



# **Statement of Accounts**

**for the  
Year Ended**

**31 March 2025**

Nicci Mills CPFA  
Chief Financial Officer

# Contents

## Information Accompanying the Statement of Accounts

	Page
<a href="#"><u>Narrative Report</u></a>	3

## Statement of Accounts

### Financial Statements

<a href="#"><u>Comprehensive Income and Expenditure Statement</u></a>	12
<a href="#"><u>Balance Sheet</u></a>	13
<a href="#"><u>Movement in Reserves Statement</u></a>	14
<a href="#"><u>Cash Flow Statement</u></a>	16
<a href="#"><u>Notes to the Financial Statements</u></a>	17
<a href="#"><u>Housing Revenue Account financial statements and notes</u></a>	74
<a href="#"><u>Collection Fund</u></a>	79
<a href="#"><u>Notes to the Collection Fund</u></a>	79
<a href="#"><u>Group Statement of Accounts</u></a>	83
<a href="#"><u>Statement of Responsibilities for the Statement of Accounts</u></a>	90

# THE STATEMENT OF ACCOUNTS

## NARRATIVE REPORT

### Introduction

This narrative report provides a guide to the Council's accounts and financial position as at 31 March 2025. It includes:

- An explanation of each of the main financial statements;
- A look back at financial and non-financial performance in 2024/25;
- Any major events or changes in presentation and accounting that impact on the Accounts; and
- Future financial challenges.

### Explanation of the main financial statements

The Accounts and Audit Regulations 2015 (as amended) require the Statement of Accounts to be prepared and signed by the responsible officer by 30 June 2025. The accounts are set out on pages 12 to 89. The statements have been prepared in accordance with proper accounting practices and all relevant statutory requirements.

Proper accounting practices represent compliance with the following:

- All relevant International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB - a constituent board of the Financial Reporting Council)
- The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, prepared under International Financial Reporting Standards

The statements are produced using figures rounded to the nearest thousand. This has led to rounding variances in some of the totals included within the statements and the notes to the accounts.

The Statement of Accounts comprises:

- ***Core Financial Statements***

The core financial statements consist of the following four statements and associated notes.

- **Comprehensive Income and Expenditure Statement (CIES)**

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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories – usable and unusable – as referred to under the Movement in Reserves Statement.

- **Movement in Reserves Statement**

This Statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The '(surplus) or deficit on provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the CIES.

These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The 'net (increase) /decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

- **Cash Flow Statement**

The Cash Flow Statement shows the changes in the Council's cash and cash equivalent holdings during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

- **Notes to the Core Financial Statements**

The notes present information about the basis of preparation of the financial statements and the specific accounting policies used. The notes also disclose information required by the Code that is not presented elsewhere in the financial statements but is relevant to understanding them.

- ***Supplementary Financial Statements***

In addition to the four core statements the following supplementary statements and associated notes are included within the Accounts.

- **Housing Revenue Account**

The Council is required by law to account separately for the provision of housing. This account shows the major elements of housing revenue expenditure: repairs and maintenance, administration and financing costs as well as how the expenditure is financed from rents, grants and other income. The HRA Income and Expenditure Statement is supported by a Movement on the HRA Statement.

- **Collection Fund**

The Collection Fund for English Authorities is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

- **Group Accounts**

The Council has full ownership of a subsidiary company – Canterbury Environment Company Ltd (Canenco). Group accounts are prepared combining the financial statements of the company with Canterbury City Council. The group account figures are not currently materially different to that of the Council, but as the company delivers large contracts on behalf of the Council, group accounts are considered to be qualitatively material.

- ***The Statement of Responsibilities for the Statement of Accounts***

This sets out the Council's and the Chief Finance Officer's responsibilities for the statement of accounts and includes the Chief Finance Officer's certificate.

- ***Annual Governance Statement***

This Statement accompanies the Statement of Accounts but is not part of the Accounts. The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation.

- ***Independent Auditor's Report***

The Council's external auditors provide an independent opinion on whether the financial statements present a "true and fair view" of the financial position of the Council at the Balance Sheet date and its income and expenditure for the year. They also report on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

### **Looking back at performance in 2024/25**

The Council has continued to face financial challenges during 2024/25 as the national and global economic environments remain volatile. The cost of living crisis continues in the UK with high inflation and interest rates leading to increased demand from residents for Council services. The Council has continued to distribute grant funding to residents, in the form of Household Support Fund, to help households manage increasing costs.

High levels of inflation impact on the cost of council contracts but the Council has demonstrated strong financial management and continued to deliver services and progress large capital projects, ending the year within budget.

The Levelling Up Fund project is well underway with works commencing in 2024 and expected to be completed in early Spring 2026. The three Connected Canterbury: Unlocking the Tales of England project strands are:

- Transforming heritage assets and spaces - we will protect and repair historic and underused sites in the city.
- Creating a green arrival experience - we will improve areas visitors see when they arrive in our city, as well as upgrading spaces like the bus station to include electric vehicle charging and cycle hire.
- Connecting our heritage - we will create 'story gardens' that use innovative technology to tell the story of Canterbury as part of England's history. New trails and cycling routes will be signposted to connect people to our heritage sites.

PartnershipOne, a new local authority trading company (LATCo) was set up and started trading on 1 February 2025. This replaces the shared service arrangement with Civica and takes on the revenues and benefits and frontline customer services functions of Canterbury, Thanet and Dover Councils.

Following Natural England guidance in July 2020 there has been a restriction on development within the River Stour catchment without appropriate mitigation. This has impacted housing development in the Stour catchment. Stour Environmental Credits Limited, a Joint Venture with Ashford Borough Council, was established to buy the benefit of a range of nutrient mitigation to sell on as credits to developers, to unlock the development of homes delayed due to concerns over the water quality in the River Stour and at the Stodmarsh nature reserve downstream near Canterbury. The Company was incorporated in December 2024 and is in the process of being set up and expects to secure Government funding from Kent County Council and award a contract for nutrient mitigation in Autumn 2025.

During 2024/25 Kent County Council (KCC) and Medway Council made a bid to Government for Kent to be part of the Devolution Priority Programme following the publication of the Government's 'English Devolution White Paper' in December 2024. This bid was rejected in February 2025. The Council is working with the other authorities in Kent on proposals for Local Government Reorganisation which will result in a number of unitary authorities replacing the existing 14 Kent Councils. Interim proposals were submitted in March 2025 with a final proposal expected to be submitted in November 2025.

### **Financial performance in 2024/25**

This section gives an overview of the financial performance of the Council in 2024/25 for both the General Fund and the Housing Revenue Account and outlines the reasons for significant variations from planned expenditure.

It has been another exceptionally difficult year financially for the Council.

The council set its budget for 2024/25 in February 2024.

The impact of the ongoing war in Ukraine, inflationary pressures and the cost-of-living crisis have continued to have a fundamental impact on the Council's finances and resources.

At the budget-setting stage, it was estimated the use of reserves to balance the budget for 2024/25 would be £0.4m from the budget stabilisation reserve.

In addition, the Council:

- collected £121m of council tax on behalf of Kent Police, the Kent Fire and Rescue Service (KFRS), Kent County Council (KCC), parish councils and itself.
- collected £48m of business rates for the government, KFRS, KCC and itself.
- paid out £32m in benefits and received £59m in grants.

The final outturn for the General Fund was an underspend of £18,000 after the government support funding and contributions to reserves. The actual use of reserves to balance the budget for 2024/25 used the budgeted allocation and further contributions from reserves, resulting in a net contribution from the Budget Stabilisation reserve. Further details can be found in Note 9 to the accounts.

The final outturn for the Housing Revenue Account was a surplus of £7,870,000, compared to a budgeted surplus of £113,000. This was largely due to a change in treatment of the HRA loan repayment.

### **Details of major variances against outturn**

#### General Fund Revenue Expenditure

The General Fund accounts for all revenue (day to day) services other than those provided in respect of council housing.

The main components of the General Fund actual expenditure and income and how these compare with budget is set out below by service:

<b>Service Area</b>	<b>Net Budget</b>	<b>Net Outturn</b>	<b>Net Variance</b>
	£'000	£'000	(-) = saving £'000
Corporate Management	4,773	5,530	757
Corporate Services	4,463	5,890	1,427
Strategy & Improvement	4,113	3,811	(302)
Place Services	(7,450)	(8,251)	(801)
People Services	14,435	14,880	445
Case Services (People & Place)	584	660	76
<b>Total net expenditure</b>	<b>20,918</b>	<b>22,520</b>	<b>1,602</b>
Revenue Support Grant	(1,499)	(1,599)	(100)
NDR allocation	(5,623)	(6,730)	(1,107)
New Homes Bonus	(998)	(998)	0
Council Tax	(13,769)	(13,769)	0
Collection Fund adjustment	0	(413)	(413)
Parish precepts	971	971	0
<b>Total income sources</b>	<b>(20,918)</b>	<b>(22,538)</b>	<b>(1,620)</b>
<b>Net position</b>	<b>0</b>	<b>(18)</b>	<b>(18)</b>

The main variances between the budget and the outturn are set out below by service.

Activity	Variance (£000) ()=favourable	Explanation of variance between budget and outturn
Revenues & Benefits (within Corporate Services)	1,307	The variance is mainly due to higher than estimated housing benefit payments and the subsidy grant not covering all the payments in full.
Digital, Data & Improvements (within Strategy & Improvement)	(257)	This is largely due to vacancy savings and an increase in income from rechargeable works.
Culture, Leisure & External Development (within Place Services)	(106)	This is largely due to increased admission fees and sales income at Museums and Galleries.
Transport and Environment (within Place Services)	(287)	This is due to parking income exceeding expectations in off-street, on-street and park and ride services.
Engineering Services (within Place Services)	(266)	This is due to a combination of vacancy savings and increased income for fee generating work.
Community Safety (within People Services)	(109)	This variance is due to a combination of vacancy savings and increased Enforcement income.

#### Housing Revenue Expenditure

The main components of the Housing Revenue Account actual expenditure and income and how these compare with budgets are set out below:

	Net budget £'000	Net Outturn £'000	Net Variance ()=saving £'000
General management	4,947	4,227	(720)
Special services	2,732	2,661	(71)
Rent, rates & charges	586	1,113	527
Repairs & maintenance	7,971	8,380	409
Bad debt provision	250	193	(57)
Rents & service charges receivable	(30,297)	(31,547)	(1,250)
<b>Total HRA direct budgets</b>	<b>(13,811)</b>	<b>(14,973)</b>	<b>(1,162)</b>
Support costs	1,051	1,024	(27)
Capital charges	6,231	5,098	(1,133)
<b>Total HRA indirect budgets</b>	<b>7,282</b>	<b>6,122</b>	<b>(1,160)</b>
Self financing debt	6,416	981	(5,435)
<b>(Surplus)/Deficit</b>	<b>(113)</b>	<b>(7,870)</b>	<b>(7,757)</b>

The overall revenue outturn position for 2024/25 was a surplus of £7,870,000, an increase of £7,757,000 on the £113,000 budgeted surplus. The explanations for the main variances to the budget are set out below.

Activity	Variance (£000) ()=favourable	Explanation
General Management	(720)	There were various under and overspends across General Management budgets, but the largest savings achieved have been within salary budgets due to vacancies in the year. Also, there is an underspend on the budget allocated for disrepair claims due to a lower level of claims in the year.
Rents, Rates and Charges	527	The variance is due to Council tax void payments exceeding budget and an increase in insurance premiums.
Repairs and Maintenance	409	There are numerous under and overspends within the repairs and maintenance budgets as the areas of required expenditure are constantly reviewed, responding to compliance and maintenance of the stock. Cost of materials and inflation has increased which has contributed to the overspend. There continues to be a high volume of major works within voids, extensive clearances, garden works and non-capital refurbishments.
Rent & Service Charges Receivable	(1,250)	Income has exceeded budget due to the rental budget being set for a 51-week rent year instead of a 53-week rent year for 2024/25.
Capital Charges and Self-Financing Debt	(7,069)	Change in treatment of HRA Loan Repayment. No requirement to charge loan principal repayment to revenue as MRP within the HRA as this is covered by the depreciation charge.

#### General Fund Capital Expenditure

Capital expenditure relates to spending on assets which last for more than one year. The capital programme for 2024/25 and beyond represents the investment priorities for the Council. The revenue impact of implementing the capital programme is reflected in the revenue budget.

The Council's expenditure on capital schemes in 2024/25 was financed by grants, capital receipts and reserves. The net outturn position of the capital programme after external contributions is detailed in the table below.

Service Area	Net Budget	Net Actual spend	Carried forward	Net Variance () = saving
	£'000	£'000	£'000	£'000
Corporate Services	3,264	277	2,987	0
People Services	4,916	2,700	2,256	40
Place Services	3,355	(59)	3,444	30
Strategy & Improvement	7,220	6,273	1,017	70
<b>Total Capital Projects</b>	<b>18,755</b>	<b>9,191</b>	<b>9,704</b>	<b>140</b>

The main expenditure items in 2024/25 were the continuation of the Leisure Centre refurbishment which was completed, the Riverside development, the Office Accommodation project and Canterbury Connected projects as part of the Levelling Up Fund.

## HRA Capital Expenditure

	2024/25 Net Budget £'000	2024/25 Net Outturn £'000	2024/25 Net Position £'000
<b>Planned Maintenance and Improvement Schemes</b>			
Building fabric	900	2,293	1,393
Building internal fit-out	1,377	315	(1,062)
Compliance and building safety	3,635	917	(2,718)
Energy saving measures	600	24	(576)
Enhancements and adaptations	630	1,425	795
External and communal	600	0	(600)
Mechanical and electrical	208	174	(34)
Procurement and contract management	250	150	(100)
Voids works	400	57	(343)
	<b>8,600</b>	<b>5,355</b>	<b>(3,245)</b>
<b>Other Schemes</b>			
Housing Acquisitions	9,450	9,946	496
IT improvements	50	0	(50)
	<b>9,500</b>	<b>9,946</b>	<b>446</b>
<b>Total</b>	<b>18,100</b>	<b>15,301</b>	<b>(2,799)</b>

The 2023/24 and 2024/25 capital programmes were both set for each individual year only and contained no projections for following years because of the need to review the many elements of the budget, including planned maintenance and development programmes. Now the service is settling back into an in-house service, the capital programme going forward is currently being developed as we continue to gain a much better understanding of the condition of the Council's housing and build robust data on this.

A total of £8.6m was budgeted for planned maintenance and improvements in 2024/25 across the capital projects listed above. There are in-year under and overspends across various schemes, with an overall underspend of £3.2m. The majority of this relates to the areas below:

- Building Fabric £1.4m overspend
- Building Internal Fit-Out £1.1m underspend
- Compliance and Building Safety £2.7m underspend
- Energy Saving Measures £576,000 underspend
- Enhancements and Adaptations £795,000 overspend – Disabled Adaptations and Reactive
- External and Communal £600,000 underspend
- Voids Works £343,000 underspend

The movement across the original budgets is due to all budgets and expenditure being constantly reviewed and monitored to align to the planned maintenance requirements that are being identified as we continue to gain a much better understanding of the condition of the Council's housing.

There was an underspend of £50,000 on IT improvements. Although it is apparent that there are improvements required to the housing IT system, due to resourcing issues there has been no further progression with addressing this as extensive work is required to seek the best solutions.

During 2024/25 7 properties have been purchased under the Local Authority Housing Fund (LAHF) Ukraine and Afghan Housing scheme costing £1.5m. The LAHF aims to alleviate housing pressures on local authorities arising from recent and unforeseen conflicts in Afghanistan and Ukraine. This has been funded by the LAHF and Homes 4 Ukraine funding.

In addition, the Council purchased 67 units at The Woodlands, Broad Oak, for £9.5m comprising a mix of flats and houses to be made available at affordable rents for local families from the district who are on the Council's housing waiting list.

## **Balance sheet**

The Council's net assets increased from £423m to £465m as at 31 March 2025. The main changes year on year were:

- an increase of £32m in the value of council dwellings;
- an increase of £10m in the value of land and buildings;
- an increase in current assets of £18m offset by an increase in current liabilities of £20m;
- a decrease in the pension deficit of £2m.

The two biggest liabilities on the balance sheet are long-term borrowing at £141m and the pension deficit at £3.1m, both of which have reduced this year. The majority of the Council's debt is with the Public Works Loan Board at a fixed rate of interest. The Council has continued its policy of using short-term borrowing to partly fund its capital programme. This has reduced borrowing costs but exposes the Council to interest rate variations.

Overall, the Council's balance sheet has become less liquid over time, as capital expenditure has been funded from capital receipts, withdrawing from short term investments and short-term external borrowing. In the medium and longer term, as internal borrowing and short-term borrowing is repaid, the Council's liquidity will improve.

The Council is a member of the Local Government Pension Scheme, which is administered on behalf of the Council by Kent County Council. The Statement of Accounts reflects the full adoption of International Accounting Standard 19 (Retirement Benefits) (IAS19). This value is assessed by the actuary in accordance with prescribed accounting rules. Note 28 shows that the Council's net liability has decreased from £4.7m at 31 March 2024 to £3.1m at 31 March 2025 after the impact of the asset ceiling.

It is important to note that IAS 19 does not have any impact on the actual level of employer contributions. Employers' levels of contribution are determined by triennial actuarial valuations, which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields).

The scheme has been assessed by Barnett Waddingham LLP, an independent firm of actuaries, on behalf of Kent County Council based upon the full valuation of the scheme as at 31 March 2022. The fund is next due for revaluation as at 31 March 2025 and new contribution rates will apply from April 2026.

## **Significant changes to local authority financial regime in 2024/25**

International Financial Reporting Standard (IFRS) 16 has been adopted for 2024/25 and accounting policies updated accordingly.

## **Future challenges**

The future for local government funding remains very uncertain, with no information available on funding from April 2026 onwards. In the Spring of 2025 the Government announced there would be a review of both Government funding and the Business Rates Retention Scheme. Consultation has started and the results are expected to be announced affecting the Local Government Finance Settlement for the 2026/27 financial year. It is expected to give a multi-year settlement which will provide some level of certainty over the medium term.

In setting out its medium-term financial plan (MTFS) the Council has assumed either reductions in government funding or flat cash grants with no inflation built in.

The budget strategy is intended to ensure that the Council has a balanced and sustainable budget that provides the financial resources needed to implement its key priorities.

## **Risk management**

The Audit Committee considers the Council's risk register on a quarterly basis. For each risk identified, the Committee considers the mitigating action in place and whether further action is required to adequately manage the risk. None of the high level risks are expected to have a material impact on the Council's financial position.

Financial risks are assessed separately in detail in the budget report and are taken into account in budget assumptions as necessary.

## **Conclusions**

In another very challenging year, the City Council has substantially delivered its financial plan for 2024/25 and preparatory work is in place to deliver further savings in future years whilst continuing to strive to minimise the impact on services.

I would like to take the opportunity to thank all staff within the Council for their efforts in delivering the Council's financial plans this year. That work has put the Council in the best possible position to deal with the serious financial challenges facing the Council in 2025/26 onwards.

Thanks are due in particular to the finance team for their work producing this Statement of Accounts at a time when their workload substantially exceeded their capacity.



Nicci Mills  
Director Finance and Procurement and s151 officer

## Comprehensive Income and Expenditure Statement for the year ended 31 March 2025

This statement shows the accounting cost of providing services in the year ended 31 March 2025, in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The taxation position is shown in the Movement in Reserves Statement.

2023/24			2024/25		
Gross Exp	Income	Net Exp	Note	Gross Exp	Income
£'000	£'000	£'000		£'000	£'000
5,541	(6,429)	(888)	Corporate Management	4,776	(4,933)
35,840	(31,257)	4,583	Corporate Services	36,698	(30,190)
4,639	(421)	4,218	Strategy & Improvement	5,524	(1,422)
48,875	(30,205)	18,670	Place Services	32,176	(36,932)
26,946	(12,033)	14,913	People Services	29,169	(15,140)
689	(105)	584	Case Services (People & Place)	886	(240)
28,893	(29,298)	(405)	Housing Revenue Account	41,433	(31,435)
<b>151,423</b>	<b>(109,748)</b>	<b>41,675</b>	<b>Cost of Services</b>	<b>150,661</b>	<b>(120,292)</b>
<b>Other Operating Expenditure</b>					
0	(1,250)	(1,250)	Loss/(Gain) on Sales of Assets	0	(1,163)
1,050	0	1,050	Parish Council Precepts & Drainage Board Levy	1,137	0
<b>Financing &amp; Investment Income &amp; Expenditure</b>					
5,239	0	5,239	Interest Payable on Debt	6,100	0
374	0	374	Net interest on the net defined benefit liability	28.1	109
210	(1,206)	(997)	Investment interest and other income	413	(1,269)
0	(250)	(250)	Investment properties income and expenditure	0	(250)
445	0	445	Change in Fair Value of Investment Properties	57	0
70	(50)	21	(Surplus)/deficit from Trading Operations	89	(35)
(21)	(48)	(68)	Impairment adjustments	19	(318)
<b>Taxation &amp; Non-Specific Grant Income &amp; Expenditure</b>					
511	(5,002)	(4,491)	Recognised Capital Grants & Contributions	20	(8,269)
0	(15,257)	(15,257)	Collection Fund (Income) & Expenditure	0	(13,479)
1,463	(9,170)	(7,707)	Non ring-fenced Government Grants	20	(13,432)
<b>160,764</b>	<b>(141,981)</b>	<b>18,783</b>	<b>(Surplus)/deficit on provision of services</b>	<b>162,046</b>	<b>(158,506)</b>
<b>32,890 (Surplus)/deficit on revaluation of non current assets</b>					
<b>(4,090) Remeasurement of the net defined benefit liability</b>					
<b>28,800</b>	<b>Other Comprehensive (Income) &amp; Expenditure</b>				<b>(49,489)</b>
<b>47,583 Total Comprehensive (Income) &amp; Expenditure</b>					
<b>(45,949)</b>					

**Balance Sheet as at 31 March**

<b>2024 Restated</b>		<b>Notes</b>	<b>2025</b>
<b>£'000</b>	<b>£'000</b>		<b>£'000</b>
	<b>Property, Plant and Equipment</b>		
295,215	Council dwellings	10	326,623
272,593	Other land and buildings		284,407
18,815	Infrastructure assets		18,219
7,907	Vehicles, plant and equipment		8,703
2,004	Community assets		2,057
1,225	Assets under construction		1,266
			<u>641,274</u>
597,758			
14,087	Heritage Assets	10.1	14,506
1,898	Investment Property	10	1,841
1,292	Intangible Assets	10	<u>1,352</u>
			<u>658,974</u>
615,036			
1,090	Payments in Advance		992
(79)	Deferred Charges		(79)
2,535	Long-term debtors	13	<u>2,141</u>
			<u>662,028</u>
<b>618,581</b>	<b>Total Long-term Assets</b>		
	<b>Current Assets</b>		
5,007	Short-term investments	12.4	12,357
43	Inventories		68
10,023	Short-term debtors	14	21,523
198	Payments in advance		1,253
13,974	Assets held for sale	10.2	13,890
514	Cash and cash equivalents	15	1,297
			<u>50,387</u>
<b>29,759</b>			<b>712,414</b>
<b>648,340</b>	<b>Total Assets</b>		
	<b>Current Liabilities</b>		
(23,704)	Creditors	16	(36,503)
(8,126)	Deposits and receipts in advance	16.1	(11,916)
(39,949)	Short term borrowing	12	(42,577)
(6,448)	Provisions	32	(6,577)
0	Other Current Liabilities		(474)
			<u>(98,048)</u>
<b>(78,227)</b>			<b>614,366</b>
<b>570,113</b>	<b>Total Assets less Current Liabilities</b>		
	<b>Long Term Liabilities</b>		
(415)	Other long-term liabilities		(1,293)
(141,589)	Long-term borrowing	12	(140,603)
(59)	Capital grants receipts in advance		(62)
(4,737)	Liability related to defined benefit	28.2	(3,146)
			<u>(145,104)</u>
<b>(146,800)</b>			<b>469,262</b>
<b>423,313</b>	<b>Net Assets</b>		
	<b>Usable Reserves</b>		
(2,052)	General Fund	17	(2,070)
(815)	Housing Revenue Account		(8,300)
(31,901)	Earmarked reserves	9	(35,913)
(5,421)	Capital receipts reserve		83
(7,916)	Capital grants unapplied		(7,910)
			<u>(54,110)</u>
<b>(48,105)</b>			
	<b>Unusable Reserves</b>		
(251,788)	Revaluation reserve	18	(300,017)
(127,474)	Capital adjustment account	18.1	(118,294)
391	Financial instruments adjustment a/c		355
4,737	Pensions reserve	18.3	3,146
(1,325)	Collection fund adjustment account		(622)
250	Short-term accumulating absences a/c		280
			<u>(415,152)</u>
<b>(375,208)</b>			
<b>(423,313)</b>	<b>Total Reserves</b>		<b>(469,262)</b>

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the CIES. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for council tax setting and dwellings rent setting purposes. The net increase or decrease before transfers to/from earmarked reserves line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Movement in Reserves 2024/25	General Fund Balance	Earmarked Reserves	General Fund Total	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2024 carried forward</b>	(2,052)	(31,901)	(33,953)	(815)	(0)	(5,421)	(7,916)	(48,105)	(375,208)	(423,313)
<b>Movement in reserves during 2024/25</b>										
(Surplus) or deficit on provision of services	(5,589)	0	(5,589)	9,129	0	0	0	3,540	0	3,540
Other comprehensive income and expenditure	(121)	0	(121)	121	0	0	0	0	(49,489)	(49,489)
<b>Total comprehensive Income and Expenditure</b>	(5,710)	0	(5,710)	9,250	0	0	0	3,540	(49,489)	(45,949)
Adjustments between accounting basis and funding basis under regulations (Note 6)	1,681	0	1,681	(16,737)	0	5,504	6	(9,546)	9,546	0
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	(4,029)	0	(4,029)	(7,487)	0	5,504	6	(6,006)	(39,943)	(45,949)
Transfers to/(from) Earmarked Reserves (Note 9)	4,010	(4,013)	(2)	2	0	0	0	0	0	0
<b>(Increase)/Decrease in year</b>	(18)	(4,013)	(4,031)	(7,485)	0	5,504	6	(6,006)	(39,943)	(45,949)
<b>Balance at 31 March 2025 carried forward</b>	(2,070)	(35,913)	(37,984)	(8,300)	(0)	83	(7,910)	(54,110)	(415,152)	(469,262)

Movement in Reserves 2023/24 Restated	General Fund Balance	Earmarked Reserves	General Fund Total	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2023 carried forward</b>	(2,052)	(32,161)	(34,213)	(586)	(0)	(4,147)	(8,052)	(46,998)	(423,897)	(470,896)
<b>Movement in reserves during 2023/24</b>										
(Surplus) or deficit on provision of services	21,865	0	21,865	(3,082)	0	0	0	18,783	0	18,783
Other comprehensive income and expenditure	(121)	0	(121)	121	0	0	0	0	28,800	28,800
<b>Total comprehensive Income and Expenditure</b>	21,743	0	21,743	(2,960)	0	0	0	18,783	28,800	47,583
Adjustments between accounting basis and funding basis under regulations (Note 6)	(21,480)	0	(21,480)	2,729	0	(1,274)	136	(19,889)	19,889	(0)
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	263	0	263	(231)	0	(1,274)	136	(1,106)	48,689	47,583
Transfers to/(from) Earmarked Reserves (Note 9)	(263)	261	(2)	2	0	0	0	0	0	0
<b>(Increase)/Decrease in year</b>	(0)	261	261	(229)	0	(1,274)	136	(1,106)	48,689	47,583
<b>Balance at 31 March 2024 carried forward</b>	(2,052)	(31,901)	(33,953)	(815)	(0)	(5,421)	(7,916)	(48,105)	(375,208)	(423,313)

## Cash Flow Statement

The Cash Flow Statement shows the Council's changes in cash and cash equivalents during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by council tax and grant income or from the users of services provided by the Council. Investing activities represent the extent to which outflows have been made for resources which are intended to contribute to the Council's future service delivery.

<b>2023/24</b> <b>£000s</b>	<b>2024/25</b> <b>£000s</b>
<b>18,783 Net (surplus) or deficit on the provision of services</b>	<b>3,540</b>
(11,110) Depreciation and impairment	(12,377)
(32,373) Impairment and downward revaluations	(24,124)
(340) Amortisation	(402)
(68) Change in impairment for bad debts	(299)
8,334 (Increase)/decrease in creditors	(16,731)
1,522 Increase/(decrease) in debtors	14,759
(27) Increase/(decrease) in inventories	25
1,517 Movement in pension liability	1,815
(445) Movement in investment property values	(57)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(1,324)
5 Other non-cash items charged to the net surplus or deficit on the provision of services	19
<b>(36,547) Adjustments to net surplus or deficit on the provision of services for non-cash movements</b>	<b>(38,698)</b>
4,491 Capital grants credited to the surplus or deficit on the provision of services	6,656
4,446 Proceeds from the sale of property, plant and equipment	2,113
<b>(8,827) Net Cash flows from operating activities</b>	<b>(26,390)</b>
25,857 Purchase of property, plant & equipment, investment property and intangible assets	31,674
206,101 Purchase of short-term and long-term investments	247,905
(4,446) Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(2,113)
(216,211) Proceeds from investments	(240,555)
(4,761) Other receipts from investing activities	(7,852)
<b>6,540 Net Cash flows from Investing Activities</b>	<b>29,060</b>
(29,000) Cash receipts of short- and long-term borrowing	(36,000)
26,234 Repayments of short- and long-term borrowing	34,358
6,646 Other payments for financing activities	(1,813)
<b>3,881 Net Cash flows from Financing Activities</b>	<b>(3,454)</b>
<b>1,593 Net (increase) or decrease in cash and cash equivalents</b>	<b>(784)</b>
 (2,105) Cash and cash equivalents at the beginning of the reporting period	 (514)
 (514) Cash and cash equivalents at the end of the reporting period	 (1,297)

## NOTES TO THE FINANCIAL STATEMENTS

### Expenditure and Funding Analysis for the year ended 31 March 2025

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 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 is presented more fully in the CIES. Details of the adjustments can be found in note 7.

2023/24			2024/25		
Net exp chargeable to the GF and HRA balances	Adjustments between the funding and accounting basis	Net exp in the CIES	Net exp chargeable to the GF and HRA balances	Adjustments between the funding and accounting basis	Net exp in the CIES
£'000	£'000	£'000	£'000	£'000	£'000
3,892	(4,781)	(888)	Corporate Management	5,530	(5,687)
5,378	(794)	4,583	Corporate Services	5,890	618
3,826	392	4,218	Strategy & Improvement	3,811	291
(6,812)	25,482	18,670	Place Services	(8,250)	3,494
14,136	777	14,913	People Services	14,881	(852)
596	(12)	584	Case Services (People & Place)	660	(14)
(229)	(175)	(405)	Housing Revenue Account	(7,870)	17,868
<b>20,786</b>	<b>20,889</b>	<b>41,675</b>	<b>Cost of Services</b>	<b>14,651</b>	<b>15,719</b>
<b>Other Operating Expenditure</b>					
0	(1,250)	(1,250)	Loss/Gain on Sales of Assets	0	(1,163)
0	1,050	1,050	Parish Council Precepts & Drainage Board Levy	0	1,137
0	0	0	Housing Capital Receipts Cont to Govt Pool	0	0
<b>Financing &amp; Investment Income &amp; Expenditure</b>					
0	5,239	5,239	Interest Payable on Debt	0	6,100
0	374	374	Net interest on the net defined benefit liability	0	109
0	(997)	(997)	Investment Interest Income	0	(855)
0	(250)	(250)	Investment properties income and expenditure	0	(250)
0	445	445	Change in fair value of investment properties	0	57
0	21	21	Surplus from Trading Operations	0	54
0	(68)	(68)	Impairment adjustments	0	(299)
<b>Taxation &amp; Non-Specific Grant Income &amp; Expenditure</b>					
0	(4,491)	(4,491)	Recognised Capital Grants & Contributions	0	(6,656)
(12,494)	(2,763)	(15,257)	Income from the Collection Fund	(13,211)	(268)
(8,522)	814	(7,707)	Non ring-fenced Government Grants	(9,328)	(2,259)
<b>(21,015)</b>	<b>(1,877)</b>	<b>(22,892)</b>	<b>Other Income and Expenditure</b>	<b>(22,539)</b>	<b>(4,291)</b>
<b>(229)</b>	<b>19,012</b>	<b>18,783</b>	<b>(Surplus)/Deficit on provision of services</b>	<b>(7,888)</b>	<b>11,428</b>
(2,638)			Opening General Fund and HRA balances	(2,867)	
(229)			(Surplus)/Deficit on General Fund and HRA balance	(7,888)	
0			Use of Housing Revenue Account reserve	385	
0			Use of General Fund reserve	0	
<b>(2,867)</b>			<b>Closing General Fund and HRA balances</b>	<b>(10,370)</b>	

## **1. Accounting Policies**

### **1.1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit 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 2024/25 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.

#### **1.1.1 Qualitative Characteristics of Financial Information**

Relevance - in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) the objective of the principal statements is to provide information on the Council's financial performance that is useful for assessing the stewardship of public funds and for making economic decisions.

Reliability - the financial information can be depended upon to represent accurately the substance of the transactions that have taken place. The Accounts are unbiased, free from material error, have been prepared in a prudent manner and have included all issues that would assist users to make adequate decisions on the Council's financial standing.

Comparability - the Accounts contain comparative information about the Council so that performance may be compared with a prior period.

Understandability - although a reasonable knowledge of accounting and local government is required, all efforts have been made in the preparation of the financial statements to ensure that they are as easy to understand as possible.

Materiality - an item of information is material to the Accounts if its misstatement or omission might reasonably be expected to influence assessments of the Council's stewardship and economic decisions.

#### **1.1.2 Accounting Concepts**

Going concern – it is assumed that the Council will continue in operational existence for the foreseeable future and accordingly the Accounts have been prepared on a going concern basis.

Accruals - the financial statements, other than the Cash Flow Statement, have been prepared on an accruals basis. The accruals basis requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

Primacy of legislation - local authorities derive their power from statute and their financial and accounting framework is closely controlled by legislation. Where there is conflict between a legal requirement and an accounting standard, the legal requirement will take precedence.

### **1.2 Accruals of Income and Expenditure**

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. An exception to this principle relates to electricity and similar utility costs. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts. 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.

#### Council Tax and National Non-Domestic Rates

The Council is a billing authority and, as such, is required to bill local residents and businesses for council tax and national non-domestic (business) rates (NDR). The Council collects council tax on behalf of the major precepting authorities - Kent County Council, Kent Police and Crime Commissioner, and Kent Fire and Rescue Service. The Council therefore acts as agent on behalf of these major preceptors. These accounts only show the amount owed to/from taxpayers in respect of council tax demanded by this Council. Amounts owing to/from taxpayers for council tax for major precepting authorities are shown as net debtors or creditors on the balance sheet.

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 and major preceptors share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

The amounts shown as council tax/business rates in the Taxation and Non-Specific Grant Income line of the CIES represent the amounts due to this Council for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council'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 Council's share of the year end balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

#### Other material revenue streams

The Council has a number of other material revenue streams and the approach to recognition is on an accruals basis as set out above with the following exceptions:

Parking income – cash received through parking machines is accounted for on the day on which it is collected. Busy parking machines are emptied on a daily basis.

Planning fee income – fees received are accounted for on a cash basis.

### **1.3 Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty of notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than 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 Council's cash management.

#### **1.4 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 Council'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.

#### **1.5 Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council 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 Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that costs 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.

#### **1.6 Charges to Revenue for Non-current Assets**

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### **1.7 Employee Benefits**

##### **1.7.1 Benefits payable during employment**

Short term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the salary rates 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 so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

## 1.7.2 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to a corporate service segment in the CIES at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations 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 amounts payable but unpaid at the year end.

## 1.7.3 Post-employment Benefits (Pension Costs)

Employees of the Council are members of the Local Government Pensions Scheme, administered by Kent County Council.

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

The liabilities of the Kent Pension Fund attributable to the Council 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.

Liabilities are discounted to their value at current prices using a discount rate of 5.8% (based on the indicative rate of return on the Merrill Lynch AA rated corporate bond).

The assets of Kent Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

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

The change in the net pensions liability is analysed into the following components:

i) Service cost comprising:

Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services 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 CIES.

ii) Net interest on the net defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – 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 at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

iii) Re-measurement comprising:

The return on plan assets – excluding amounts included in net interest on the net defined benefit liability – 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.

iv) Contributions paid to the Kent 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 Council 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. There is an additional impact due to application of an asset ceiling as a result of IFRIC 14 regulations.

#### 1.7.4 Discretionary Benefit

The Council 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.

### 1.8 Events after the Reporting Period

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

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

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

### 1.9 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the CIES or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

### 1.10 Financial Instruments

#### 1.10.1 Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Council 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. Annual charges to the Financing and Investment Income and Expenditure line in the 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.

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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CIES in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and write-down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

#### 1.10.2 Financial Assets (Investments)

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. Financial assets are classified into three types:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council'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 debt instrument).

##### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council 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 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 Council, 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.

The Council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

## Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost 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).

Impairment losses are calculated 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 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 the basis of 12-month expected losses. If it is determined that no objective evidence of impairment exists for an individually assessed debtor balance, the debtor balance shall be included in a group of debtor balances that are individually assessed for impairment.

## Financial Assets Measured at Fair Value through Profit or Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council 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.

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

- instruments with quoted 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 Council 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 or losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

## 1.11 Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the CIES 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 in the form of 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 and Expenditure (non-ringfenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, 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.

## **1.12 Intangible Assets**

Expenditure on assets that do not have physical substance, but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected to bring future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured at cost as there is no active market against which to determine an alternative value. The balance is amortised (i.e. written down) to the relevant service revenue account on a straight-line basis over 5 years. Intangible assets are therefore included in the balance sheet at historical costs, net of the amount written down to revenue.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation is not permitted to have an impact on the General Fund Balance. The costs are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment account.

## **1.13 Interests in Companies and Other Entities**

Where the Council has a material interest in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities, group accounts will be prepared.

In the Council's own single entity accounts, any interest in companies and other entities will be recorded as financial assets at cost, less any provision for losses.

## **1.14 Inventories**

Inventories are included in the Balance Sheet at actual cost or net realisable value if lower.

## **1.15 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 or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. 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 CIES. 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.

## **1.16 Leases**

### **1.16.1 The Council 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.

## 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.

### 1.16.2 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 in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the 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 added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **1.17 Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service where the total cost needs to be reflected at service level. In those cases the total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

## **1.18 Property, Plant and Equipment**

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

### **1.18.1 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 Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### **1.18.2 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.

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

- community assets, infrastructure and assets under construction – depreciated historical cost or historical cost. If historical cost information is not available current cost discounted back to date of acquisition, using retail price index.
- council dwellings – existing use value, determined using the basis of existing use value for social housing (EUV-SH).
- assets held for sale - fair value, determined as the amount that would be paid for the asset in its highest and best use.
- all other assets – existing use value where there is sufficient evidence of transactions for that use, or depreciated replacement cost (DRC) is used as an estimate of current value for assets of a specialist nature.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down first against any relevant balance in the reserve, and then against the relevant service line(s) in the CIES.

#### 1.18.3 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 as follows:

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

#### 1.18.4 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, infrastructure 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 (as long as the amount involved is material).

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 on straight-line allocation over the useful life of the component.

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.

Additions of plant, vehicles and equipment are subject to depreciation from the subsequent year following addition of the asset.

#### 1.18.5 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 CIES. 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.

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 CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES 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 are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment (or set aside to reduce the Council's underlying need to borrow (the capital financial requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of 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.

#### 1.18.6 Heritage Assets

The Council owns a large number of heritage assets which have either been donated to or purchased by the Council, or the Council has inherited from other public bodies. The assets fall into two basic categories: land and buildings and museum contents and artefacts plus various items of public art and sculpture on display around the district.

Heritage Assets are recognised and measured in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets where the Council does not hold information on cost or value (see note 10.1).

### 1.19 Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the 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.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will 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.

### 1.20 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the

CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement, 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 Council – these reserves are explained in the relevant policies.

## **1.21 Revenue Expenditure Funded from Capital under Statute**

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

## **1.22 VAT**

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

## **1.23 Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets and investment properties 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:

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

The Council measures the fair value of an asset or liability 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 Council 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 Council 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 the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

## **2 Accounting Standards that have been issued but have not yet been adopted**

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

International Accounting Standard 8 requires the Council to disclose the expected impact of new standards that have been issued but not yet adopted.

- The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible noninvestment assets and a requirement to value intangible assets using the historical cost approach.

The following amendments to accounting standards in 2025/26 do not have a material impact on the Council:

- IFRS 17 Insurance Contracts issued in May 2017.
- IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) issued in August 2023.
- Changes to the measurement of non-investment assets, including adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets.

### **3 Critical Judgements in applying Accounting Policies**

In applying the accounting policies set out above, the Council 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 set out below.

- a) There remains a high degree of uncertainty about future levels of funding for local government and the economic challenges facing the Council. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- b) During 2017/18 the Council purchased the remaining half interest in the Whitefriars shopping centre. Given that the Council now owns 100% of the centre for long term regeneration purposes, it has decided to classify the asset as a non-current property asset rather than as a financial instrument. This better reflects the Council's intentions to retain this property for the long term for regeneration purposes.
- c) In February 2018, this Council, together with Dover and Thanet district councils, entered into a contract with Civica UK Ltd ("Civica"). As part of the contractual arrangements with Civica, the councils have agreed to a cap and collar arrangement whereby the councils meet annual pension costs above the cap value but receive the benefit if pension costs fall below the collar value. The Councils have also jointly agreed to act as a guarantor to Civica to enable it to become an admitted body in the Kent Pension Fund. Staff were transferred to Civica on a 100% funded basis. The Shared Service contract with Civica has not been renewed and has transitioned to a Local Authority Trading Company.

In December 2018 the Council transferred the operation of the Marlowe Theatre to the Marlowe Theatre Trust, and recently revised the partnership agreement with the Council's leisure services delivery partner Active Life Limited. There are similar arrangements in place with regard to the pension arrangement as Civica.

The Council has decided not to reflect these arrangements in its statement of accounts as it considers that the probability of the guarantee being realised is minimal and so the value of the potential transaction is insignificant.

- d) The Council wholly owns Canenco. In view of the company being a 100% owned subsidiary, it is judged that the Council's interest in it is a material one and as a result group financial statements have been prepared in addition to the Council's single entity accounts.
- e) During 2024/25, PartnershipOne Ltd, a new local authority trading company (LATCo) was set up and started trading on 1 February 2025. This replaces the shared service arrangement with Civica and is equally owned by Canterbury City Council, Dover District Council and Thanet District Council. The transactions undertaken by PartnershipOne in 2024/25 are not considered material and company accounts have not been produced for the period ending 31 March 2025 and therefore they will not be consolidated into the Group Accounts. It is anticipated that they will form part of the Group Accounts for 2025/26.

#### 4 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2025 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability (£3.146m)	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £10m.</p> <p>Changes to assumptions in 2024/25 have contributed to a decrease in the net liability of £22.3m.</p>
Business Rate Appeals (£5.557m)	<p>The Council has a significant number of outstanding appeals against the Valuation Office (VOA) rating list. These can take several years to be heard and the outcome is difficult to estimate. Government guidance and a Kent wide adopted methodology has been used to estimate the provision for the outcome of the appeals.</p>	<p>If the outcome of appeals is a reduction in the rateable value above that which has been provided, then the NNDR collection fund would incur the additional cost of the appeals and there would be an ongoing reduction in the NNDR yield. If successful appeals increased by 1%, the impact to the council would be £50,000 for each year of the claim, totalling approximately £400,000.</p>
Valuation of property, plant and equipment (PPE) (£658.973m)	<p>All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation team work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters. The methodology used to value PPE is as set out in note 10.4 to the accounts.</p> <p>When the fair values of investment properties, surplus assets and assets held for sale cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using the following valuation techniques:</p> <ol style="list-style-type: none"> <li>1. For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date;</li> <li>2. For level 3 inputs, valuations based on most recent valuations adjusted to current valuation by the use of indexation and impairment review.</li> </ol>	<p>The Council uses a combination of indexation techniques, beacon valuations and discounted cash flow (DCF) models to measure the fair value of its Investment Properties, Surplus Assets and Assets Held for Sale under IFRS13 depending on which technique it considers most appropriate, and similarly to value its PPE.</p> <p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy levels, floor area, repairs backlogs, beacon classifications and others.</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.</p> <p>The most significant single asset is the Council's 100% stake in the Whitefriars Shopping Centre. This is valued using Level 2 inputs. A one percent variation</p>

	Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Authority's internal RICS qualified valuers identify the most appropriate valuation techniques to determine fair value.	would lead to a change in value of £755k which is not material.  If the valuation of the overall PPE increased by 1%, the impact to the Council would be £6.7m.
Bad debt provisions (impairment allowance) (£4.261m)	The Council has bad debt provisions of £4.261m for income relating to the HRA, benefit overpayments, council tax, NNDR and other general debtors. The provisions are based on previous history of collection rates based on aged debt analysis. However, future payment patterns could differ from historical trends.	The actual level of bad debts could be better or worse than the provision, leading to a need to increase or reduce it. Collection rates are monitored closely to allow early identification of changes to trends in payment patterns.  If collection rates were to deteriorate by 1% an extra £426k would be required to set aside as an allowance.

## 5 Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 21 August 2025. 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 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 6 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

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

### 6.2 Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

### **6.3 Major Repairs Reserve**

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

### **6.4 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.

### **6.5 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.

Accounting and Funding basis adjustments 2024/25	Usable Reserves							Movement in Unusable Reserves	
	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repair Reserve	Capital Receipts Reserve	Capital Grants	Unapplied		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
<b>Adjustments primarily involving the Capital Adjustment Account</b>									
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>									
Charges for Depreciation and impairment of non-current assets	(8,238)		(4,536)				12,774		
Revaluation on Property, Plant & Equipment	(3,659)		(19,611)				23,269		
Movement in market value of investment property	(57)						57		
Capital grant and contributions applied	5,289		1,373				(6,662)		
Revenue Expenditure funded from Capital under Statute	(2,092)		0				2,092		
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(107)		(843)				950		
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>									
Statutory provision for the financing of capital investment	9,069						(9,069)		
Capital expenditure charged against GF & HRA balances	211		385				(595)		
<b>Adjustments primarily involving the Capital Grants</b>									
<b>Unapplied Account</b>									
Capital grants and contributions unapplied credited to CIES	(1,613)					1,613	0		
Capital grants and contributions unapplied	1,607					(1,607)	0		
<b>Adjustments primarily involving the Capital Receipts Reserve (CRR)</b>									
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	363		1,750		(2,113)		0		
Use of CRR to finance capital expenditure						7,629	(7,629)		
Contribution from CRR to finance payments to the Government capital receipts pool	0						0		
Repayments of soft loans and Hsg Act advances						(11)	11		
<b>Adjustments primarily involving the Major Repairs Reserve</b>									
Reversal of Major Repairs Allowance credited to the HRA		4,536	(4,536)				0		
Use of the Major Repairs Reserve to finance new capital expenditure				4,536			(4,536)		
Voluntary transfer to Major Repairs Reserve				0			0		
<b>Adjustments involving the Financial Instruments Adjustment Account</b>									
Amount by which finance costs charged to CIES are different from finance costs chargeable in year in accordance with statutory requirements	36						(36)		
<b>Adjustments involving the Pension Reserve</b>									
Reversal of items relating to retirement benefits debited or credited to CIES	(2,565)		(502)				3,067		
Employers contributions and direct payments to pensioners payable in year.	4,170		713				(4,882)		
<b>Adjustments involving Collection Fund Adjustment Account</b>									
Amount by which council tax and NDR income adjustment included in CIES is different to the amount calculated for the year in accordance with statutory guidance	(703)						703		
<b>Adjustments involving Accumulated Absences Account</b>									
Amount by which officer remuneration charged to the CIES on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	(29)		(1)				30		
<b>Total Adjustments 2024/25</b>	1,681	0	(16,737)	(0)	5,504	6	9,546		

Accounting and Funding basis adjustments 2023/24 Restated	Usable Reserves								Movement in Unusable Reserves
	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repair Reserve	Capital Receipts Reserve	Capital Grants	Unapplied		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
<b>Adjustments primarily involving the Capital Adjustment Account</b>									
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>									
Charges for Depreciation and impairment of non-current assets		(7,553)		(3,894)				11,447	
Revaluation on Property, Plant & Equipment		(25,144)		(7,594)				32,737	
Movement in market value of investment property		(445)						445	
Capital grant and contributions applied		1,206		3,421				(4,627)	
Revenue Expenditure funded from Capital under Statute		(1,133)						1,133	
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES		(2,268)		(928)				3,196	
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>									
Statutory provision for the financing of capital investment		8,264						(8,264)	
Capital expenditure charged against GF & HRA balances		289		5,984				(6,273)	
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>									
Capital grants and contributions unapplied credited to CIES		(511)				511	0		
Capital grants and contributions unapplied		375				(375)	0		
<b>Adjustments primarily involving the Capital Receipts Reserve (CRR)</b>									
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES		2,754		1,693		(4,446)	0		
Use of CRR to finance capital expenditure						3,191		(3,191)	
Contribution from CRR to finance payments to the Government capital receipts pool		0						0	
Repayments of soft loans and Hsg Act advances						(18)		18	
<b>Adjustments primarily involving the Major Repairs Reserve</b>									
Reversal of Major Repairs Allowance credited to the HRA			3,894	(3,894)				0	
Use of the Major Repairs Reserve to finance new capital expenditure					3,894			(3,894)	
Voluntary transfer to Major Repairs Reserve					0			0	
<b>Adjustments involving the Financial Instruments Adjustment Account</b>									
Amount by which finance costs charged to CIES are different from finance costs chargeable in year in accordance with statutory requirements		41						(41)	
<b>Adjustments involving the Pension Reserve</b>									
Reversal of items relating to retirement benefits debited or credited to CIES		(2,826)		(534)				3,360	
Employers contributions and direct payments to pensioners payable in year.		4,186		691				(4,877)	
<b>Adjustments involving Collection Fund Adjustment Account</b>									
Amount by which council tax and NDR income adjustment included in CIES is different to the amount calculated for the year in accordance with statutory guidance		1,341						(1,341)	
<b>Adjustments involving Accumulated Absences Account</b>									
Amount by which officer remuneration charged to the CIES on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements		(56)		(4)				60	
<b>Total Adjustments 2023/24</b>		(21,480)	0	2,729	0	(1,273)	136	19,890	

## 7 Note to the expenditure and funding analysis

Adjustments from the General Fund to arrive at the CIES Amounts:

2023/24 Restated				2024/25			
Adjustments for capital purposes	Net change for the pensions adjustments	Other differences	Total	Adjustments for capital purposes	Net change for the pensions adjustments	Other differences	Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(4,507)	(1,436)	1,162	(4,781)	Corporate Management	(5,474)	(1,419)	1,206
(776)	(46)	27	(794)	Corporate Services	1	(58)	676
85	(36)	344	392	Strategy & Improvement	198	(39)	132
25,354	(79)	208	25,482	Place Services	5,933	(93)	(2,346)
787	(62)	52	777	People Services	(591)	(72)	(188)
0	(12)	0	(12)	Case Services (People & Place)	0	(14)	0
7,594	(220)	(7,549)	(175)	Housing Revenue Account	19,611	(228)	(1,515)
<b>28,537</b>	<b>(1,891)</b>	<b>(5,757)</b>	<b>20,889</b>	<b>Cost of Services</b>	<b>19,677</b>	<b>(1,923)</b>	<b>(2,035)</b>
<b>Other Operating Expenditure</b>							
(1,250)	0	0	(1,250)	Loss/(Gain) on Sales of Assets	(1,163)	0	0
0	0	1,050	1,050	Parish Council Precepts & Drainage Board Levy	0	0	1,137
0	0	0	0	Housing Capital Receipts Cont to Govt Pool	0	0	0
<b>Financing &amp; Investment Income &amp; Expenditure</b>							
3,796	0	1,443	5,239	Interest Payable on Debt	4,642	0	1,458
0	374	0	374	Net interest on the net defined benefit liability	0	109	0
0	0	(997)	(997)	Investment Interest Income	0	0	(855)
0	0	(250)	(250)	Investment properties income and expenditure	0	0	(250)
445	0	0	445	Change in fair value of investment properties	57	0	57
0	(0)	21	21	Surplus from Trading Operations	0	(1)	55
0	0	(68)	(68)	Impairment adjustments	0	0	(299)
<b>Taxation &amp; Non-Specific Grant Income &amp; Expenditure</b>							
(4,491)	0	0	(4,491)	Recognised Capital Grants & Contributions	(6,656)	0	0
0	0	(2,763)	(2,763)	Income from the Collection Fund	0	0	(268)
0	0	814	814	Non ring-fenced Government Grants	0	0	(2,259)
<b>Difference between (surplus) or deficit and the Comprehensive Income and Expenditure Statement (surplus) or deficit on the provision of services</b>							
<b>19,012</b>							
<b>11,428</b>							

## 8 Expenditure and income analysed by nature

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

2023/24

	2024/25									
£'000 Expenditure	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
23,146 Employee benefits expenses	774	4,008	2,479	6,096	5,258	876	3,700	23,192	152	23,344
48,919 Other service expenses	632	4,387	2,554	10,056	17,661	6	13,610	48,907	4,619	53,526
(1,127) Support service recharges	(1,443)	(726)	(273)	804	(50)	(101)	825	(964)	0	(964)
31,723 Housing benefit payments	0	28,199	0	0	4,069	0	0	32,268	(330)	31,939
46,780 Depreciation, amortisation, impairment	0	21	505	15,014	1,723	0	24,152	41,414	58	41,472
4,091 Interest payments	0	0	0	74	0	0	0	74	5,016	5,090
1,050 Precepts and levies	0	0	0	0	0	0	0	0	1,137	1,137
(1,250) Gain on the disposal of assets	0	0	0	0	0	0	0	0	(1,163)	(1,163)
<b>153,332 Total Expenditure</b>	<b>(36)</b>	<b>35,890</b>	<b>5,264</b>	<b>32,045</b>	<b>28,661</b>	<b>781</b>	<b>42,287</b>	<b>144,892</b>	<b>9,490</b>	<b>154,382</b>
<b>Income</b>										
(26,853) Housing tenancy rental income	0	0	0	0	0	0	(28,814)	(28,814)	0	(28,814)
(37,794) Fees, charges and other service income	(62)	(1,031)	(406)	(35,900)	(6,598)	(136)	(3,458)	(47,591)	(1,133)	(48,724)
(997) Interest and investment income	0	0	0	0	0	0	0	0	(855)	(855)
(14,433) Income - council tax & non-domestic rates	0	0	0	0	0	0	0	0	(13,066)	(13,066)
(54,472) Government grants and contributions	(58)	(28,351)	(756)	(901)	(8,034)	0	(17)	(38,118)	(21,266)	(59,384)
<b>(134,549) Total Income</b>	<b>(121)</b>	<b>(29,382)</b>	<b>(1,163)</b>	<b>(36,801)</b>	<b>(14,632)</b>	<b>(136)</b>	<b>(32,289)</b>	<b>(114,523)</b>	<b>(36,320)</b>	<b>(150,842)</b>
<b>18,783 Surplus/Deficit on provision of services</b>	<b>(157)</b>	<b>6,508</b>	<b>4,102</b>	<b>(4,756)</b>	<b>14,029</b>	<b>645</b>	<b>9,998</b>	<b>30,369</b>	<b>(26,829)</b>	<b>3,540</b>

## 9 Transfers to/from Earmarked Reserves

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

Reserve	Note	Balance at 31 March 2024	Transfers to reserve	Transfers from reserve	Balance at 31 March 2025
		Restated*	£'000	£'000	£'000
Computer/equipment	a	(647)	0	0	(647)
Buildings maintenance	b	(1,506)	(3)	0	(1,508)
Commercial property stabilisation reserve	c	(2,917)	(1,700)	0	(4,617)
Restructure reserve	d	(370)	0	0	(370)
Open spaces maintenance	e	(868)	(6)	11	(863)
Budget stabilisation reserve	f	(5,295)	(539)	578	(5,256)
Carry forward reserve	g	(2,155)	(432)	1,097	(1,490)
Whitstable Harbour reserves	h	(154)	(499)	154	(499)
NDR reserve	i	(10,637)	(2,802)	543	(12,896)
Climate change reserve	j	(500)	(105)	25	(580)
Elections reserve	k	(359)	(388)	437	(310)
Capital reserve	l	(1,229)	0	211	(1,018)
Planning reserves	m	(2,475)	(656)	10	(3,121)
Other General Fund reserves		(2,761)	(526)	580	(2,707)
<b>Total of GF Reserves</b>		<b>(31,872)</b>	<b>(7,657)</b>	<b>3,646</b>	<b>(35,882)</b>
Net Transfer - General Fund		263			(4,010)
HRA Reserves (excl major repairs reserve)					
HRA Reserves	h1	(29)	(2)	0	(31)
Net Transfer - HRA		(2)			(2)
<b>Total Reserves</b>		<b>(31,901)</b>	<b>(7,659)</b>	<b>3,646</b>	<b>(35,913)</b>

\*Opening balances restated due to recategorisation of earmarked reserves in 24/25

## **Earmarked Reserves**

- a) The computer/equipment reserve is held to finance ICT equipment which needs replacing.
- b) The buildings maintenance reserve is used to finance major repairs to council buildings.
- c) The commercial property stabilisation reserve is used to smooth the commercial property income fluctuations across financial years.
- d) The restructure reserve is used to cover restructure costs.
- e) The open spaces maintenance reserve holds the balance from commuted payments from developers (under section 106 agreements) based on 20 years maintenance cost of spaces taken over by the Council. The balance for each development is transferred to revenue over 20 years.
- f) The budget stabilisation is in place to support the revenue budget over future years and to cover any impairment on investments.
- g) The carry forward reserve is used to carry forward approved allocations to the next financial year to fund specific items or projects.
- h) Whitstable harbour reserve supports the capital requirements for the strategic plan for Whitstable Harbour.
- i) The NDR reserve has been created to allocate grant funding received in the current year that is required to fund the NDR collection fund costs accounted for in future financial years. Due to the required accounting treatment, the additional Section 31 grants are held by the billing authority rather than going through the Collection Fund. A deficit is held on the Collection Fund, which is then recovered from the billing authority over future years. This sum has therefore been transferred into the reserve to meet the costs of the Council's share of the deficit in the future.
- j) The Climate Change reserves are used to fund climate change and biodiversity project initiations.
- k) Elections reserve funds the Council's obligations to elections not funded by government.
- l) The capital reserve has been established to facilitate revenue contributions towards funding of the capital programme.
- m) The planning reserves are used to finance development management in the district and to finance the costs of local plan inquiries.

Other General Fund Reserves consists of a number of reserves with balances of less than £500,000, which have been earmarked for a range of different purposes such as insurance and car park investments.

## 10 Property plant and equipment, investment properties and intangible assets

Following the introduction of capital accounting, plant, property and equipment (PPE) are valued using the basis set out in note 10.4 below, any differences being credited or debited to the Revaluation Reserve. Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation. The summary of the movement in these assets during the year are listed in the two tables below.

<u>Cost or Valuation</u>	<u>Council Dwellings</u>	<u>Land and Buildings</u>	<u>Plant, Vehicles &amp; Equipment</u>	<u>Community Assets</u>	<u>Assets Under Construction</u>	<u>Total Tangible assets</u>	<u>Investment Properties</u>	<u>Heritage Assets</u>	<u>Intangible Assets</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>At 1 April 2024 (b/fwd)</b>	298,900	279,769	22,165	2,011	1,225	604,070	1,898	14,101	2,160	622,229
<b>Additions</b>	16,674	11,754	2,986	0	41	31,455	0	305	474	32,233
<b>Disposals</b>	(843)	0	(505)	0	0	(1,348)	0	0	(353)	(1,701)
<b>Acc Dep'n w/o</b>	0	(4,248)	0	(8)	0	(4,256)	0	(11)	(3)	(4,270)
<b>Reclassifications/Transfers</b>	0	(460)	0	0	0	(460)	0	0	0	(460)
<b>Revaluations to Revaluation Reserve</b>	35,821	10,401	0	54	0	46,276	0	126	0	46,402
<b>Revaluations to CIES</b>	(19,611)	(4,793)	0	0	0	(24,404)	(57)	0	0	(24,461)
<b>Other movements in Cost or Valuation</b>	0	0	0	0	0	0	0	0	0	0
<b>At 31 March 2025</b>	330,941	292,423	24,646	2,057	1,266	651,333	1,841	14,520	2,277	669,971
<b>Depreciation and impairment</b>										
<b>At 1 April 2024 (b/fwd)</b>	(3,685)	(7,177)	(14,261)	(7)	(0)	(25,130)	0	(14)	(868)	(26,012)
<b>Charge for 2024/25</b>	(4,318)	(5,087)	(2,168)	(1)	0	(11,574)	0	(11)	(402)	(11,987)
<b>Disposals</b>	0	0	486	0	0	486	0	0	341	827
<b>Acc Dep'n w/o</b>	3,685	4,248	0	8	0	7,941	0	11	3	7,955
<b>Reclassifications</b>	0	0	0	0	0	0	0	0	0	0
<b>Impairments to CIES</b>	0	0	0	0	0	0	0	0	0	0
<b>At 31 March 2025</b>	(4,318)	(8,017)	(15,943)	0	(0)	(28,277)	0	(14)	(926)	(29,217)
<b>Net Book Value at 31 March 2025</b>	326,623	284,407	8,703	2,057	1,266	623,055	1,841	14,506	1,352	640,754

## 10 Property plant and equipment, investment properties and intangible assets

	Council Dwellings £'000	Land and Buildings £'000	Plant, Vehicles & Equipment £'000	Community Assets £'000	Assets Under Construction £'000	Total Tangible assets £'000	Investment Properties £'000	Heritage Assets £'000	Intangible Assets £'000	Total £'000
<b>Cost or Valuation</b>										
At 1 April 2023 (b/fwd)	344,645	267,468	22,088	2,011	26,259	662,470	2,343	14,079	2,127	681,019
Additions	8,795	13,551	973	0	24	23,343	0	0	352	23,696
Disposals	(928)	(1)	(896)	0	0	(1,825)	0	0	(103)	(1,928)
Acc Dep'n w/o	0	(4,022)	0	0	0	(4,022)	0	(11)	(217)	(4,250)
Reclassifications/Transfers	0	18,594	0	0	(25,057)	(6,463)	0	0	0	(6,463)
Revaluations to Revaluation Reserve	(45,955)	9,261	0	0	0	(36,695)	0	33	0	(36,662)
Revaluations to CIES	(7,656)	(25,082)	0	0	0	(32,738)	(445)	0	0	(33,182)
Other movements in Cost or Valuation	0	0	0	0	0	0	0	0	0	0
At 31 March 2024	298,900	279,769	22,165	2,011	1,226	604,071	1,898	14,101	2,160	622,230
<b>Depreciation and impairment</b>										
At 1 April 2023 (b/fwd)	(4,137)	(6,602)	(13,116)	(6)	(0)	(23,861)	0	(14)	(745)	(24,621)
Charge for 2023/24	(3,685)	(4,597)	(2,025)	(1)	0	(10,309)	0	(11)	(339)	(10,658)
Disposals	0	0	881	0	0	881	0	0	0	881
Acc Dep'n w/o	4,137	4,022	0	0	0	8,159	0	11	217	8,387
Reclassifications	0	(1)	0	0	0	(1)	0	0	0	(1)
Impairments to CIES	0	0	0	0	0	0	0	0	0	0
At 31 March 2024	(3,685)	(7,178)	(14,260)	(7)	(0)	(25,130)	0	(14)	(867)	(26,012)
Net Book Value at 31 March 2024	295,215	272,591	7,905	2,004	1,226	578,941	1,898	14,087	1,293	596,218

Infrastructure Assets	31/03/2024	31/03/2025
NBV @ 1 April	18,708	18,815
Additions	896	192
Depreciation/Impairment	(789)	(788)
NBV @ 31 March	<b>18,815</b>	<b>18,219</b>

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. This does not impact the balance sheet as this reports net book value.

The Authority has determined in accordance with Regulation [30M England or 24L Wales] of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

	31/03/2024	
	*Restated	31/03/2025
Infrastructure assets	18,815	18,219
Other PPE assets*	592,914	636,945
Total PPE assets	<b>611,729</b>	<b>655,164</b>

\*The comparative figure for Other PPE assets has been restated due to the incorrect inclusion of assets which do not meet the definition of PPE.

## 10.1 Heritage Assets

FRS 102 defines a heritage asset as 'a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture'.

Canterbury City Council owns a large number of heritage assets which have either been donated to the Council or purchased or the Council has inherited from other public bodies. The assets are maintained to a standard which enables them to retain their original value. Therefore, it is not considered appropriate to depreciate these assets.

### Land and Buildings

The Council owns the following land and buildings, most of them historic, which are held and maintained principally for their contribution to knowledge and culture. The Council does not hold information on the cost or value of these assets and it is considered that the cost of obtaining this information outweighs the benefit to the reader of the accounts.

Heritage Asset	Location
Roper Gateway, St Dunstans Street	Canterbury
Jesuit Chapel (Hales Place Chapel Trust)	Canterbury
Black Princes Chantry Wall	Canterbury
City Walls	Canterbury
Dane John Mound	Canterbury
St George's Clocktower	Canterbury
St Mary Magdalene Clocktower	Canterbury
1st and 2nd World War Memorials	Various
Boer War Memorial, Dane John	Canterbury
Kent Yeomanry War Memorial	Canterbury
Whitstable War Memorial	Whitstable
Memorial to Kentish Martyrs	Canterbury

Assets whose primary function is operational, such as the Holy Cross Church (The Guildhall), Tower House, and museum buildings are not classed as Heritage Assets. Where the asset values are recorded on the fixed asset register, these values are also shown in the reconciliation below.

The buildings are all maintained by the Council's buildings services team. There are regular inspections and any maintenance required is carried out as part of the maintenance programme for all of the Council's buildings.

### Museum contents and other artefacts

The museums service is managed within the Place Services area, and a small team look after and preserve the exhibits.

The service operated two museums within the district during 2024/25. Independent groups have been established in Herne Bay and Whitstable to take on the management of the museums on the Council's behalf.

The current valuation for art in the museums for insurance purposes is £8,302,000. Other museum exhibits are valued for insurance purposes at £886,000 and various civic and public art commissions are valued at £2,190,000 giving an overall total of £11,378,000 which also includes Tower House and Van Dyck paintings, but excludes exhibitions on loan to the Council.

It has been determined that the civic regalia should be classed as operational assets as they are used in the course of the Council's business.

### Reconciliation of the carrying value of Heritage Assets Held by the Authority

At 31 March 2024		Asset	At 31 March 2025	
£'000	£'000		£'000	£'000
886		Museum Exhibits	886	
10,405		Public Art and Painting Collection	10,492	
		<b>11,292 Museum contents and artefacts</b>		<b>11,378</b>
972		Roman Site Butchery Lane	972	
30		Canterbury Castle	334	
161		Littlebourne Barn	161	
489		Central Parade Clock Tower	489	
1,143		The Westgate	1,172	
		<b>2,795 Land and Buildings</b>		<b>3,128</b>
		<b>14,087 Total</b>		<b>14,506</b>

### 10.2 Assets held for sale

31 March 2024	Transfers	Revaluations	Assets sold	31 March 2025
£'000	£'000	£'000	£'000	£'000
3,046 Car park land	0	(94)	0	2,952
0 Business centres	0	0	0	0
3,000 Surplus land	145	0	(135)	3,010
7,929 Surplus Property	315	0	(315)	7,929
<b>13,974</b>	<b>460</b>	<b>(94)</b>	<b>(450)</b>	<b>13,890</b>

### 10.3 Depreciation

Depreciation is provided for PPE with a finite useful life according to the following policy:

- Operational buildings are depreciated unless the amount involved is not material.
- Newly acquired assets are depreciated from the date of acquisition although assets in the course of construction are where depreciated, are depreciated at historical cost.

c) Depreciation is calculated using the straight-line method over the expected useful life of the asset. This is calculated for each asset on an individual basis as follows: infrastructure assets are depreciated over periods varying from 10 to 50 years, operational buildings over periods ranging from 20 to 100 years, and plant, vehicles and equipment are mainly depreciated over five years.

A revised depreciation charge using component accounting was implemented for the HRA in 2010/11 and has been implemented for major properties only for the General Fund from 2011/12.

#### 10.4 Revaluations

The Council carries out a rolling programme of revaluations that ensures that all property, highways, infrastructure assets, plant and equipment required to be measured at current value is re-valued at least every five years. Investment properties, surplus properties and assets held for sale are re-valued every year, as are all assets with a capital value of over £400,000. Revaluations for 2024/25 were carried out internally with the exception of Whitefriars and Riverside, which was valued by Knight Frank.

Assets category	Date of last valuation	Basis of valuation	Value of revalued assets £'000	Valuer
Council dwellings	March 2025	A	330,941	Adam Wright, MRICS
Other land and buildings	March 2025	B	234,079	Adam Wright, MRICS
Surplus assets	March 2025	C	0	Adam Wright, MRICS
Investment properties	March 2025	C	1,841	Adam Wright, MRICS
Infrastructure assets	March 2025	B	45,053	Liam Wooltorton, IEng, MICE
Assets held for sale	March 2025	C	13,890	Adam Wright, MRICS

#### Basis of valuation

- A Current Value - Existing Use Value – Social Housing reflects discounted value in accordance with MHCLG guidance to allow for the use of property as rented social housing
- B
  - a) Current Value - Existing Use Value where there was sufficient evidence of transactions for that use, or
  - b) Depreciated replacement cost (DRC) where the asset is of a specialised nature or where there is no evidence of market value of suitably comparable properties
- C Current Value - Fair value for properties categorised as Assets Held for Sale, surplus or investment properties

Valuation techniques used to determine level 2 fair values for investment properties

The Fair Values of retail assets have been assessed using the investment method reflecting market conditions, sale prices and achieved rents for similar assets in the local authority area as at the valuation date. Market conditions are such that the level of observable inputs is significant leading to the property being categorised at Level 2 in the fair value hierarchy (see Note 4 for an explanation of the fair value levels).

#### Highest and Best Use of Investment Properties

In estimating the fair value of the Authority's investment property, the highest and best use is the current use.

There has been no change in the valuation techniques used during the year for investment property.

Following the Grenfell Fire tragedy in June 2017, the MHCLG published 'Advice for Building Owners of Multi-Storey, Multi-Occupied Residential Buildings' (the consolidated advice note (CAN)) in January 2020. Following publication of the MHCLG's advice the RICS produced a Guidance Note 'Valuation of properties in multi-storey, multi occupancy residential buildings with cladding' 1st edition, March 2021 (the RICS Guidance Note), which came into effect on 5th April 2021. When Savill's valued the housing stock in March

2022 their opinion of value for Canterbury City Council's three high rise blocks, Elizabeth Court and Margaret Court, Herne Bay and Windsor House Whitstable had regards to both the CAN and the RICS Guidance Note. Until the full extent of the remediation works that may be required to the external wall insulation at these blocks and the specific costings for these works are known, Savills withheld the value and attributed a nil value to the three blocks. These blocks continue to be held at a nil value as at 31 March 2025.

## 11 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. This effectively means that it has been covered by borrowing.

2023/24		2024/25	
Restated Capital Expenditure and Financing	£'000	2024/25	£'000
<b>255,778 Opening Capital Financing Requirement</b>		<b>255,125</b>	
<b>Capital Expenditure in year:</b>			
24,568 Property, plant and equipment		29,231	
24 Assets under construction		41	
Revenue expenditure funded from capital under statute see 3,801 note 11.1		3,916	
<u>28,393</u>		<u>33,188</u>	
<b>(5,980) HRA loan repayment</b>		<b>0</b>	
<b>Sources of Finance</b>			
(3,191) Capital receipts		(7,629)	
(133) Loan repayments		(139)	
(7,295) Government grants and other contributions		(8,485)	
(4,183) Revenue and Reserves		(5,131)	
(8,264) Revenue and provision for repayment of loans (MRP)		(9,069)	
<u>(23,065)</u>		<u>(30,453)</u>	
<b>255,125 Closing Capital Financing Requirement</b>		<b>257,861</b>	
<b>Explanation of movements in year</b>			
(5,980) HRA loan repayment		0	
(8,264) MRP		(9,069)	
(133) Soft loan repayments		(139)	
Increase in underlying need to borrow (unsupported by 13,711 government financial assistance).		11,943	
<b>(666) Movement of Capital Financing Requirement</b>		<b>2,735</b>	

### 11.1 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

This expenditure is recognised as revenue expenditure and any funding of it by grants recognised as revenue income.

Net Exp	£'000	2024/25			
		Gross		Other	
		Exp	Gov Grant	Contr	Net Exp
	£'000	£'000	£'000	£'000	£'000
0 Disabled facilities and improvement grants		1,568	(1,568)	0	0
1,121 Other including parish council grants		2,348	(59)	(197)	2,092
<b>1,121 Total</b>		<b>3,916</b>	<b>(1,627)</b>	<b>(197)</b>	<b>2,092</b>

The financing of this expenditure was grants and contributions of £1.823m. Adding this to the £6.662m non REFCUS grant funded capital expenditure reconciles to the total capital grants applied to finance capital expenditure £8.485m (see table above).

## 12. Financial Instruments

### 12.1 Categories of Financial Instruments

The following categories of financial instrument (and non-financial assets/liabilities) are disclosed on the face of the Balance Sheet as at 31 March.

Financial Assets	Non-Current								Current								Total	Total		
	Investments		Debtors		Investments		Debtors		31 March		31 March		31 March		31 March					
	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March	2025	2024	2025	2024	2025	2024	2025	2024				
	2025	2024	2025	2024	£'000	£'000	2025	2024	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	2025	2024		
Amortised cost	0	0	(58)	195			0	0	0	0	8,375	7,047	8,318	7,242						
Fair Value through profit and loss	0	0	0	0			12,357	5,007	0	0	0	0	12,357	5,007						
Cash and cash equivalents	0	0	0	0			0	0	0	0	1,297	514	1,297	514						
Soft loans	0	0	2,199	2,340			0	0	0	0	0	0	2,199	2,340						
<b>Total financial assets</b>	<b>0</b>	<b>0</b>	<b>2,141</b>	<b>2,535</b>			<b>12,357</b>	<b>5,007</b>			<b>9,673</b>	<b>7,560</b>	<b>24,170</b>	<b>15,102</b>						
Non-financial assets	0	0	0	0			0	0	0	0	13,147	2,976	13,147	2,976						
<b>Total</b>	<b>0</b>	<b>0</b>	<b>2,141</b>	<b>2,535</b>			<b>12,357</b>	<b>5,007</b>			<b>22,820</b>	<b>10,537</b>	<b>37,317</b>	<b>18,078</b>						
<b>Financial Liabilities</b>																				
	Non-Current				Current				Borrowings				Creditors				Total			
	Borrowings		Creditors		Borrowings		Creditors		31 March		31 March		31 March		31 March		Total			
	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024		
	2025	2024	2025	2024	£'000	£'000	2025	2024	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	2025	2024		
Amortised cost	(140,603)	(141,589)	0	0			(42,577)	(39,949)	(15,577)	(16,369)	(198,757)	(197,907)								
<b>Total financial liabilities</b>	<b>(140,603)</b>	<b>(141,589)</b>	<b>0</b>	<b>0</b>			<b>(42,577)</b>	<b>(39,949)</b>	<b>(15,577)</b>	<b>(16,369)</b>	<b>(198,757)</b>	<b>(197,907)</b>								
Non-financial liabilities	0	0	0	0			0	0	(20,926)	(7,335)	(20,926)	(7,335)								
<b>Total</b>	<b>(140,603)</b>	<b>(141,589)</b>	<b>0</b>	<b>0</b>			<b>(42,577)</b>	<b>(39,949)</b>	<b>(36,503)</b>	<b>(23,704)</b>	<b>(219,683)</b>	<b>(205,242)</b>								

## 12.2 Material Soft Loan made by the Council

### Loan to Kent County Cricket Club (KCCC)

Soft loans include a loan to the KCCC (towards the implementation of its development plans) which is deemed to be material. A soft loan is one where the advance has been made at less than market rates. Within the balance of soft loans of £2.2m shown in the table at 12.1 above, is an amount of £2.1m in respect of the KCCC.

	2023/24 £'000	2024/25 £'000
Balance at start of year:		
Opening balance	2,333	2,222
Loans repaid	(133)	(139)
Increase/(decrease) in discounted amount	22	21
Impairment losses	0	0
Closing balance at end of year	<u>2,222</u>	<u>2,104</u>
Notional amount	4,000	4,000

The interest rate at which the fair value of this soft loan has been made is arrived at by adding 1% to the actual cost of borrowing to reflect the credit risk.

### 12.3 Income, Expense, Gains and Losses

The income, expense, gains and losses recognised in the CIES (as part of Surplus/Deficit on the Provision of Services) in relation to financial instruments are made up as follows:

	2023/24 £'000	2024/25 £'000
Net (gains)/losses on:		
Financial assets measured at fair value through profit and loss	(996)	(975)
Financial assets measured at amortised cost	(15)	204
Total net gains/losses	<u>(1,011)</u>	<u>(771)</u>
Interest revenue:		
Financial assets measured at amortised cost	(123)	(104)
Interest expense	<u>5,239</u>	<u>6,100</u>

### 12.4 Fair Values of Financial Assets and Liabilities

The Council's financial liabilities are carried at amortised cost. Financial assets are generally measured at amortised cost, except for Money Market Funds which are designated at FVPL in accordance with IFRS 9 and CIPFA code. Their fair value can be assessed by calculating the Net Present Value of the cash flows that will take place over the remaining term of the instruments, which provides an estimate of the value of payments in the future in today's terms. This is the widely accepted valuation technique commonly used by the private sector. The following assumptions have been used:

- For PWLB loans, the new borrowing rate has been used as the discount factor (as opposed to the premature repayment rate). This is because the premature repayment rate includes a margin which represents the lender's profit as a result of rescheduling the loan, which is not included in the fair value calculation. Relevant interest rates at 31 March 2025 were between 5.08% and 6.24% depending on the maturity date of the loan.

- ii) No early repayment or impairment is recognised.
- iii) For investments, the discount rate used in the Net Present Value calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of the valuation for an instrument with the same outstanding period to maturity.

The fair values calculated by Arlingclose our treasury advisors:

31 March 2024				31 March 2025			
Carrying	Fair	Carrying	Fair	Amount	Value	Amount	Value
Amount	Value	Amount	Value	£'000	£'000	£'000	£'000
<b>Long term borrowing</b>							
141,587	127,382	Financial Liabilities - LT loans including PWLB		140,601	123,885		
2	0	Financial Liabilities - Other bonds and mortgages		2	0		
<b>Short term borrowing</b>							
39,949	38,371	Financial Liabilities - ST loans (including ST element of annuity loans)		42,577	40,787		

The fair value of the Council's borrowing is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable are below the current market rates for similar loans at the balance sheet date including two loans totalling £90m with rates of 2.61% and 2.47% which account for a fair value of £11.7m lower than the carrying amount. Further, the commitment to pay interest below current market rates on the other loans decreases the amount that the Council would have to pay if the lender requested or agreed to early repayments of the loans.

31 March 2024				31 March 2025			
Carrying	Fair	Carrying	Fair	Amount	Value	Amount	Value
Amount	Value	Amount	Value	£'000	£'000	£'000	£'000
<b>Investments</b>							
0	0	Loans and receivables - banks and building societies					
5,007	5,007	Fair value through profit and loss - money market funds		12,357	12,357		
5,007	5,007			12,357	12,357		

The value of money market funds are made at "mark to market" meaning that the value of the funds are constantly measured at their fair value. The Council's carrying amount in the accounts is kept up to date resulting in them being equal to the fair value.

Financial assets and liabilities additionally include cash, bank overnight deposits and some debtors and creditors as set out in the table (above) in note 12.1. The fair value of these is equivalent to the nominal value as they are short term liquid assets.

## 12.5 Nature and extent of risks arising from financial instruments

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

- i) Credit risk – the possibility that other parties might fail to pay amounts to the Council.
- ii) Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- iii) Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- iv) Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and 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 in relation to treasury management is reviewed throughout the year, under policies approved by the Council in the annual treasury management strategy. The Council provides 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 exposure to the Authority's customers. Deposits are only made with banks and financial institutions if they are rated with a minimum score of F1. The Treasury Management Strategy sets out the lending limits to any single counter party, these are based on the assessed risks and vary between £2.5 million and £10 million. The strategy for 2024/25 was agreed by Council on 25th April 2024 and is available on the Council's website.

### Liquidity risk

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

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

All investment sums owing to the Council (£12m) can be repaid on demand if required. The long-term debts are due for repayment in accordance with the loan agreements.

### Refinancing and Maturity 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 and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

However, £55.2m of loans have a maturity of more than 10 years and the strategy is now to spread the maturity profile of the borrowings and to make early repayments where it is beneficial to do so.

The maturity analysis of financial liabilities is as follows:

31 March 2024	Source of Loan £'000	Range of interest rates		31 March 2025 £'000
		payable %	2025 £'000	
141,587	Public Works Loan Board	0.74 - 10.50	140,601	
2	Other bonds and mortgages	2.00 - 5.625	2	
<b>141,589</b>	<b>Total Long term borrowing</b>		<b>140,603</b>	
Analysis of loans by maturity is:				
10,986	Maturing in 1-2 years		11,228	
34,157	Maturing in 2-5 years		44,635	
36,615	Maturing in 5-10 years		29,544	
59,831	Maturing in over 10 years		55,196	
<b>141,589</b>	<b>Total Long term borrowing</b>		<b>140,603</b>	

### Market Risk

## Interest rate risk

The Council is exposed to significant risks in terms of its exposures to interest rate movements on its investments, although much less on its borrowings. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the surplus or deficit on the provision of services will rise
- borrowings at fixed rates – the fair value of the liabilities/borrowings will fall
- investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure account. However, changes in interest payable and receivable on variable rate borrowings and investments (if the Council had any) would be posted to the surplus or deficit on the provision of services and affect the General Fund balance.

Investments or borrowings at variable interest rates are potentially most affected by interest rate risk; this Council invests in money market funds which are subject to movements in interest rates. For a 1% increase in rates additional income of £108k would be generated from the funds. A 1% reduction would have the opposite effect.

### General Fund Borrowing

The maturity analysis table on page 51 shows £55.2m Council borrowing in excess of 10 years, of this £53.6m relates to the General Fund and £1.6m relates to the HRA.

### Financial Instruments Designated at Fair Value through Profit or Loss (FVPL)

The Council held £12.4m in money market funds at 31 March 2025 designated as FVPL. The risk to the value of the funds is managed as described above. Fair value hierarchy of Level 1 is applied, that is, the value is derived from quoted prices in active markets for identical assets. The impact of a 1% interest rate rise would lead to an estimated reduction in fair value of £15k.

### 13 Long term debtors

Balance at		Category	Repayments £'000	Balance at 31 March 2025	
31 March 2024	£'000			£'000	£'000
<b>Soft loans (Misc loans)</b>					
2,488	Actual amount outstanding		(160)	2,328	
(149)	Adjustments to fair value		19	(130)	
<b>2,339</b>	<b>Soft loans - Fair value</b>		<b>(141)</b>	<b>2,198</b>	
176	Canenco loan		(44)	132	
19	Shared Service Reserves		(209)	(190)	
<b>2,535</b>	<b>Total</b>		<b>(394)</b>	<b>2,141</b>	

The balance for soft loans at 31 March 2025 of £2.328m has been reduced downwards by £130k (contra the Financial Instruments adjustment account) to a 'fair value' of £2.199m using a discounted cash flow calculation, to reflect the interest charged is below market rates or where interest is at the market rate a credit default risk of 1% has been used.

## 14 Short term debtors

31 March 2024 Category		31 March 2025	
£'000		£'000	
10,036	Other entities and individuals	22,721	
4,567	Central government bodies	1,827	
201	Other local authorities	1,212	
13	Public corps and trading funds	24	
<b>14,817</b>	<b>Total</b>	<b>25,784</b>	
<b>Impairment of debt</b>			
(1,267)	Local tax payers	(1,033)	
(1,604)	Housing	(1,623)	
(1,690)	Benefits	(1,360)	
(234)	Penalty charges notices & other provisions	(245)	
<b>(4,794)</b>	<b>Total</b>	<b>(4,262)</b>	
<b>10,023</b>	<b>Total short term debtors</b>	<b>21,523</b>	

### 14.1 Age of Debt

An analysis of the age profile of trade debtors is given in the table below which form part of the debtors figures shown above.

31 March 2024			31 March 2025			
General	HRA	Total	General	HRA	Total	
£'000	£'000	£'000	£'000	£'000	£'000	
2,609	107	<b>2,715</b>	0 to 30 days	1,024	43	<b>1,067</b>
(2)	0	(2)	31 to 60 days	196	(1)	195
20	0	20	61 to 90 days	152	1	153
2	0	2	91 to 120 days	58	5	64
(1)	48	46	Over 120 days	288	114	402
<b>2,627</b>	<b>155</b>	<b>2,782</b>	<b>Total</b>	<b>1,718</b>	<b>163</b>	<b>1,881</b>

### 14.2 Collectability of debt

The Council does not generally allow credit for customers; however, it is prudent to establish an allowance for non-payment of debt. This calculation is based upon the type and age of the debtor and allows a percentage for the expected failure of collection. The Council's potential maximum exposure to default or non-collection of the debt is shown as the provision balance as at 31 March in the impairment of debt table above.

### 14.3 Payments in Advance

31 March 2024		31 March 2025	
£'000		£'000	
1,090	Long Term Payments in Advance	992	
198	Short Term Payments in Advance	1,253	
<b>1,288</b>		<b>2,245</b>	

## 15 Cash and cash equivalents

Cash is defined as cash in hand and deposits repayable on demand, less overdrafts. The balance of cash and cash equivalents is made up of the following elements:

<b>31 March 2024</b>	<b>£'000</b>	<b>31 March 2025</b>	<b>£'000</b>
353 Bank overnight deposits	267		
1,899 Cash in hand	1,078		
2,252	1,345		
(1,738) Payments in transit	(48)		
<b>514</b>	<b>1,297</b>		

## 16 Creditors

### 31 March 2024

Restated	Category	
£'000	Sundry creditors	
(7,809)	Other entities and individuals	
(4,645)	Central government bodies	
(11,210)	Other local authorities	
(41)	Public corps and trading funds	
<b>(23,704)</b>	<b>Total</b>	

31 March 2025	£'000
(21,856)	(23)
(5,232)	(36,503)
(9,392)	

#### 16.1 Deposits and Receipts in Advance

The balance for deposits and receipts in advance of £11.916m is predominantly made up of various government grants. (In 2023/24 the total was £8.126m which was also predominantly made up of various government grants.

## 17 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and in notes 6 and 9 to the financial statements.

## 18 Unusable Reserves

Reserve	Balance at 1 April 2024	Net movement in year	Balance 31 March 2025	Purpose of reserve
	£'000	£'000	£'000	
Revaluation Reserve	(251,788)	(48,229)	(300,017)	Store of gains on revaluation of fixed assets, not yet realised through sales see note 18.1 for details
Capital Adjustment Account*	(127,474)	9,180	(118,294)	Store of capital resources set aside to meet past expenditure see note 18.2 for details
Financial Instrument Adjustment Account	391	(36)	355	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments.
Pensions Reserve	4,737	(1,591)	3,146	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet. See note 18.3 for details
Collection Fund Adjustment Account	(1,325)	703	(622)	Resources available to meet future precept payments re City Council share only
Short-term accumulating absences account	250	30	280	Represents accrual of holiday entitlement carried forward at year end
<b>Total</b>	<b>(375,208)</b>	<b>(39,943)</b>	<b>(415,152)</b>	

## 18.1 Revaluation Reserve

This reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets) as a result of inflation or other factors. 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.

31 March 2024	Category	General	Housing	31 March
		Fund £'000	£'000	2025 £'000
(285,811)	Balance at 1 April	(94,697)	(157,091)	(251,788)
(15,694)	Upward revaluation of assets	(11,342)	(35,895)	(47,236)
	Downward revaluation of assets and impairment			
52,355	losses not charged to Surplus/Deficit on provision of services	834	0	834
36,662		(10,507)	(35,895)	(46,402)
(4,137)	Depreciation written out on revaluations of PPE (Surplus)/deficit on revaluation of assets not posted	0	(3,685)	(3,685)
32,525	to the surplus or deficit on the provision of services per CIES.	(10,507)	(39,580)	(50,087)
	<b>Transfers to Capital Adjustment Account (note 18.2)</b>			
365	Write-out the revaluation gains previously recognised for assets disposed of in current year.	374	0	374
32,890	<b>(Surplus)/deficit on revaluation of PPE</b>	(10,133)	(39,580)	(49,713)
1,132	Difference between fair value depreciation and historical cost depreciation following revaluations	1,475	8	1,484
34,022	Total movement in reserve in the year	(8,658)	(39,571)	(48,229)
<b>(251,788)</b>	<b>Balance at 31 March</b>	<b>(103,355)</b>	<b>(196,662)</b>	<b>(300,017)</b>

## 18.2 Capital Adjustment Account

This reserve reflects the timing differences between the historical cost of non-current assets consumed, 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 CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts that have been set aside to finance the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties. 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.

2023/24 Capital Adjustment Account		General Fund	Housing	2024/25 Total
Total	£'000	£'000	£'000	£'000
<b>Restated</b>				
<b>£'000</b>				
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>				
<b>Charges for depreciation and impairment</b>				
(149,069) Balance at 1 April		(41,920)	(85,554)	(127,474)
Charges for depreciation and impairment of non-11,447 current assets		8,238	4,536	12,774
32,738 Revaluation of Property, Plant and Equipment		3,659	19,611	23,269
1,133 Revenue expenditure funded from capital under statute		2,092	0	2,092
Amounts of non-current assets written off on				
3,196 disposal/sale as part of gain/loss on disposal to CIES		107	843	950
48,515		14,096	24,990	39,086
(1,133) Adjusting amounts written out to Revaluation Reserve		(1,475)	(8)	(1,484)
<b>Net written out amount of the cost of non-current assets consumed in the year.</b>		<b>12,621</b>	<b>24,981</b>	<b>37,602</b>
<b>Capital financing applied in the year</b>				
Use of the Capital Receipts Reserve to finance new				
(3,191) capital expenditure		(561)	(7,067)	(7,629)
Use of the Major Repairs Reserve to finance new				
(3,894) capital expenditure		0	(4,536)	(4,536)
Capital grants and contributions credited to the CIES				
(4,627) that have been applied to capital financing		(5,289)	(1,373)	(6,662)
Statutory provision for the financing of capital charged				
(8,264) to the General Fund and HRA balances		(9,069)	0	(9,069)
Capital expenditure charged against the General Fund				
(289) and HRA balances		(211)	(385)	(595)
(20,265)		(15,130)	(13,361)	(28,491)
<b>Movement in the year</b>				
Movement in the market value of Investment Properties				
debited or credited to the Comprehensive Income and				
445 Expenditure Statement		57	0	57
(5,984) HRA loan repayment		0	0	0
18 Repayments of soft loans and housing act advances		11	0	11
<b>(127,474) Balance at 31 March</b>		<b>(44,360)</b>	<b>(73,934)</b>	<b>(118,294)</b>

### 18.3 Pensions Reserve

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

<b>2023/24</b>	<b>2024/25</b>
<b>£'000</b>	<b>£'000</b>
<b>10,344 Balance at 1 April</b>	<b>4,737</b>
(4,090) Remeasurements of the net defined benefit liability	224
Reversal of items relating to retirement benefits debited or	
3,360 credited to the Deficit on the Provision of Services in the	3,067
Comprehensive I&E Statement	
(4,877) Employer's pension contributions	(4,882)
<b>4,737 Balance at 31 March</b>	<b>3,146</b>

### 19 Cash flow statement – operating activities and reconciliation of liabilities arising from financing

#### 19.1 The cash flows for operating activities include the following items:

<b>2023/24</b>	<b>2024/25</b>
<b>£'000</b>	<b>£'000</b>
4,660 Interest paid	5,670
(1,180) Investment income received	(1,105)
<b>3,480 Total</b>	<b>4,565</b>

Full details of investing and financing activities are included in the main cash flow statement itself.

#### 19.2 Reconciliation of liabilities arising from financing activities

Balance at 31 March 2024 £'000	Liability	Financing cash flows £'000	Non cash changes £'000	Balance at 31 March 2025 £'000
				(141,589) Long term borrowings (1,986) 2,972 (140,603)
(39,949) Short term borrowings		(2,000)	(627)	(42,577)
<b>(181,538) Total liabilities from financing activities</b>		<b>(3,986)</b>	<b>2,344</b>	<b>(183,180)</b>

## 20 Grant Income

The Council credited the following grants and contributions to the CIES within taxation and non-specific grant income section.

2023/24 Taxation and non-specific grant Income	2024/25
£'000	£'000
<b>a) General government grants</b>	
(5,420) Non-domestic rates income and expenditure	(7,273)
(319) New homes bonus	(998)
(1,968) Other central government grants	(3,315)
<b>(7,707) Total of general government grants</b>	<b>(11,587)</b>
<b>b) Recognised capital grants and contributions</b>	
(4,491) Grants and contributions	(6,656)
<b>(4,491) Total of recognised capital grants and contributions</b>	<b>(6,656)</b>

The Council credited the following grants and contributions to cost of services within the CIES.

2023/24	2024/25
£'000 Credited to Services	£'000
(12,639) Rent allowances	(15,741)
(15,547) Rent rebates	(11,239)
(350) Benefits administration	(343)
(237) NDR administration	(237)
(828) Energy Rebate Grants	0
(8,466) Other revenue grants	(7,616)
(1,332) Disabled facilities grants	(1,568)
<b>(39,400)</b>	<b>(36,744)</b>

## 21 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims.

2023/24	2024/25
£'000	£'000
227 External audit services carried out by the appointed auditor	182
31 Certification of grant claims and returns	47
<b>258 Total</b>	<b>229</b>

## 22 Councillors' Allowances

The total of councillors' allowances paid in the year was £373,929 (2023/24 - £365,698).

Details can be found on our website:

<https://www.canterbury.gov.uk/budgets-and-transparency/members-allowances/>

## 23 Officers' Emoluments

The number of employees whose remuneration including termination payments, but excluding employer's pension contributions, was over £50,000, in bands of £5,000 are shown in the following table.

Number of Employees 2023/24	Renumeration band	Number of Employees 2024/25
17	£50,000 - £54,999	16
8	£55,000 - £59,999	17
10	£60,000 - £64,999	5
6	£65,000 - £69,999	5
3	£70,000 - £74,999	8
3	£75,000 - £79,999	2
4	£80,000 - £84,999	6
0	£85,000 - £89,999	1
1	£90,000 - £94,999	1
2	£95,000 - £99,999	2
0	£100,000 - £104,999	0
0	£105,000 - £109,999	0
1	£110,000 - £114,999	0
0	£115,000 - £119,999	0
2	£120,000 - £124,999	1
0	£125,000 - £129,000	1
0	£150,000 - £154,999	0
<b>57</b>	<b>Total</b>	<b>65</b>

### 23.1 Senior Officers' Emoluments

This note reports the details of officers with statutory responsibilities and those reporting direct to the Head of Paid Service or part of Senior Management Team. The lowest full-time pay rate on the Council's salary scale is £23,555, therefore the test of the most senior salary not exceeding 20 times this rate is comfortably met.

2023/24			2024/25			
Salaries fees & allowances	Pension Contribution	Total	Statutory Officers	Salaries fees & allowances	Pension Contribution	
£'000	£'000	£'000		£'000	£'000	£'000
121	22	143	Head of Paid Service+	86	16	102
0	0	0	Joint Chief Executive++	33	6	39
0	0	0	Joint Chief Executive++	33	6	39
			Chief Financial Officer -			
90	16	106	Service Director Finance & Procurement	93	17	110
78	14	92	Head of Legal Services+	61	11	72
<b>Non Statutory Directors</b>						
114	21	135	Director - Strategy and Improvement+	88	17	105
122	23	145	Director - People and Places+	94	18	112
0	0	0	Director of People++	24	5	29
0	0	0	Director of Place++	24	5	29
0	0	0	Head of Case Services++	18	3	21
0	0	0	Head of Digital, Data & Improvement++	21	4	25
<b>525</b>	<b>96</b>	<b>621</b>	<b>Total</b>	<b>575</b>	<b>108</b>	<b>683</b>

Senior management restructure took effect from 1 January 2025:

+Costs up until 31 December 2024

++Costs from 1 January 2025

There were no other bonuses paid or receivable, no expenses allowance chargeable to UK tax paid or receivable, no amount of any compensation for loss of employment paid or receivable plus any other payment in connection with termination of employment paid to any of the above.

## 24 Exit Packages and Termination Benefits

The Council terminated the contracts of a number of employees in 2024/25, incurring liabilities of £41,000 (£50,000 in 2023/24). The total in 2024/25 is in respect of 6 officers from various divisions within the Council who were made redundant as part of the Council's ongoing rationalisation of services. Payments include all payments for redundancy, compromise agreements, pension costs incurred and Pay-In-Lieu of notice. The total cost of these exit packages is analysed in bands of £20,000 below:

2023/24			Band	2024/25		
Number of Packages	Type of exit package	Total cost £'000		Number of Packages	Type of exit package	Total cost £'000
1	Compulsory Redundancy	4	£0 -	2	Compulsory Redundancy	27
3	Other	46	£19,999	4	Other	14
0	Compulsory Redundancy	0	£20,000 -	0	Compulsory Redundancy	0
0	Other	0	£39,999	0	Other	0
0	Compulsory Redundancy	0	£40,000 -	0	Compulsory Redundancy	0
0	Other	0	£59,999	0	Other	0
0	Compulsory Redundancy	0	£60,000 -	0	Compulsory Redundancy	0
0	Other	0	£79,999	0	Other	0
0	Compulsory Redundancy	0	£80,000 -	0	Compulsory Redundancy	0
0	Other	0	£99,999	0	Other	0
0	Compulsory Redundancy	0	£100,000 -	0	Compulsory Redundancy	0
0	Other	0	£119,999	0	Other	0
0	Compulsory Redundancy	0	£120,000 -	0	Compulsory Redundancy	0
0	Other	0	£139,999	0	Other	0
0	Compulsory Redundancy	0	£140,000 -	0	Compulsory Redundancy	0
0	Other	0	£159,999	0	Other	0
4		50		6		41

Accounting regulations require the Council to include a provision in the accounts for redundancy costs that the Council know they will incur in 2025/26. The amounts payable to officers after 31 March 2025 are excluded from the table above as it will be disclosed in 2025/26.

## 25 Related Party Transactions

The Council is required to disclose material transactions with related parties (which includes close family relationships), bodies or individuals that have the potential to control or influence the Council or 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 effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in note 20 (above) – both credited to services and credited to taxation and non-specific grant income. Grant receipts outstanding are also shown in this note.

### Councillors

Councillors have direct control over the Council's financial and operating policies. The total of councillors' allowances paid in the last year is shown in note 22.

Details of any related party transactions with councillors are collected annually. Several councillors are trustees of groups that have received small amounts of grant funding during the year.

### Canenco

On 1 February 2021 the Council's waste and street cleansing service became the responsibility of Canenco which is a company wholly owned by the Council. Canenco also took on the grounds maintenance and associated works contract from 1 December 2021. During 2024/25, the Council's Director of People and Place, Deputy Director of People and Head of Finance served as company directors until December 2024.

From January 2025 the Director of People, Head of Finance and Head of Policy and Communications served as company Directors.

Payment of £11.3m was made in 24/25 to Canenco in relation to waste services and the Council received £415k from Canenco in relation to support service charges. Balances due to/from Canenco at 31<sup>st</sup> March 2025 are £75k and £80k respectively.

### **PartnershipOne**

On 1 February 2025 the Council's revenues and benefits and frontline customer services functions became the responsibility of PartnershipOne which is a company jointly owned by Canterbury City Council, Dover District Council and Thanet District Council. From 21 January 2025 the Head of Corporate Governance served as company Director.

Payment of £478k was made in 24/25 to PartnershipOne in relation to services provided.

### **Precepting authorities**

The Council collects council tax on behalf of its three major precepting authorities who in turn precept the Council. In addition, Kent County Council and Kent Fire and Rescue receive its share of business rates collected by the Council. Details are set out in the Collection Fund on pages 79-82. Kent County Council also administers the Kent Pension Fund on behalf of Kent districts (see pages 62-69).

## **26 Private Finance Initiative (PFI)**

In October 2007 the Council entered into an agreement with Kent County Council and nine other Kent district councils to all participate in a Private Finance Initiative (PFI) called 'Better Homes Active Lives'. The PFI generated up to 352 units of social housing across Kent, including 65 apartments for people with learning difficulties, 7 apartments for people with mental health problems and 280 units of sheltered housing for frail older people.

As part of the agreement, Canterbury City Council donated two properties on a leasehold basis: King Edward Court, Herne Bay, valued at £1,400k and Brymore Road Garages, Canterbury, valued at £429k. The Council retains ownership of the freehold of both properties and receives a peppercorn rent for the use of the properties.

Under the agreement, the Council have nomination rights over the occupancy of the properties for the first 30 years, after which there will be the option of retaining the nomination rights or receiving an increased rent. The King Edward Court scheme and the Brymore Road scheme (now known as Henry Court) are both built and fully occupied.

## **27 Impairment losses**

Impairment losses on Property, Plant and Equipment which are charged to the surplus or deficit on the provision of services are shown in note 10 to the financial statements. Impairment losses on financial assets are shown in the financing and investment section of the CIES.

## **28 Pension Costs**

### **Participation in pension schemes**

As part of the terms and conditions of its officers and other employees, the Council offers retirement benefits. Although these will not be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlements.

The Council participates in the Local Government Pensions Scheme administered by Kent County Council. This is a defined benefit statutory scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The scheme makes payments in the year to retired officers.

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

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

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

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

The actuary appointed to carry out the valuation for final accounts purposes is Barnett Waddingham LLP.

The pension disclosures in the accounts are determined by IAS 19.

## **28.1 Transactions relating to retirement benefits**

We recognise 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 the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the CIES and the General Fund balance during the year:

Transactions in the Comprehensive Income and Expenditure		
2023/24	Statement	2024/25
£'000		£'000
	<b>Cost of Services</b>	
2,856	Current Service cost	2,795
(23)	Past Service costs/(gains)	0
0	Settlements and Curtailments	0
153	Administrative expense	163
	<b>Financing and Investment income and expenditure</b>	
374	Net interest expense	109
	<b>Total retirement benefit charged to the Surplus or Deficit on the provision of services</b>	
<b>3,360</b>		<b>3,067</b>
	<b>Other retirement benefit charged to the Comprehensive Income and Expenditure statement</b>	
	Remeasurement of the net defined benefit liability comprising:	
1,751	Return on plan assets (exc net interest expense amount)	2,713
(2,551)	Actuarial changes in demographic assumptions	(469)
(3,779)	Actuarial changes in financial assumptions	(21,423)
0	Other actuarial (gains)/losses on assets	0
489	Experience (gain)/loss on defined benefit obligation	(430)
0	Impact of asset ceiling	19,833
	<b>Total retirement benefit charged to the other Comprehensive Income and Expenditure Statement</b>	
<b>(4,090)</b>		<b>224</b>
	<b>Total charged to the Comprehensive Income and Expenditure Statement</b>	
<b>(730)</b>		<b>3,291</b>
	<b>Movements in Reserves Statement</b>	
	Reversal of net charges for retirement benefits in accordance with the code to the Surplus or Deficit for the provision of services	(3,067)
	<b>Actual amount charged against the General Fund Balance for pensions in the year</b>	
4,602	Employer contributions payable to the scheme	4,602
275	Unfunded benefits paid	280

## 28.2 Pensions Assets and Liabilities recognised in the Balance Sheet

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

2023/24	Net Pension Liability as at 31 March in Balance Sheet	2024/25
£'000		£'000
175,358	Present value of the defined benefit obligation	157,817
(172,811)	Less fair value of plan assets	(176,386)
2,547	Sub-total	(18,569)
2,190	Other movements in the liability	21,715
<b>4,737</b>	<b>Net liability arising from the defined benefit obligation</b>	<b>3,146</b>

### 28.3 Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

2023/24 £'000	Movement in Fair Value of scheme assets	2024/25 £'000
<b>168,969</b>	<b>Opening fair value of scheme assets at 1 April</b>	<b>172,811</b>
8,056	Interest income	8,420
	Remeasurement gain/(loss):	
(1,751)	Return on plan assets (exc amount in net interest expense)	(2,713)
0	Other actuarial gains/(losses)	0
0	Settlement prices received/(paid)	0
(153)	Administrative expenses	(163)
4,877	Employer Contribution	4,882
1,406	Employee Contribution	1,390
(8,593)	Estimated Benefits paid	(8,241)
<b>172,811</b>	<b>Closing fair value of scheme assets at 31 March</b>	<b>176,386</b>

### 28.4 Reconciliation of Present Value of the Scheme Liabilities

2023/24 £'000	Movement in Defined Benefit Obligation ('Scheme Liabilities')	2024/25 £'000
<b>(179,313)</b>	<b>Opening balance at 1 April</b>	<b>(177,548)</b>
(2,856)	Current service cost	(2,795)
(8,430)	Interest cost of pension scheme liabilities	(8,529)
(1,406)	Employee Contributions	(1,390)
	Remeasurement gains and losses:	
2,551	Actuarial gains/(losses) from demographic assumption changes	469
3,779	Actuarial gains/(losses) from financial assumption changes	21,423
(489)	Experience gain/(loss) on defined benefit obligation	430
23	Past service cost/gain including curtailments	0
275	Unfunded pension payments	280
8,318	Estimated benefits paid	7,961
0	Liabilities extinguished on settlements	0
<b>(177,548)</b>	<b>Closing balance at 31 March</b>	<b>(159,699)</b>

### 28.5 Reconciliation of Change in Impact of Asset Ceiling

2023/24 £'000	Reconciliation of change in impact of asset ceiling	2024/25 £'000
<b>0</b>	<b>Opening impact of asset ceiling</b>	<b>0</b>
0	Interest on impact of asset ceiling	0
0	Actuarial losses/(gains)	19,833
<b>0</b>	<b>Closing impact of asset ceiling</b>	<b>19,833</b>

The estimation of the net liability now includes an asset ceiling as a result of IFRIC 14 regulations, which is the present value of any economic benefit available to the Employer in the form of refunds or reduced future employer contributions.

The calculation assumes that:

- The Employer does not have a right to a refund of surplus at the level required by the accounting standard. Any surplus recognised is based on the economic benefit from a reduction in contributions.
- The Employer is a scheduled body and assumed to participate indefinitely.
- The requirement for the employer to make contributions to the Fund is considered to be a minimum funding requirement (MFR).

In broad terms the analysis shows that:

- The potential economic benefit from the reduction in future contributions has been calculated to be nil. Since this is less than the unadjusted net asset of £18.569m, the initial impact of the asset ceiling is £18.569m.
- The Council is currently paying deficit contributions towards a funding deficit. The minimum funding requirement has been assessed and calculated that it constitutes an onerous funding commitment. There is an additional liability of £1.264m to be recognised.
- The unadjusted funded surplus is £18.569m. There is an initial impact from an asset ceiling of £18.569m, plus an additional liability of £1.264m. The final funded net asset to be recognised is - £1.264m.
- In addition, there is an unfunded liability of £1.882m. The final deficit to be recognised is £3.146m.

## 28.6 Local Government Pension Scheme Assets Comprised:

2023/24 £'000	Pension Scheme Assets	2024/25 £'000
2,752	<b>Cash</b>	6,976
100,530	<b>Equity instruments</b>	100,441
	<b>Bonds</b>	
12,662	- Gilts	10,456
24,882	- Other	26,221
15,505	<b>Property</b>	14,444
8,732	<b>Target Return Portfolio</b>	9,009
7,748	<b>Infrastructure</b>	8,839

## 28.7 Local Government Pension Scheme Assets Breakdown

The following information represents the percentages of the total Fund held in each asset class (split by those that have a quoted market price in an active market, and those that do not).

	2024/25	
	% Quoted	% Unquoted
<b>Fixed Interest Government Securities</b>		
UK	-	-
Overseas	0%	-
<b>Index Linked Government Securities</b>		
UK	6%	-
Overseas	-	-
<b>Corporate Bonds</b>		
UK	4%	-
Overseas	10%	-
<b>Equities</b>		
UK	11%	-
Overseas	41%	-
<b>Property</b>	-	8%
<b>Absolute return portfolio</b>	5%	-
<b>Hedge Fund</b>	-	-
<b>Private Equity</b>	-	5%
<b>Infrastructure</b>	-	5%
<b>Unit Trust</b>	-	-
<b>Commodities</b>	-	-
<b>Derivatives</b>	-	0%
<b>Cash/Temporary Investments</b>	-	4%
<b>Net Current Assets</b>		
Debtors	-	-
Creditors	-	-
<b>Total</b>	78%	22%

## 28.8 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liability have been estimated by Barnett Waddingham LLP, an independent firm of actuaries, estimates for the Fund being based on the latest triennial full valuation of the scheme as at 31 March 2022.

Valuation techniques are used to determine the fair values of directly held property and pooled property funds that form part of the pension fund assets. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property.

The significant assumptions used by the actuary have been:

2023/24		2024/25
	<i>Mortality assumptions:</i> Longevity at 65 for current pensioners 20.8 - Men 23.3 - Women Longevity at 65 for future pensioners 22.0 - Men 24.7 - Women	
4.90%	<i>Discount rate</i>	5.80%
2.90%	<i>Pension increases (CPI)</i>	2.90%
3.25%	<i>RPI inflation</i>	3.20%
3.90%	<i>Salary increases</i>	3.90%

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

<b>Sensitivity Analysis</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adjustment to discount rate</b>	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present Value Total Obligation	149,803	157,630	159,699	161,817	170,795
Projected Service Cost	1,576	1,852	1,927	2,004	2,338
<b>Adjustment to long term salary increase</b>	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present Value Total Obligation	160,383	159,834	159,699	159,566	159,043
Projected Service Cost	1,927	1,927	1,927	1,927	1,927
<b>Adjustment to pension increases &amp; deferred revaluation</b>	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present Value Total Obligation	170,385	161,740	159,699	157,703	150,148
Projected Service Cost	2,355	2,007	1,927	1,849	1,562
<b>Adjustment to life expectancy assumptions</b>	+1 year	none	-1 year		
Present Value Total Obligation	166,140	159,699	153,540		
Projected Service Cost	2,004	1,927	1,850		

## 28.9 Impact on the Council's Cashflow

The objectives of the scheme are to keep the employers' contribution as at a constant rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over an appropriate time period. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2025 and the report will be produced in Autumn 2025.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the

other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipates paying £4.680m employer contributions to the scheme in 2025/26.

Further information can be found in Kent County Council's Superannuation Fund's Annual Report, which is available upon request from the Investment Section, Sessions House, County Hall, Maidstone, Kent ME14 1XQ.

## 29 Leases

### Council as Lessee

In 2024/25, the Authority has applied IFRS 16 Leases as adopted by the Code of Accounting Practice. The main impact of the new requirements is that, for arrangements previously accounted for as operating leases (i.e. without recognising the leased property as an asset and future rents as liability), a right-of-use asset and a lease liability are to be brought into the balance sheet at 1 April 2024. Leases for items of low value and leases that expire on or before 31 March 2024 are exempt from the new arrangements.

IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right-of-use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures. The details of the changes in accounting policies and transitional provisions are disclosed below.

On transition to IFRS 16, the Authority elected to apply the practical expedient not to reassess whether a contract is, or contains, a lease at 1 April 2024, except in relation to leases for nil consideration and housing tenancies. It has applied IFRS 16 only to contracts that were previously identified as leases under IAS 17 and IFRIC 4

As a lessee, the Authority previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Authority. Under IFRS 16, the Authority recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Authority decided to apply recognition exemptions to short-term leases and has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a term of 12 months or less and leases of low value assets. The Authority recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Authority used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Lease liabilities are measured at the present value of the remaining lease payments at 1 April 2024, discounted by the Authority's incremental borrowing rate at that date
- A single discount rate has been applied to portfolios of leases with reasonably similar characteristics
- The weighted average of the incremental borrowing rates used to discount liabilities was 5.07 %
- Right-of use assets are measured at the amount of the lease liability, adjusted for any prepaid or accrued lease payments that were in the balance sheet on 31 March 2024 – any initial direct costs have been excluded
- All leases were assessed as to whether they were onerous at 31 March 2024, so right-of-use assets have not been subject to an impairment review – carrying amounts have been reduced by any provisions for onerous contracts that were in the 31 March 2024 balance sheet
- For right-of-use assets for peppercorn or nominal lease payments a right-of use asset has been recognised at fair value on 1 April 2024 with the difference between that fair value and the lease liability credited as a gain in the surplus/deficit on the provision of services.

Application of the Code's adaptation of IFRS16 has resulted in the following additions to the balance sheet at 1 April 2024:

- £3.072m Property, plant and equipment – land and buildings (right-of-use assets)
- £1.380m Non-current creditors (lease liabilities)
- £455k Current creditors (lease liabilities)

The newly recognised leases liabilities of £1.835m compare with operating lease commitments of nil at 31 March 2024. The £1.229m disclosed in the notes to the 31 March 2024 financial statements related to the amortised costs of the Herne Bay High School, where the Council acquired a more than insignificant amount of use of the leisure facilities at the school for 25 years, in return for a payment of £2.4m. The Council was treating this arrangement as an operating lease, but under IFRS 16 this amount is excluded from the lease liabilities as the amount has already been paid in full.

When the £1.835m lease liabilities are discounted to their present value of £1.846m (using the incremental borrowing rate at 1 April 2024), there is a difference of £11k from the newly recognised lease liabilities. This is explained by the fact that the lease liabilities exclude amounts for leases of low value items and leases that will expire before 31 March 2025.

### Right of Use Assets

The table below shows the change in the value of right-of-use assets held under leases by the authority:

	Land and buildings £'000	Vehicles, plant and equipment £'000	Total £'000
<b>Balance at 1 April 2024</b>	1,297	1,787	3,084
Additions	44	24	68
Depreciation and Amortisation	(124)	(457)	(581)
<b>Balance at 31 March 2025</b>	<b>1,217</b>	<b>1,354</b>	<b>2,571</b>

### Transactions under leases

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

	2024/2025 £'000	2023/2024 £'000
<b>Comprehensive income and expenditure statement</b>		
Interest expense on lease liabilities	84	0
Expense relating to exempt leases of low-value items	4	2
<b>Cash flow statement</b>		
Total cashflow for leases	539	0
Cash payments for interest portion of lease liabilities	84	0
Low value lease payments where exemptions taken	4	0

### 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 payments):

	31 March 2025 £'000
Less than one year	536
One to five years	1,036
More than five years	0
<b>Total undiscounted liabilities</b>	<b>1,573</b>

The discounted lease liabilities are included in the Balance Sheet as £474k for current lease liabilities (included within Other Lease Liabilities in the Balance Sheet) and £985k for non-current lease liabilities (included within Other Long-Term Liabilities in the Balance Sheet).

### Council as Lessor

The Council owns a large portfolio of property including two industrial estates and various properties in the city centre.

Much of this land is leased out. A review of the leases by the Council has concluded that these leases are classed as operating leases as the risks and rewards of ownership of the land remain with the lessor.

The table below shows the amount of annual lease payments receivable based on the date of lease expiry:

<b>As at 31</b>		<b>Details of period</b>	<b>As at 31</b>
<b>March 2024</b>			<b>March 2025</b>
		<b>£'000</b>	<b>£'000</b>
	1,267	Not later than one year	552
	119	Later than one year and not later than five years	340
	4,469	Later than five years	2,620
	<b>5,855</b>	<b>Total</b>	<b>3,512</b>

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

<b>Details of period</b>	<b>2025</b>
	<b>£'000</b>
Within one year	6,735
Later than one year and not later than five years	24,181
Later than five years	434,518
<b>Total</b>	<b>465,434</b>

### 30 Contingent Liability

The 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 the Kent Pension Fund. 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 the 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's Actuary 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 the Kent Pension Fund and thus the obligation and liability shown in the Council's accounts.

The Department for Work and Pensions (DWP) published an announcement on 5 June 2025 noting the plan to introduce new legislation in response to the Virgin Media vs NTL Trustees ruling. The legislation will allow affected pension schemes to retrospectively obtain written actuarial confirmation that historic changes to scheme rules met the required standards. The new legislation is hoped to provide clarity to affected schemes. No further information has been provided at this time. We still await further information but at this time are hopeful there will be no impact on the LGPS.

## **31 Contingent Asset**

The Council is aware of building defects identified at the Marlowe Theatre related to the original construction. The theatre was built in 2012 and then transferred to a Trust in 2018. To date the Council has spent £1.44m on rectifying the defects, with the total cost estimated at £2.1m. There is ongoing litigation with the contractor to recover the costs. At the time of publishing the court proceedings are currently stayed because the defendant company is in administration.

## **32 Interest in joint arrangements and companies**

### **Canenco**

The Council is sole owner of the company. Group financial statements for the Council and the company are set out on pages 83 to 89 below.

Key results for the company in 2024/25 are as follows:

<b>2023/24 Canenco</b>	<b>2024/25</b>
<b>£'000</b>	<b>£'000</b>
10,739 Turnover	11,945
3,529 Gross profit	3,882
(6) Net profit/(loss) after administration, interest and tax	21
37 Net assets	58

### **Civica UK Ltd**

The Council entered into an arrangement with Dover District Council and Thanet District Council for the provision of the ICT service, HR services, customer services and Revenue and Benefits service. The joint ICT and HR services are hosted by Thanet District Council and Dover Council with all councils paying a management fee for the services provided. The Revenue and Benefits and customer services functions were provided by Civica jointly on behalf of the three councils.

In October 2022 Cabinet agreed to disband East Kent ICT and the ICT service was brought back in-house in April 2024.

In February 2024 Cabinet agreed to exit from the contract with Civica UK Ltd and approved a three-way joint LATCo service delivery vehicle for the delivery of Revenues and Benefits and Customer Services.

### **PartnershipOne Limited**

The Council is joint owner of PartnershipOne Limited with Dover District Council and Thanet District Council. The Company was incorporated in September 2024 and services were provided from 1 February 2025. The Company will be consolidated into Group Accounts from 2025/26.

### **Stour Environmental Credits Limited**

The Council jointly owns Stour Environmental Credits Limited with Ashford Borough Council. The Company was incorporated in December 2024 but has not yet commenced trading. It is anticipated that the Company will be consolidated into Group Accounts from 2025/26.

	NNDR Appeals £'000	Other £'000	Total £'000
<b>Balance at 1 April 2024</b>	(5,382)	(1,065)	(6,448)
Additional provisions made	(1,036)	0	(1,036)
Amounts used	862	45	907
Reversal of unused amounts			
<b>Balance at 31 March 2025</b>	<b>(5,557)</b>	<b>(1,020)</b>	<b>(6,577)</b>

### NNDR Appeals

This provision is the Council's share of the provision for appeals against NNDR ratings. The Valuation Office has a backlog of outstanding appeals which can date back many years, hence the current high provision.

### Other Provisions

Other provisions cover the potential liabilities arising from the insurance claims with the former Municipal Mutual Insurance Company, a provision for early retirement/redundancy and a general provisions account. The other provisions are individually insignificant.

## Housing Revenue Account Income and Expenditure Statement

The Housing Revenue Account (HRA) summarises the transactions relating to the provision, maintenance and sales of council houses and flats. The account has to be self-financing and there is a legal prohibition on cross subsidy to or from local taxpayers.

	2023/24	2024/25
	£'000	£'000
<b>Income</b>		
(26,266) Dwelling rents (gross) note 8		(28,203)
(585) Non-dwelling rents (gross)		(611)
(366) Leaseholders charges for service and facilities		(328)
(1,541) Other charges for services and facilities		(2,055)
(62) Revaluation of plant, property & equipment note 7		0
(350) Contributions towards expenditure		(221)
<b>(29,171) Total Income</b>		<b>(31,417)</b>
<b>Expenditure</b>		
8,816 Repairs and Maintenance		8,358
<b>Supervision and management</b>		
4,983 General Management		4,915
2,531 Special Services		2,661
814 Rents, rates, council tax and insurance		1,113
3,894 Depreciation charges note 6		4,541
7,656 Revaluation of plant, property & equipment note 7		19,611
22 Debt management costs		24
50 Increase/(decrease) in provision for bad debts		193
<b>28,766 Total Expenditure</b>		<b>41,415</b>
Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		
(405)		9,998
121 HRA services share of Corporate and Democratic Core		121
<b>(283) Net cost of HRA Services</b>		<b>10,119</b>
<b>HRA share of the operating income and expenditure included in the comprehensive income and expenditure statement</b>		
(764) Gain on sale of HRA fixed assets		(907)
1,464 Interest payable and similar charges		1,534
<b>Interest and investment income</b>		
(19) Notional cash balances		(142)
62 Pensions interest cost and expected return on pension assets Note 10		18
(3,421) Capital grants and contributions receivable		(1,373)
<b>(2,960) (Surplus)/Deficit for the year on HRA services</b>		<b>9,250</b>

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

The main differences between this and the way of accounting for the HRA balance being:

- 1) Capital investment is accounted for as it is financed, rather than when the non-current assets are consumed.
- 2) Retirement benefits are charged as amounts become payable to pensions funds and pensioners, rather than as future benefits are earned.
- 3) Impairment losses of £19.6m due to the assessed increase in council house values following capital expenditure (multiplied by the social housing discount factor) being less than actual capital expenditure. These are all reversed out in the following statement.

## Movement on the HRA Statement

The HRA Balance compares the Council's spending against rents collected in the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. This reconciliation statement summarises the differences between the outturn on the HRA Income and Expenditure Account and the HRA Balance.

2023/24	2024/25
Net expenditure	Net expenditure
£'000	£'000
(Surplus)/Deficit for the year on the HRA Income and <b>(2,960)</b> Expenditure Statement	9,250
Adjustments between accounting basis and funding basis by 2,729 statute	<b>(16,737)</b>
<b>(231)</b> Net (increase)/decrease before transfers to or from reserves	<b>(7,487)</b>
2 Transfers to/(from) reserves (see table below)	2
<b>(229)</b> <b>(Increase)/Decrease in HRA Balance for the year</b>	<b>(7,485)</b>
<b>(586)</b> <b>Housing Revenue Account balance b/f at 1 April</b>	<b>(815)</b>
<b>(815)</b> <b>Housing Revenue Account balance c/f at 31 March</b>	<b>(8,300)</b>

## Movement on HRA Balance

<b>Items included in the HRA Income &amp; Expenditure Account, but excluded from the movement on the HRA Balance for the year</b>		£'000
(7,594) Reversal of revaluation adjustments - Note 7	(19,611)	
5,984 Reversal: HRA loan repayment	0	
3,421 Capital grants and contributions applied	1,373	
764 Net gain on sale of HRA fixed assets	907	
(4) Accrual for annual leave	(1)	
(534) Net charges made for retirement benefits in accordance with IAS 19 - Note 10	(502)	
<b>2,038</b>	<b>(17,834)</b>	
<b>Items not included in the HRA Income &amp; Expenditure Account, but included in the movement on the HRA Balance for the year</b>		£'000
0 Transfers to/(from) major repairs reserve - Note 3	0	
691 Employer's contributions payable to Kent Pension Fund and retirement benefits payable direct to pensioners	713	
0 Capital expenditure funded by the HRA - Note 4	385	
<b>691</b>	<b>1,097</b>	
<b>2,729</b>	<b>(16,737)</b>	
<b>Net adjustments between accounting basis and funding basis under statute</b>		£'000
<b>Transfers to/from reserves</b>		£'000
2 Contribution to/(from) HRA subsidence and other reserves	2	
<b>2 Transfers to/from reserves</b>	<b>2</b>	

## Notes to the Housing Revenue Account

### 1 Housing Stock

At 31 March 2025, the Council was responsible for managing 5,130 units of accommodation:

Type of Property	Number of bedrooms				Total
	One	Two	Three	Four+	
Flats- low rise	1,108	350	10	0	1,468
Flats- medium rise	309	351	65	2	727
Flats- high rise	63	68	0	0	131
Houses and bungalows	362	915	1,391	114	2,782
Hostel places	20	2	0	0	22
<b>Totals</b>	<b>1,862</b>	<b>1,686</b>	<b>1,466</b>	<b>116</b>	<b>5,130</b>

Plus 11 basic homes (shared ownership dwellings).

The movement in housing stock can be summarised as follows:

	Stock at 1 April 2024	Right to buy sales	Additions	Stock at 31 March 2025
Flats	2,291	(2)	37	2,326
Houses and bungalows	2,754	(9)	37	2,782
Hostels	22	0	0	22
<b>Totals</b>	<b>5,067</b>	<b>(11)</b>	<b>74</b>	<b>5,130</b>

The balance sheet value of housing assets at 31 March was as follows:

2023/24	2024/25
£'000	£'000
<b>Operational assets</b>	
295,215 Dwellings	326,623
3,546 Garages & parking area	3,557
1,176 Community centres & communal open space	811
852 Land	1,204
1,367 Shops	1,337
43 Plant, vehicles and equipment	27
219 Intangibles	121
<b>302,418 Total</b>	<b>333,680</b>

### 2 Vacant possession value

The vacant possession value of dwellings within the HRA as at 31 March 2025 was £990m. For the balance sheet, the figure has been reduced to 33% i.e. £327m to show existing use value as social housing, reflecting the economic cost of providing social housing.

### 3 Major Repairs Reserve

With effect from 1 April 2002, the Government required that the housing accounts are produced on a Resource Accounting basis. This requires that a charge is made for depreciation which is transferred to a separate Major Repairs Reserve, to finance HRA capital projects. Housing subsidy included a grant in the form of a Major Repairs Allowance (MRA) to resource the Major Repairs Reserve. This was ring fenced

for capital expenditure of a housing nature. The housing business plan following self-financing replaced the subsidy grant with an allowance for capital expenditure which also resources the Major Repairs Reserve.

2023/24 Major Repairs Reserve	2024/25
£'000	£'000
0 Balance at 1 April	0
(3,894) Transfer from capital adjustment account (HRA depreciation)	(4,536)
3,894 Less: expenditure on dwellings financed from this reserve	4,536
<b>0 Balance at 31 March</b>	<b>0</b>

#### 4 Summary of Capital Financing

Capital expenditure of £16.7m was spent on housing assets within the HRA during the year. This was financed as follows:

2023/24 Capital financing of HRA expenditure	2024/25
£'000	£'000
3,894 Major repairs reserve	4,536
0 HRA Working Balance	385
545 Capital receipts	7,067
3,421 Capital grant & contributions	1,373
935 Borrowing	3,313
<b>8,795 Total</b>	<b>16,674</b>

#### 5 Summary of Capital Receipts

Housing capital receipts during 2024/25 were as follows:

2023/24 Housing capital receipts	2024/25
£'000	£'000
(1,693) Dwelling sales (net of administration deduction)	(1,273)
0 Other sales	(477)
<b>(1,693) Total</b>	<b>(1,750)</b>

#### 6 Depreciation of property, plant and equipment

Depreciation of £4.54m was charged to the HRA. This comprises of £4.32m for dwellings and £217k for non-dwelling housing assets.

#### 7 Revaluation of property, plant and equipment

2023/24	2024/25
£'000	£'000
8,795 Capital expenditure	16,674
(3,451) Less assessed net increase in effective value	(11,543)
5,344 Decrease in effective value	5,131
2,046 Impairment of non-dwelling assets	14,104
266 Social value reduction	376
<b>7,656 Total reduction in valuation</b>	<b>19,611</b>
(62) Valuation increase applied to CIES	0
<b>7,594 Net revaluation total</b>	<b>19,611</b>

## 8 Dwelling rents (gross)

This is the total rent income for dwellings for the year after allowance is made for voids etc. Average rents were £112.20 per payment week in 2024/25 (£105.40 in 2023/24).

## 9 Rent Arrears

The rent arrears figures are as follows:

<b>2023/24</b>	<b>2024/25</b>
<b>£'000</b>	<b>£'000</b>
2,035 Gross rent arrears at 31 March	2,046
(643) Repayments of rent	(934)
1,392 Net rent arrears at 31 March	1,112
1,604 Provision for bad debts at 31 March	1,623
%	%
Gross rent arrears as a proportion of gross	
7.7 dwelling rent income	7.3

## 10 HRA share of pensions

Under IAS19 there is a requirement to analyse the movement in the HRA share of the City Council's element of the Kent pension fund (see also note 28 to the core financial statements). However, so that there is no demand on housing rents, the entries are reversed out via the Pensions Reserve. The figures are as follows:

<b>2023/24</b>	<b>2024/25</b>
<b>£'000</b>	<b>£'000</b>
(49) HRA share of current service cost less employer contributions	(57)
(171) HRA share of past service cost less employer contributions	(172)
(220) Adjustment to 'General Management' line of HRA statement	(229)
63 HRA share of pensions interest cost and expected return on Pensions assets	18
(157)	(211)
(534) Net charges made for retirement benefits in accordance with IAS 19	(502)
691 Employer's contributions payable to the Kent Pension Fund and retirement benefits payable direct to pensioners	713
157 HRA share of contributions to/from Pensions Reserve	211
<b>0 Net effect on HRA balance</b>	<b>0</b>

## Collection Fund

Income & Expenditure Account					
2023/24	2023/24		Note	2024/25	2024/25
CTAX	NNDR	Income		CTAX	NNDR
£'000	£'000			£'000	£'000
(113,269)		Income from council tax payers		(120,658)	
(45,729)		Income from business ratepayers		(48,193)	
<b>(113,269)</b>	<b>(45,729)</b>	<b>Total Income</b>		<b>(120,658)</b>	<b>(48,193)</b>
<b>Expenditure</b>					
<b>Precepts and demands</b>					
22,033	Central Government			24,595	
82,101	3,966 Kent County Council			87,026	4,427
13,012	0 Police & Crime Commissioner for Kent			13,838	0
4,669	441 Kent & Medway Fire & Rescue Authority			4,859	492
13,387	17,626 Canterbury City Council			14,182	19,676
<b>113,169</b>	<b>44,066 Total payments to preceptors</b>			<b>119,904</b>	<b>49,189</b>
<b>Business rates</b>					
237	Costs of collection			237	
368	Renewable Energy Schemes			366	
(3,425)	Transitional protection			(937)	
<b>Impairment of debts and appeals</b>					
268	123 Write offs of uncollectable amounts			396	1,145
1,091	(227) Increase/(decrease) in allowance for impairment			1,002	(838)
	851 Increase/(decrease) in allowance for appeals				462
<b>114,528</b>	<b>41,993 Total Expenditure</b>			<b>121,302</b>	<b>49,625</b>
1,259	<b>(3,736)</b> Net (surplus)/deficit			644	1,432
(4,181)	1,252 Collection Fund balance at 1 April			(2,922)	(2,484)
(2,922)	(2,484) Collection Fund balance at 31 March			(2,278)	(1,052)

## Notes to the Collection Fund accounts

### 1. General Note

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

## 2. Precepts and Demands

### Council Tax

The payments to the major preceptors are made up as follows:

2023/24 £'000		2024/25 £'000
80,352 Kent County Council 1,749 <u>82,101</u>	-Precept -Share of Collection Fund deficit	85,934 1,091 <u>87,026</u>
12,734 Kent Police & Crime Commissioner 277 <u>13,011</u>	-Precept -Share of Collection Fund deficit	13,665 173 <u>13,838</u>
4,572 Kent Fire & Rescue 97 <u>4,669</u>	-Precept -Share of Collection Fund deficit	4,797 62 <u>4,859</u>
13,092 Canterbury City Council 295 <u>13,387</u>	-Demand on Collection Fund -Share of Collection Fund deficit	13,769 413 <u>14,182</u>
<b><u>113,168 Total</u></b>		<b><u>119,904</u></b>

### NNDR (Business Rates)

The payments to Central Government and the major preceptors (excludes Kent Police and Crime Commissioner) are as follows:

2023/24 £'000		2024/25 £'000
23,429 Central Government (1,396) <u>22,033</u>	-Share of retained business rates -Share of Collection Fund balance	24,140 455 <u>24,595</u>
4,217 Kent County Council (251) <u>3,966</u>	-Share of retained business rates -Share of Collection Fund balance	4,345 82 <u>4,427</u>
469 Kent Fire & Rescue (28) <u>441</u>	-Share of retained business rates -Share of Collection Fund balance	483 9 <u>492</u>
18,743 Canterbury City Council (1,117) <u>17,626</u>	-Share of retained business rates -Share of Collection Fund balance	19,312 364 <u>19,676</u>
<b><u>44,066 Total</u></b>		<b><u>49,189</u></b>

For NNDR, the Collection Fund balance is shared as a contribution towards the deficit in 2023/24.

In 2024/25, Canterbury continued to choose not to be part of the Kent NNDR Pool (was within the Pool in 2020/21) owing to concerns that a potential reduction in its business rates income could negatively impact on the overall Pool position.

Canterbury City Council is subject to a tariff on its share of the retained business rates, the net amount retained by the Council is as follows:

2023/24	2024/25
£'000	£'000
19,121 Canterbury City Council - share of retained business rates	19,047
(17,157) Tariff	(17,869)
<u>1,964</u> Adjusted share of retained business rates	<u>1,178</u>

### 3. Council Tax Base

Council tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimated at 1 April 1991 values for this specific purpose. The property valuations are carried out by the Valuation Office Agency. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Kent County Council, Police and Crime Commissioner for Kent, Kent and Medway Fire and Rescue Authority and the City Council and dividing this by the Council Tax Base.

The council's 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, was calculated as follows:

2023/24 Band D equivalent dwellings		Estimated Number of Taxable Properties after effect of discounts			2024/25 Band D equivalent dwellings	
				Ratio (ninths)		
2,583	A	3,986	6/9		2,657	
7,593	B	9,895	7/9		7,696	
14,451	C	16,442	8/9		14,615	
11,388	D	11,681	9/9		11,681	
8,407	E	6,951	11/9		8,495	
5,423	F	3,841	13/9		5,548	
3,570	G	2,162	15/9		3,603	
136	H	71	18/9		142	
<u>53,551</u>		<u>55,028</u>			<u>54,437</u>	
97.8%		Collection Rate			98.0%	
52,373		Council Tax Base			53,348	

#### 4. Income from Business Rates

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate in the pound. The total amount, less certain reliefs and other deductions, are allocated between Canterbury, central government and major preceptors. There was a general revaluation of all properties effective from 1 April 2023.

£'000	£'000
154,428 Non domestic rateable value	154,362
0.499 small business non domestic rating multiplier	0.499
77,060 NNDR levied	77,026
<u>(29,258) Less: allowances and other adjustments</u>	<u>(29,589)</u>
47,802 Net contribution due	47,437
237 Cost of collection	237
<u>48,039 Income from business rate payers</u>	<u>47,674</u>

Non domestic rateable value is at end March as provided by the Valuation Office.

**Group Statement  
of  
Accounts  
for the  
Year Ended  
31 March 2025**

## Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2025

This statement shows the accounting cost of providing services in the year ended 31 March 2025, in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The taxation position is shown in the Group Movement in Reserves Statement.

2023/24			2024/25			
<b>Gross</b>			<b>Note</b>	<b>Gross</b>		
<b>Exp</b>	<b>Income</b>	<b>Net Exp</b>		<b>Exp</b>	<b>Income</b>	<b>Net Exp</b>
£'000	£'000	£'000		£'000	£'000	£'000
5,541	(6,429)	(88)	Corporate Management	4,776	(4,933)	(157)
35,840	(31,102)	4,738	Corporate Services	36,698	(30,050)	6,648
4,639	(356)	4,283	Strategy & Improvement	5,524	(1,357)	4,167
48,875	(30,091)	18,784	Place Services	32,176	(36,722)	(4,546)
26,588	(12,023)	14,565	People Services	29,149	(15,571)	13,578
689	(105)	584	Case Services (People & Place)	886	(240)	645
28,893	(29,298)	(405)	Housing Revenue Account	41,433	(31,435)	9,998
<b>151,066</b>	<b>(109,404)</b>	<b>41,661</b>	<b>Cost of Services</b>	<b>150,641</b>	<b>(120,307)</b>	<b>30,334</b>
<b>Other Operating Expenditure</b>						
0	(1,250)	(1,250)	Loss/(Gain) on Sales of Assets	0	(1,163)	(1,163)
1,050	0	1,050	Parish Council Precepts & Drainage Board Levy	1,137	0	1,137
<b>Financing &amp; Investment Income &amp; Expenditure</b>						
5,239	0	5,239	Interest Payable on Debt	6,100	0	6,100
374	0	374	Net interest on the net defined benefit liability	109	0	109
210	(1,202)	(992)	Investment interest and other income	417	(1,269)	(852)
0	(250)	(250)	Investment properties income and expenditure	0	(250)	(250)
445	0	445	Change in Fair Value of Investment Properties	57	0	57
70	(50)	21	(Surplus)/deficit from Trading Operations	89	(35)	54
(21)	(48)	(68)	Impairment adjustments	19	(318)	(299)
<b>Taxation &amp; Non-Specific Grant Income &amp; Expenditure</b>						
511	(5,002)	(4,491)	Recognised Capital Grants & Contributions	1,613	(8,269)	(6,656)
0	(15,257)	(15,257)	Collection Fund (Income) & Expenditure	0	(13,479)	(13,479)
1,463	(9,170)	(7,707)	Non ring-fenced Government Grants	1,845	(13,432)	(11,587)
<b>160,406</b>	<b>(141,633)</b>	<b>18,774</b>	<b>(Surplus)/deficit on provision of services</b>	<b>162,029</b>	<b>(158,521)</b>	<b>3,508</b>
			<b>16</b> Tax expenses of subsidiaries			<b>11</b>
			<b>18,789</b> <b>Group (surplus)/deficit</b>			<b>3,519</b>
			(Surplus)/deficit on revaluation of non current			
			32,890 assets			(49,713)
			Remeasurement of the net defined benefit			
			liability			224
			<b>Other Comprehensive (Income) &amp;</b>			
			<b>28,800</b> <b>Expenditure</b>			<b>(49,489)</b>
			<b>47,589</b> <b>Total Comprehensive (Income) &amp; Expenditure</b>			<b>(45,970)</b>

## Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the CIES. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for council tax setting and dwellings rent setting purposes. The net increase or decrease before transfers to/from earmarked reserves line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the Group.

Movement in Reserves 2024/25	General Fund Balance	Earmarked Reserves	General Fund Total	Housing Revenue Account	Capital Receipts	Capital Grants	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Subsidiary	Total for Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2024 carried forward</b>	(2,052)	(31,901)	(33,953)	(815)	(5,421)	(7,916)	(48,105)	(375,208)	(423,313)	(37)	(423,350)
<b>Movement in reserves during 2024/25</b>											
(Surplus) or deficit on provision of services	(5,589)	0	(5,589)	9,129	0	0	3,540	0	3,540	(21)	3,519
Other comprehensive income and expenditure	(121)	0	(121)	121	0	0	0	(49,489)	(49,489)	0	(49,489)
<b>Total comprehensive Income and Expenditure</b>	(5,710)	0	(5,710)	9,250	0	0	3,540	(49,489)	(45,949)	(21)	(45,970)
Adjustments between accounting basis and funding basis under regulations	1,681	0	1,681	(16,737)	5,504	6	(9,546)	9,546	0	0	0
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	(4,029)	0	(4,029)	(7,487)	5,504	6	(6,006)	(39,943)	(45,949)	(21)	(45,970)
Transfers to/(from) Earmarked Reserves	4,010	(4,013)	(2)	2	0	0	0	0	0	0	0
<b>(Increase)/Decrease in year</b>	(18)	(4,013)	(4,031)	(7,485)	5,504	6	(6,006)	(39,943)	(45,949)	(21)	(45,970)
<b>Balance at 31 March 2025 carried forward</b>	(2,070)	(35,913)	(37,984)	(8,300)	83	(7,910)	(54,110)	(415,152)	(469,262)	(58)	(469,320)

Movement in Reserves 2023/24 Restated	General Fund Balance	Earmarked Reserves	General Fund Total	Housing Revenue Account	Capital Receipts	Capital Grants	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Subsidiary	Total for Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2023 carried forward</b>	(2,052)	(32,161)	(34,213)	(586)	(4,147)	(8,052)	(46,998)	(423,897)	(470,896)	(43)	(470,939)
<b>Movement in reserves during 2023/24</b>											
(Surplus) or deficit on provision of services	21,865	0	21,865	(3,082)	0	0	18,783	0	18,783	6	18,789
Other comprehensive income and expenditure	(121)	0	(121)	121	0	0	0	28,800	28,800	0	28,800
<b>Total comprehensive Income and Expenditure</b>	21,743	0	21,743	(2,960)	0	0	18,783	28,800	47,583	6	47,589
Adjustments between accounting basis and funding basis under regulations	(21,480)	0	(21,480)	2,729	(1,274)	136	(19,889)	19,889	(0)	0	(0)
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	263	0	263	(231)	(1,274)	136	(1,106)	48,689	47,583	6	47,589
Transfers to/(from) Earmarked Reserves	(263)	261	(2)	2	0	0	0	0	0	0	0
<b>(Increase)/Decrease in year Balance at 31 March 2024 carried forward</b>	(0)	261	261	(229)	(1,274)	136	(1,106)	48,689	47,583	6	47,589
	(2,052)	(31,901)	(33,953)	(815)	(5,421)	(7,916)	(48,105)	(375,208)	(423,313)	(37)	(423,350)

**Group Balance Sheet as at 31 March**

2024 Restated		Notes	2025	
£'000	£'000		£'000	£'000
<b>Property, Plant and Equipment</b>				
295,215	Council dwellings		326,623	
272,593	Other land and buildings		284,414	
18,815	Infrastructure assets		18,219	
8,234	Vehicles, plant and equipment		8,957	
2,004	Community assets		2,057	
1,225	Assets under construction		1,266	
598,085			641,535	
14,087	Heritage Assets		14,506	
1,898	Investment Property		1,841	
1,292	Intangible Assets		1,352	
615,362			659,234	
1,011	Payments in Advance		913	
2,359	Long-term debtors		2,009	
<b>618,732</b>	<b>Total Long-term Assets</b>		<b>662,156</b>	
<b>Current Assets</b>				
5,007	Short-term investments		12,357	
200	Inventories		201	
9,914	Short-term debtors		21,443	
581	Payments in advance		1,758	
13,974	Assets held for sale		13,890	
1,836	Cash and cash equivalents		1,729	
<b>31,512</b>			<b>51,377</b>	
<b>650,243</b>	<b>Total Assets</b>		<b>713,533</b>	
<b>Current Liabilities</b>				
(25,555)	Creditors		(37,537)	
(8,125)	Deposits and receipts in advance		(11,916)	
(39,949)	Short term borrowing		(42,577)	
(6,464)	Provisions		(6,604)	
0	Other Current Liabilities		(474)	
<b>(80,093)</b>			<b>(99,109)</b>	
<b>570,150</b>	<b>Total Assets less Current Liabilities</b>		<b>614,425</b>	
<b>Long Term Liabilities</b>				
(415)	Other long-term liabilities		(1,293)	
(141,589)	Long-term borrowing		(140,603)	
(59)	Capital grants receipts in advance		(62)	
(4,737)	Liability related to defined benefit		(3,146)	
<b>(146,800)</b>			<b>(145,104)</b>	
<b>423,350</b>	<b>Net Assets</b>		<b>469,320</b>	
<b>Usable Reserves</b>				
(2,052)	General Fund		(2,070)	
(815)	Housing Revenue Account		(8,300)	
(31,901)	Earmarked reserves		(35,913)	
(37)	Profit and Loss Reserve		(58)	
(5,421)	Capital receipts reserve		83	
(7,916)	Capital grants unapplied		(7,910)	
<b>(48,142)</b>			<b>(54,168)</b>	
<b>Unusable Reserves</b>				
(251,788)	Revaluation reserve		(300,017)	
(127,474)	Capital adjustment account		(118,294)	
391	Financial instruments adjustment a/c		355	
4,737	Pensions reserve		3,146	
(1,325)	Collection fund adjustment account		(622)	
250	Short-term accumulating absences a/c		280	
<b>(375,208)</b>			<b>(415,152)</b>	
<b>(423,350)</b>	<b>Total Reserves</b>		<b>(469,320)</b>	

**Group Cash Flow Statement**

The Cash Flow Statement shows the Group's changes in cash and cash equivalents during the reporting period. The statement shows how the Group 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 Group are funded by council tax and grant income or from the users of services provided by the Group. Investing activities represent the extent to which outflows have been made for resources which are intended to contribute to the Group's future service delivery.

<b>2023/24</b>	<b>2024/25</b>
£'000	£'000
<b>18,789 Net (surplus) or deficit on the provision of services</b>	<b>3,519</b>
(11,165) Depreciation and impairment	(12,483)
(32,373) Impairment and downward revaluations	(24,124)
(340) Amortisation	(402)
(68) Change in impairment for bad debts	(299)
7,135 (Increase)/decrease in creditors	(15,926)
1,557 Increase/(decrease) in debtors	14,880
(46) Increase/(decrease) in inventories	2
1,517 Movement in pension liability	1,815
(445) Movement in investment property values	(57)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(1,294)
5 Other non-cash items charged to the net surplus or deficit on the provision of services	19
<b>(37,771) Adjustments to net surplus or deficit on the provision of services for non-cash movements</b>	<b>(37,872)</b>
4,491 Capital grants credited to the surplus or deficit on the provision of services	6,656
4,446 Proceeds from the sale of property, plant and equipment	2,113
<b>(10,045) Net Cash flows from operating activities</b>	<b>(25,585)</b>
26,033 Purchase of property, plant & equipment, investment property and intangible assets	31,716
206,101 Purchase of short-term and long-term investments	247,905
0 Other payments for investing activities	0
(4,446) Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(2,113)
(216,211) Proceeds from investments	(240,555)
(4,761) Other receipts from investing activities	(7,852)
<b>6,716 Net Cash flows from Investing Activities</b>	<b>29,101</b>
(29,000) Cash receipts of short- and long-term borrowing	(36,000)
26,278 Repayments of short- and long-term borrowing	34,402
6,646 Other payments for financing activities	(1,813)
<b>3,925 Net Cash flows from Financing Activities</b>	<b>(3,410)</b>
<b>596 Net (increase) or decrease in cash and cash equivalents</b>	<b>107</b>
(2,430) Cash and cash equivalents at the beginning of the reporting period	(1,836)
(1,836) Cash and cash equivalents at the end of the reporting period	(1,729)

## NOTES TO THE GROUP ACCOUNTS

### 1. Explanation of the Group Balance Sheet

The Group Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the Group. The group comprises Canterbury City Council and Canenco, a wholly owned subsidiary. The net assets of the Group (assets less liabilities) are matched by reserves held by the Group. Reserves are reported in two categories, usable and unusable reserves. Usable reserves can be used to provide services, subject to any statutory limitation on their use (for example, Capital Receipts Reserve may only be used to fund capital expenditure or to repay debt). Unusable reserves are those that the Group is not able to use to provide services and includes reserves that hold unrealised gains and losses (for example, gains held in the Revaluation Reserve can only be used towards service provision if the assets are sold).

### 2. Basis of Consolidation

The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council and Canenco. This company is a wholly owned subsidiary of the Council. Consequently, any gains or losses arising from this company are fully reflected in the Group CIES, the Group Balance Sheet, Group Movement in Reserves Statement and Group Cashflow Statement.

Any intra-group charges and transactions are eliminated via the consolidation, such as contract payments, support service charges and loan interest payments.

The 2024/25 accounts of Canenco have been audited.

### 3. Accounting Policies and Notes to the Group Financial Statements

For the Group Financial Statements, there are no material differences, compared to the Council's own notes to its accounts (including its accounting policies), that require further disclosure.

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Council's responsibilities

The Council 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 Council, that officer is the Chief Financial Officer
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts.

### The Chief Financial Officer's responsibilities:

The Chief Financial Officer is responsible for the preparation of the Council'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 Chief Financial Officer has:

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

The Chief Financial 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 Statement of Accounts presents a true and fair view of the financial position of the Council and of the Group at the accounting date and its income and expenditure for the year ended 31 March 2025.

Signed



Nicci Mills  
Date 06/02/2026  
Chief Financial Officer



Cllr Alister Brady  
Date 06/02/2026  
Chair Audit Committee