Government grant to some local authorities. It can be payable to local authorities in support of expenditure in their area.

**Revised Estimates.** The approved estimates for the current year as amended e.g. by supplementary estimates and virement.

**SDC or Sevenoaks.** Sevenoaks District Council

**Specific Grant.** Government grant for specific purposes. The Authority does not have the power to apply such grants for other purposes.

**Support Services.** The charges made by central functions for the services they provide to other departments. These are services which support the provision of services to the public, other support services and the corporate and democratic core. This includes the provision of accommodation, IT, administrative items purchased centrally, (e.g. telephones, stationery, and bank charges), central professional services (Human Resources, Legal and Property, and Finance support) and the cost of providing some centrally provided services e.g. post distribution and contact centre.

**Valuation Bands.** To calculate the relative value of dwellings for council tax purposes each dwelling is placed on a valuation list in one of eight bands ranging from A to H. Within a local area, the Council tax will vary between the different bands according to proportions laid down by law. The bands are based on property values as at April 1991.

Band	Value	Proportion
A*	Up to £40,000	5/9
A	Up to £40,000	6/9
B	Over £40,000 and up to £52,000	7/9
C	Over £52,000 and up to £68,000	8/9
D	Over £68,000 and up to £88,000	9/9
E	Over £88,000 and up to £120,000	11/9
F	Over £120,000 and up to £160,000	13/9
G	Over £160,000 and up to £320,000	15/9
H	Over £320,000	18/9

**Virement.** A transfer of budget provision from one budget to another.

# ANNUAL GOVERNANCE STATEMENT

## 2025/26 – to follow

**INDEPENDENT AUDITOR'S REPORT - TO FOLLOW**