

Statement of Accounts

**for the
Year Ended**

31 March 2026

Nicci Mills CPFA
Chief Financial Officer

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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 2026. It includes:

- An explanation of each of the main financial statements;
- A look back at financial and non-financial performance in 2025/26;
- 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 2026. The accounts are set out on pages 12 to 88. 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 2025/26

It has been another financially challenging year for the Council during 2025/26 as the national and global economic environments remain volatile. The start of the year saw the US trade tariffs introduced in April 2025 and the end of the year saw the start of the US/Israel war with Iran in February 2026. Both of these periods have added uncertainty and volatility to the economy, meaning 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 has progressed significantly in 2025 with some works completed in early 2026 and remaining works expected to complete in Summer 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 secured £4m Government funding from Kent County Council in 2025. After comprehensive market testing and a full public procurement process, the company awarded the initial mitigation contract to Norfolk Rivers Consortium Ltd (trading as National Rivers Consortium) in September 2025, which focuses on upgrading septic tanks to package treatment plants. The first credits were issued in May 2026 to help unlock stalled or delayed projects.

During 2025/26 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 submitted in November 2025. A decision is expected in July 2026 on the geographies of the new unitary councils.

Financial performance in 2025/26

This section gives an overview of the financial performance of the Council in 2025/26 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 2025/26 in February 2025.

The impact of the ongoing war in Ukraine, the recent war in Iran, 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 2025/26 would be £0.4m from the budget stabilisation reserve.

In addition, the Council:

- collected £130m of council tax on behalf of Kent Police, the Kent Fire and Rescue Service (KFRS), Kent County Council (KCC), parish councils and itself.
- collected £56m of business rates for the government, KFRS, KCC and itself.
- paid out £25m in benefits and received £59m in grants.

The final outturn for the General Fund was an underspend of £16,000 after the government support funding and contributions to reserves. The actual use of reserves to balance the budget for 2025/26 used the budgeted allocation as well as further contributions from earmarked 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 £8,173,000, compared to a budgeted surplus of £8,300,000.

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:

Service Area	Net Budget	Net Outturn	Net Variance
	£'000	£'000	()= saving £'000
Corporate Management	3,343	4,229	886
Corporate Services	5,252	6,152	900
Strategy & Improvement	4,156	4,203	47
Place Services	(6,516)	(7,399)	(883)
People Services	14,993	13,733	(1,260)
Case Services (People & Place)	613	615	2
Total net expenditure	21,841	21,533	(308)
Revenue Support Grant	(765)	(1,170)	(405)
NDR allocation	(6,035)	(6,035)	0
Central Government Funding	(1,435)	(1,059)	376
Council Tax	(14,618)	(14,618)	0
Collection Fund adjustment	(5)	316	321
Parish precepts	1,017	1,017	0
Total income sources	(21,841)	(21,549)	292
Net position	0	(16)	(16)

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)	900	The variance is mainly due to higher than estimated housing benefit payments and the subsidy grant not covering all the payments in full.
Property & Regeneration (within Place Services)	(333)	This is largely due to increased rental income on commercial property.
Engineering Services (within Place Services)	(268)	This is due to a combination of vacancy savings and increased income for fee generating work.
Culture, Leisure & External Development (within Place Services)	(146)	This is largely due to increased admission fees and sales income at Museums and Galleries.
Transport and Environment (within Place Services)	(106)	This is due to parking income exceeding expectations in off-street, on-street and park and ride services.

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	Net Outturn	Net Variance ()=saving
	£'000	£'000	£'000
General management	5,033	4,552	(481)
Special services	2,993	2,794	(199)
Rent, rates & charges	1,228	1,168	(60)
Repairs & maintenance	8,288	9,702	1,414
Bad debt provision	250	319	69
Rents & service charges receivable	(32,682)	(33,510)	(828)
Total HRA direct budgets	(14,890)	(14,975)	(85)
Support costs	1,051	1,036	(15)
Capital charges	4,694	4,925	231
Total HRA indirect budgets	5,745	5,961	216
Self financing debt	845	843	(2)
(Surplus)/Deficit	(8,300)	(8,171)	129

The overall revenue outturn position for 2025/26 was a surplus of £8,173,000, a decrease of £127,000 on the £8,300,000 budgeted surplus. The explanations for the main variances to the budget are set out below.

Activity	Variance (£000) ()=favourable	Explanation
General Management	(481)	The underspend is primarily due to reduced staffing costs arising from vacancies and the recharging of staff time to capital and externally funded projects, alongside lower disrepair claims, partly offset by increased regulatory, fraud and outsourced service fees.
Special Services	(199)	The underspend mainly relates to unutilised contingency budgets and lower costs within cleansing services.
Repairs and Maintenance	1,414	The overspend reflects budget pressures across a number of workstreams, particularly responsive repairs and voids. Significant increases in void costs were driven by the condition of returned properties and associated clearance and refurbishment works. Inflationary pressures and material costs also contributed. These were partially offset by underspends where works were capitalised for asbestos removal as part of kitchens and bathrooms programme and gas remedial works resulting in full boiler replacements.
Rent & Service Charges Receivable	(828)	The underspend is driven by higher than expected income from dwelling rents, service charges, leaseholder income and interest on balances, alongside unbudgeted insurance claim income. This was partially offset by lower non-dwelling rental income, particularly from garages.
Capital Charges	231	The variance is primarily due to depreciation charges exceeding budget

General Fund Capital Expenditure

Capital expenditure relates to spending on assets which last for more than one year. The capital programme for 2025/26 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 2025/26 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	2,635	856	1,779	0
People Services	4,892	4,042	877	27
Place Services	3,347	923	2,432	8
Strategy & Improvement	3,462	471	2,435	(556)
Total Capital Projects	14,336	6,292	7,523	(521)

The main expenditure items in 2025/26 were the continuation of the Canterbury Connected projects as part of the Levelling Up Fund; the purchasing of additional temporary accommodation properties to ease the increasing costs to the homelessness budget; Central bandstand and Kings Hall works commenced, as did the government grant funded warm homes projects.

HRA Capital Expenditure

	2025/26 Net Budget £'000	2025/26 Net Outturn £'000	2025/26 Slippage £'000	2025/26 Net Position £'000
Planned Maintenance and Improvement Schemes				
Building fabric	2030	1,772		(258)
Building internal fit-out	730	854		124
Compliance and building safety	1,530	1,404		(126)
Energy saving measures	3,160	73	3,087	(0)
Enhancements and adaptations	1,500	1,353		(147)
External and communal	380	0	350	(30)
Mechanical and electrical	185	139		(46)
Procurement and contract management	250	236		(14)
Stock condition surveys	0	161		161
Voids works	200	81		(119)
	9,965	6,072	3,437	(456)
Other Schemes				
IT improvements	50	0	0	(50)
	50	0	0	(50)
Total	10,015	6,072	3,437	(506)

HRA Capital Programme – Financial Performance

The 2025/26 HRA Planned Maintenance and Improvement capital programme was approved on a single-year basis, reflecting the need to reassess longer-term investment priorities. Work is underway to develop a sustainable multi-year programme, informed by forthcoming stock condition survey data.

Overall, capital expenditure was contained within the approved programme envelope following active in-year management and reprioritisation. This enabled the accelerated delivery of key safety and maintenance works, including roofing, fire safety measures, adaptations, and kitchen and bathroom replacements.

Whilst overall delivery has been achieved within the programme budgets, there was an overspend on internal building works due to the earlier delivery of kitchen and bathroom programmes. Additional budget provision was identified and realigned but was not fully sufficient. This has been contained within the overall programme through offsetting underspends.

Additional costs on stock condition surveys were incurred late in the year, after budget reallocations had been completed, and were managed within existing resources.

The underspend on IT improvements reflects deferral pending specialist input to inform future delivery.

Balance sheet

The Council's net assets increased from £469m to £496m as at 31 March 2026. The main changes year on year were:

- a decrease of £10m in the value of council dwellings;
- an increase of £10m in the value of land and buildings;
- an increase in current assets of £5m and a reduction in current liabilities of £11m;
- a reduction in long term borrowing of £11m;
- an increase in the pension deficit of £2m.

The two biggest liabilities on the balance sheet are long-term borrowing at £129.4m and the pension deficit at £5.3m. 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 £3.1m at 31 March 2025 to £5.3m at 31 March 2026.

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 underwent a triennial valuation as at 31 March 2025 and new contribution rates will apply from April 2026.

Significant changes to local authority financial regime in 2025/26

From 1 April 2025, the Code of Practice on Local Authority Accounting in the United Kingdom requirements changed in respect of revaluations of property, plant and equipment. Where authorities do not have a rolling programme of revaluations in place and/or the assets are not non-property assets subject to indexation, authorities revalue their assets every five years with annual indexation applied to assets during the four intervening years. Where authorities cannot obtain indices without undue cost or effort, authorities revalue those assets using a quinquennial revaluation with a desktop revaluation in year three.

The Council currently values high-value assets on an annual basis, and the remaining assets on a rolling basis over five years. The requirement within the Code is that assets are revalued every five years, and indexation is applied, if material, in the intervening years. If appropriate indices cannot be identified, then a desktop revaluation is to be carried out in year three. For the accuracy of the accounts, and ensuring a true and fair view, the Council has adopted the policy that high-value assets will continue to be valued on an annual basis, with the remaining assets valued on a rolling five-year basis. Indexation will be calculated on those assets not valued, and this will be applied only when the impact is material.

Future challenges

In the Spring of 2025 the Government announced there would be a review of both Government funding and the Business Rates Retention Scheme. This resulted in a three-year settlement for local authorities and a business rates reset, providing some level of certainty over the medium term.

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 2025/26 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 continuing serious financial challenges facing the Council in 2026/27 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 2026

This statement shows the accounting cost of providing services in the year ended 31 March 2026, 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.

2024/25 Restated			2025/26			
Gross Exp	Income	Net Exp	Note	Gross Exp	Income	Net Exp
£'000	£'000	£'000		£'000	£'000	£'000
4,776	(4,933)	(157)		3,816	(5,163)	(1,347)
36,683	(30,190)	6,493		30,697	(24,383)	6,315
5,524	(1,422)	4,102		5,142	(1,124)	4,017
32,176	(36,932)	(4,756)		29,915	(41,023)	(11,108)
29,169	(15,140)	14,029		25,137	(15,072)	10,065
886	(240)	645		643	(105)	538
41,433	(31,435)	9,998		30,171	(33,132)	(2,962)
150,646	(120,292)	30,354		125,520	(120,002)	5,518
Cost of Services						
Other Operating Expenditure						
0	(1,163)	(1,163)		0	(3,678)	(3,678)
1,137	0	1,137		1,192	0	1,192
Financing & Investment Income & Expenditure						
6,100	0	6,100		5,340	(0)	5,340
109	0	109	28.1	(383)	0	(383)
413	(1,269)	(855)		682	(1,328)	(646)
0	(250)	(250)		0	(250)	(250)
57	0	57		0	(13)	(13)
89	(35)	54		114	(44)	70
19	(318)	(299)		63	(78)	(15)
Taxation & Non-Specific Grant Income & Expenditure						
1,613	(8,269)	(6,656)	20	892	(11,851)	(10,959)
0	(13,479)	(13,479)		0	(13,496)	(13,496)
1,845	(13,432)	(11,587)	20	2,387	(13,658)	(11,271)
162,031	(158,506)	3,525		135,806	(164,397)	(28,591)
		(49,713)	18.1			(3,558)
		224	28.1			5,464
		(49,489)				1,906
		(45,964)				(26,685)
Other Comprehensive (Income) & Expenditure						
Total Comprehensive (Income) & Expenditure						(26,685)

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 2025/26	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
Balance at 31 March 2025 carried forward	(2,086)	(35,913)	(37,999)	(8,300)	(0)	83	(7,910)	(54,126)	(415,163)	(469,289)
Movement in reserves during 2025/26										
(Surplus) or deficit on provision of services	(22,580)	0	(22,580)	(6,011)	0	0	0	(28,591)	0	(28,591)
Other comprehensive income and expenditure	(121)	0	(121)	121	0	0	0	0	1,906	1,906
Total comprehensive Income and Expenditure	(22,702)	0	(22,702)	(5,889)	0	0	0	(28,591)	1,906	(26,685)
Adjustments between accounting basis and funding basis under regulations (Note 6)	11,029	0	11,029	(2,307)	0	(5,439)	316	3,600	(3,600)	0
Net (increase)/decrease before transfers to Earmarked Reserves	(11,672)	0	(11,672)	(8,196)	0	(5,439)	316	(24,991)	(1,694)	(26,685)
Transfers to/(from) Earmarked Reserves (Note 9)	10,656	(10,681)	(25)	25	0	0	0	0	0	0
(Increase)/Decrease in year	(1,016)	(10,681)	(11,697)	(8,171)	0	(5,439)	316	(24,991)	(1,694)	(26,685)
Balance at 31 March 2026 carried forward	(3,102)	(46,594)	(49,696)	(16,471)	(0)	(5,356)	(7,594)	(79,117)	(416,857)	(495,974)

Movement in Reserves 2024/25 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
Balance at 31 March 2024 carried forward	(2,052)	(31,901)	(33,953)	(815)	(0)	(5,421)	(7,916)	(48,105)	(375,208)	(423,313)
Movement in reserves during 2024/25										
(Surplus) or deficit on provision of services	(5,604)	0	(5,604)	9,129	0	0	0	3,525	0	3,525
Other comprehensive income and expenditure	(121)	0	(121)	121	0	0	0	0	(49,501)	(49,501)
Total comprehensive Income and Expenditure	(5,725)	0	(5,725)	9,250	0	0	0	3,525	(49,501)	(45,976)
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
Net (increase)/decrease before transfers to Earmarked Reserves	(4,044)	0	(4,044)	(7,487)	0	5,504	6	(6,021)	(39,955)	(45,976)
Transfers to/(from) Earmarked Reserves (Note 9)	4,010	(4,013)	(2)	2	0	0	0	0	0	0
(Increase)/Decrease in year	(34)	(4,013)	(4,046)	(7,485)	0	5,504	6	(6,021)	(39,955)	(45,976)
Balance at 31 March 2025 carried forward	(2,086)	(35,913)	(37,999)	(8,300)	(0)	83	(7,910)	(54,126)	(415,163)	(469,289)

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.

2024/25	2025/26
Restated	
£000s	£000s
3,525 Net (surplus) or deficit on the provision of services	(28,591)
(12,377) Depreciation and impairment	(13,324)
(24,124) Impairment and downward revaluations	(5,442)
(402) Amortisation	(480)
(299) Change in impairment for bad debts	(15)
(5,214) (Increase)/decrease in creditors	8,330
3,269 Increase/(decrease) in debtors	(1,620)
25 Increase/(decrease) in inventories	8
1,815 Movement in pension liability	3,298
(57) Movement in investment property values	13
(1,324) Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(4,942)
7 Other non-cash items charged to the net surplus or deficit on the provision of services	19
(38,683) Adjustments to net surplus or deficit on the provision of services for non-cash movements	(14,156)
6,656 Capital grants credited to the surplus or deficit on the provision of services	10,959
2,113 Proceeds from the sale of property, plant and equipment	8,084
(26,390) Net Cash flows from operating activities	(23,704)
31,674 Purchase of property, plant & equipment, investment property and intangible assets	21,258
241,680 Purchase of short-term and long-term investments	255,834
(2,113) Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(8,084)
(234,330) Proceeds from investments	(251,924)
(7,852) Other receipts from investing activities	(10,706)
29,060 Net Cash flows from Investing Activities	6,378
(36,000) Cash receipts of short- and long-term borrowing	(38,000)
34,358 Repayments of short- and long-term borrowing	50,630
(1,813) Other payments for financing activities	5,348
(3,454) Net Cash flows from Financing Activities	17,978
(784) Net (increase) or decrease in cash and cash equivalents	652
(514) Cash and cash equivalents at the beginning of the reporting period	(1,297)
(1,297) Cash and cash equivalents at the end of the reporting period	(645)

NOTES TO THE FINANCIAL STATEMENTS

Expenditure and Funding Analysis for the year ended 31 March 2026

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.

2024/25			2025/26		
Net exp chargeable to the GF and HRA balances	Restated 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
5,530	(5,687)	(157)	4,229	(5,576)	(1,347)
5,874	618	6,493	6,152	163	6,315
3,811	291	4,102	4,203	(186)	4,017
(8,250)	3,494	(4,756)	(7,399)	(3,709)	(11,108)
14,881	(852)	14,029	13,733	(3,668)	10,065
660	(14)	645	615	(77)	538
(7,870)	17,868	9,998	(8,171)	5,209	(2,962)
14,635	15,719	30,354	13,362	(7,844)	5,518
Cost of Services					
Other Operating Expenditure					
0	(1,163)	(1,163)	0	(3,678)	(3,678)
0	1,137	1,137	0	1,192	1,192
0	0	0	0	0	0
Financing & Investment Income & Expenditure					
0	6,100	6,100	0	5,340	5,340
0	109	109	0	(383)	(383)
0	(855)	(855)	0	(646)	(646)
0	(250)	(250)	0	(250)	(250)
0	57	57	0	(13)	(13)
0	54	54	0	70	70
0	(299)	(299)	0	(15)	(15)
Taxation & Non-Specific Grant Income & Expenditure					
0	(6,656)	(6,656)	0	(10,959)	(10,959)
(13,211)	(268)	(13,479)	(13,285)	(211)	(13,496)
(9,328)	(2,259)	(11,587)	(8,265)	(3,006)	(11,271)
(22,539)	(4,291)	(26,829)	(21,549)	(12,560)	(34,109)
(7,903)	11,428	3,525	(8,187)	(20,404)	(28,591)
(Surplus)/Deficit on provision of services					
(2,867)			(10,386)		
(7,903)			(8,187)		
385			0		
0			0		
0			(1,000)		
(10,386)			(19,573)		
Closing General Fund and HRA balances					

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2025/26 financial year and its position at the year-end of 31 March 2026. The Council is required to prepare an annual Statement of Accounts 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 2025/26 supported by International Financial Reporting Standards (IFRS).

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

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.

From 1 April 2025, the Code of Practice on Local Authority Accounting in the United Kingdom requirements changed in respect of revaluations of property, plant and equipment. Where authorities do not have a rolling programme of revaluations in place and/or the assets are not non-property assets subject to indexation, authorities revalue their assets every five years with annual indexation applied to assets during the four intervening years.

The Council's approach to revaluation is to continue to have a rolling programme of revaluations over five years. Assets that have a significant value are revalued annually, even if they are not scheduled to be revalued according to the five-year programme.

Full revaluations are carried out in accordance with RICS Red Book requirements, while indexation reflects market-based movements applied in intervening periods. Although the valuation approaches differ, both are treated equally for accounting purposes under the revaluation model. Indexation adjustments will only be applied during the intervening periods if they are material.

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:

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

These amendments to accounting standards in 2026/27 do not have a material impact on the Council.

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) The government has announced a multi-year settlement covering the 3-year period up to the end of financial year 2028/29. While this gives more certainty over levels of funding, there remains a high degree of uncertainty over the impact of 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 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. As part of the contractual arrangements, the council has agreed to a cap and collar arrangement whereby the council meets annual pension costs above the cap value but receives the benefit if pension costs fall below the collar value. The Council has also agreed to act as a guarantor to enable it to become an admitted body in the Kent Pension Fund.

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 Council's share of the transactions of PartnershipOne, classified as a joint venture, are not material and in accordance with its accounting policy consider that group accounts are not required.

- f) The Council jointly owns Stour Environmental Credits Limited (SECL) with Ashford Borough Council. The Company was incorporated in December 2024. The Council's share of the transactions of SECL, classified as a joint venture, are not material and in accordance with its accounting policy consider that group accounts are not required.

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 2026 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 (£5.312m)	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.	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. Changes to assumptions in 2025/26 have contributed to a decrease in the net liability of £1.1m.
Business Rate Appeals (£5.579m)	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.	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 £56,000 for each year of the claim, totalling approximately £446,000.
Valuation of property, plant and equipment (PPE) (£655.839m)	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. 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:	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. 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>1. For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date;</p> <p>2. For level 3 inputs, valuations based on most recent valuations adjusted to current valuation by the use of indexation and impairment review.</p> <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.</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 would lead to a change in value of £792k which is not material.</p> <p>If the valuation of the overall PPE increased by 1%, the impact to the Council would be £6.6m.</p>
<p>Bad debt provisions (impairment allowance) (£4.871m)</p>	<p>The Council has bad debt provisions of £4.871m 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.</p>	<p>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.</p> <p>If collection rates were to deteriorate by 1% an extra £487k would be required to set aside as an allowance.</p>

5 Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 12 June 2026. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2026, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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 2025/26	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	
Adjustments primarily involving the Capital Adjustment Account								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement								
Charges for Depreciation and impairment of non-current assets	(9,366)		(4,438)				13,804	
Revaluation on Property, Plant & Equipment	711		(6,690)				5,979	
Movement in market value of investment property	13						(13)	
Capital grant and contributions applied	10,439		835				(11,275)	
Revenue Expenditure funded from Capital under Statute	(2,895)		0				2,895	
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(395)		(4,010)				4,405	
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
Statutory provision for the financing of capital investment	9,501						(9,501)	
Capital expenditure charged against GF & HRA balances	253		0				(253)	
Adjustments primarily involving the Capital Grants Unapplied Account								
Capital grants and contributions unapplied credited to CIES	(892)					892	0	
Capital grants and contributions unapplied	576					(576)	0	
Adjustments primarily involving the Capital Receipts Reserve (CRR)								
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	985		7,099		(8,084)		(0)	
Use of CRR to finance capital expenditure					2,656		(2,656)	
Contribution from CRR to finance payments to the Government capital receipts pool	0						0	
Repayments of soft loans and Hsg Act advances					(11)		11	
Adjustments primarily involving the Major Repairs Reserve								
Reversal of Major Repairs Allowance credited to the HRA			4,438	(4,438)			0	
Use of the Major Repairs Reserve to finance new capital expenditure					4,438		(4,438)	
Voluntary transfer to Major Repairs Reserve					0		0	
Adjustments involving the Financial Instruments Adjustment Account								
Amount by which finance costs charged to CIES are different from finance costs chargeable in year in accordance with statutory requirements	37						(37)	
Adjustments involving the Pension Reserve								
Reversal of items relating to retirement benefits debited or credited to CIES	(1,459)		(276)				1,735	
Employers contributions and direct payments to pensioners payable in year.	4,301		732				(5,033)	
Adjustments involving Collection Fund Adjustment Account								
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	(806)						806	
Adjustments involving Accumulated Absences Account								
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	27		3				(30)	
Total Adjustments 2024/25	11,029	0	(2,307)	0	(5,439)	316	(3,600)	

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	
Adjustments primarily involving the Capital Adjustment Account								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement								
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
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
Statutory provision for the financing of capital investment	9,069							(9,069)
Capital expenditure charged against GF & HRA balances	211		385					(595)
Adjustments primarily involving the Capital Grants Unapplied Account								
Capital grants and contributions unapplied credited to CIES	(1,613)					1,613		0
Capital grants and contributions unapplied	1,607					(1,607)		0
Adjustments primarily involving the Capital Receipts Reserve (CRR)								
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
Adjustments primarily involving the Major Repairs Reserve								
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
Adjustments involving the Financial Instruments Adjustment Account								
Amount by which finance costs charged to CIES are different from finance costs chargeable in year in accordance with statutory requirements	36							(36)
Adjustments involving the Pension Reserve								
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)
Adjustments involving Collection Fund Adjustment Account								
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
Adjustments involving Accumulated Absences Account								
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
Total Adjustments 2024/25	1,681	0	(16,737)	(0)	5,504	6		9,546

7 Note to the expenditure and funding analysis

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

2024/25				2025/26			
Adjustments for capital purposes	Net change for the pensions adjustments	Other differences	Total adjustments	Adjustments for capital purposes	Net change for the pensions adjustments	Other differences	Total adjustments
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(5,474)	(1,419)	1,206	(5,687)	(3,658)	(1,434)	(484)	(5,576)
1	(58)	676	618	20	(238)	381	163
198	(39)	132	291	66	(161)	(91)	(186)
5,933	(93)	(2,346)	3,494	714	(362)	(4,060)	(3,709)
(591)	(72)	(188)	(852)	834	(281)	(4,221)	(3,668)
0	(14)	0	(14)	0	(42)	(35)	(77)
19,611	(228)	(1,515)	17,868	6,690	(393)	(1,088)	5,209
19,677	(1,923)	(2,035)	15,719	4,666	(2,912)	(9,598)	(7,844)
Cost of Services				Other Operating Expenditure			
(1,163)	0	0	(1,163)	(3,678)	0	0	(3,678)
0	0	1,137	1,137	0	0	1,192	1,192
0	0	0	0	0	0	0	0
Financing & Investment Income & Expenditure				Financing & Investment Income & Expenditure			
4,642	0	1,458	6,100	4,073	0	1,267	5,340
0	109	0	109	0	(383)	0	(383)
0	0	(855)	(855)	0	0	(646)	(646)
0	0	(250)	(250)	0	0	(250)	(250)
57	0	0	57	(13)	0	0	(13)
0	(1)	55	54	0	(3)	73	70
0	0	(299)	(299)	0	0	(15)	(15)
Taxation & Non-Specific Grant Income & Expenditure				Taxation & Non-Specific Grant Income & Expenditure			
(6,656)	0	0	(6,656)	(10,959)	0	0	(10,959)
0	0	(268)	(268)	0	0	(211)	(211)
0	0	(2,259)	(2,259)	0	0	(3,006)	(3,006)
Difference between (surplus) or deficit and the Comprehensive Income and Expenditure Statement (surplus) or deficit on the provision of services				Difference between (surplus) or deficit and the Comprehensive Income and Expenditure Statement (surplus) or deficit on the provision of services			
			11,428				(20,404)

8 Expenditure and income analysed by nature

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

	2024/25 Restated				2025/26						
	Corporate Management	Corporate Services	Strategy & Improvement	Place Services	People Services	Case Services (People & Place)	Housing Revenue Account	Net Cost of Services	Sources of Finance	Total	
£'000 Expenditure	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
23,344 Employee benefits expenses	735	4,022	2,570	6,027	5,199	634	3,759	22,945	(334)	22,611	
53,511 Other service expenses	(226)	4,094	2,029	10,450	14,396	7	15,263	46,013	4,403	50,416	
(964) Support service recharges	(1,653)	(607)	(266)	937	(172)	(103)	963	(902)	0	(902)	
31,939 Housing benefit payments	0	22,454	0	0	2,810	0	0	25,264	(28)	25,237	
41,472 Depreciation, amortisation, impairment	0	21	563	12,303	2,206	0	11,128	26,222	0	26,222	
5,090 Interest payments	0	0	0	74	0	0	0	74	4,293	4,367	
1,137 Precepts and levies	0	0	0	0	0	0	0	0	1,192	1,192	
(1,163) Gain on the disposal of assets	0	0	0	0	0	0	0	0	(3,678)	(3,678)	
154,367 Total Expenditure	(1,145)	29,984	4,896	29,791	24,439	538	31,113	119,616	5,848	125,464	
Income											
(28,814) Housing tenancy rental income	0	0	0	0	0	0	(30,392)	(30,392)	0	(30,392)	
(48,724) Fees, charges and other service income	(173)	(1,157)	(149)	(39,555)	(5,258)	0	(3,578)	(49,869)	(736)	(50,606)	
(855) Interest and investment income	0	0	0	(2)	0	0	0	(2)	(646)	(648)	
(13,066) Income - council tax & non-domestic rates	0	0	0	0	0	0	0	0	(13,812)	(13,812)	
(59,384) Government grants and contributions	(29)	(22,512)	(730)	(1,342)	(9,116)	0	(105)	(33,834)	(24,763)	(58,597)	
(150,842) Total Income	(202)	(23,670)	(878)	(40,899)	(14,374)	0	(34,075)	(114,098)	(39,957)	(154,055)	
3,525 Surplus/Deficit on provision of services	(1,347)	6,315	4,017	(11,108)	10,065	538	(2,962)	5,518	(34,109)	(28,591)	

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 2025/26.

Reserve	Note	Balance at 31 March 2025 *Restated £'000	Transfers to reserve £'000	Transfers from reserve £'000	Balance at 31 March 2026 £'000
Computer/equipment	a	(464)	0	196	(268)
Buildings maintenance	b	(1,508)	(3)	0	(1,511)
Commercial property stabilisation reserve	c	(4,617)	(1,587)	0	(6,205)
Restructure reserve	d	(370)	0	0	(370)
Open spaces maintenance	e	(863)	(12)	8	(867)
Budget stabilisation reserve	f	(5,256)	0	1,877	(3,379)
Carry forward reserve	g	(1,490)	(669)	0	(2,158)
Whitstable Harbour reserves	h	(499)	(57)	0	(557)
NDR reserve	i	(12,896)	(3,006)	0	(15,903)
Climate change reserve	j	(580)	(103)	0	(683)
Elections reserve	k	(310)	(44)	194	(160)
Capital reserve	l	(1,018)	0	47	(971)
Planning reserves	m	(3,121)	(1,431)	104	(4,447)
Homelessness reserves	n	0	(3,294)	8	(3,286)
Engineering reserves	o	0	(1,277)	0	(1,277)
Local Government Reorganisation	p	0	(500)	27	(473)
Disabled Facilities Grant	q	0	(555)	0	(555)
Other General Fund reserves	Other	(2,707)	(956)	376	(3,287)
Total of GF Reserves		(35,669)	(13,493)	2,837	(46,355)
Net Transfer - General Fund		(4,010)			(10,656)
HRA Reserves (excl major repairs reserve)					
HRA Reserves	h1	(214)	(25)	0	(239)
Net Transfer - HRA		(2)			(25)
Total Reserves		(35,913)	(13,518)	2,837	(46,594)

*Opening balances have been restated to move an HRA reserve which was incorrectly included within the General Fund reserves balance

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.
- n) The homelessness reserve has been created to earmark grant funding received to be used to fund the Council's statutory duty to prevent homelessness.
- o) The engineering reserve has been created to earmark Environment Agency grants to be used on projects which span several years.
- p) The Local Government Reorganisation reserve has been created to fund preparatory costs incurred ahead of the reorganisation being implemented.
- q) Disabled Facilities Grant supports disabled individuals by funding modifications to their homes for improved accessibility and independent living.

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.

	Council Dwellings	Land and Buildings	Plant, Vehicles & Equipment	Community Assets	Assets Under Construction	Total Tangible assets	Investment Properties	Heritage Assets	Intangible Assets	Total
<u>Cost or Valuation</u>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2025 (b/fwd)	330,941	292,423	24,646	2,057	1,266	651,334	1,841	14,522	2,277	669,974
Additions	6,907	9,699	1,784	0	195	18,585	0	793	32	19,410
Disposals	(3,984)	(703)	(4,545)	0	0	(9,232)	0	0	(332)	(9,564)
Acc Dep'n w/o	0	(5,111)	0	0	0	(5,111)	0	(11)	(1,331)	(6,452)
Reclassifications/Transfers	0	0	0	0	0	0	0	0	0	0
Revaluations to Revaluation Reserve	(6,327)	6,041	0	0	0	(286)	0	63	0	(223)
Revaluations to CIES	(6,690)	711	0	0	0	(5,979)	13	0	0	(5,966)
Other movements in Cost or Valuation	0	0	0	0	0	0	0	0	0	0
At 31 March 2026	320,848	303,060	21,886	2,057	1,461	649,311	1,854	15,368	646	667,179
<u>Depreciation and impairment</u>										
At 1 April 2025 (b/fwd)	(4,318)	(8,017)	(15,943)	0	(0)	(28,278)	0	(14)	(926)	(29,218)
Charge for 2025/26	(4,200)	(6,127)	(2,195)	(1)	0	(12,523)	0	(11)	(480)	(13,013)
Disposals	0	11	4,545	0	0	4,556	0	0	66	4,623
Acc Dep'n w/o	4,318	5,111	0	0	0	9,429	0	11	1,331	10,771
Reclassifications	0	0	0	0	0	0	0	0	0	0
Impairments to CIES	0	0	0	0	0	0	0	0	0	0
At 31 March 2026	(4,200)	(9,022)	(13,593)	(1)	(0)	(26,816)	0	(14)	(8)	(26,838)
Net Book Value at 31 March 2026	316,648	294,038	8,292	2,055	1,461	622,494	1,854	15,353	638	640,341

10 Property plant and equipment, investment properties and intangible assets

	Council Dwellings	Land and Buildings	Plant, Vehicles & Equipment	Community Assets	Assets Under Construction	Total Tangible assets	Investment Properties	Heritage Assets	Intangible Assets	Total
<u>Cost or Valuation</u>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2024 (b/fwd)	298,900	279,769	22,165	2,011	1,225	604,070	1,898	14,101	2,160	622,229
Transition to IFRS 16 - Right of Use Assets*	0	68	1,787	0	0	1,855	0	0	0	1,855
Adjusted Opening Balance 1 April 2024	298,900	279,837	23,952	2,011	1,225	605,925	1,898	14,101	2,160	624,084
Additions	16,674	10,457	1,199	0	41	28,371	0	305	474	29,149
Disposals	(843)	0	(505)	0	0	(1,348)	0	0	(353)	(1,701)
Acc Dep'n w/o	0	(4,248)	0	(8)	0	(4,256)	0	(11)	(3)	(4,270)
Reclassifications/Transfers	0	(460)	0	0	0	(460)	0	0	0	(460)
Revaluations to Revaluation Reserve	35,821	10,401	0	54	0	46,276	0	126	0	46,402
Revaluations to CIES	(19,611)	(3,564)	0	0	0	(23,175)	(57)	0	0	(23,232)
Other movements in Cost or Valuation	0	0	0	0	0	0	0	0	0	0
At 31 March 2025	330,941	292,423	24,646	2,057	1,266	651,333	1,841	14,520	2,277	669,971
<u>Depreciation and impairment</u>										
At 1 April 2024 (b/fwd)	(3,685)	(7,177)	(14,261)	(7)	(0)	(25,130)	0	(14)	(868)	(26,012)
Charge for 2024/25	(4,318)	(5,087)	(2,168)	(1)	0	(11,574)	0	(11)	(402)	(11,987)
Disposals	0	0	486	0	0	486	0	0	341	827
Acc Dep'n w/o	3,685	4,248	0	8	0	7,941	0	11	3	7,955
Reclassifications	0	0	0	0	0	0	0	0	0	0
Impairments to CIES	0	0	0	0	0	0	0	0	0	0
At 31 March 2025	(4,318)	(8,017)	(15,943)	0	(0)	(28,277)	0	(14)	(926)	(29,217)
Net Book Value at 31 March 2025	326,623	284,407	8,703	2,057	1,266	623,055	1,841	14,506	1,352	640,754

*Prior year has been restated to show the implementation effect of IFRS 16.

Infrastructure Assets	31/03/2025	31/03/2026
NBV @ 1 April	18,815	18,219
Additions	192	2,022
Depreciation/Impairment	(788)	(790)
NBV @ 31March	18,219	19,451

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.

	31/03/2025	31/03/2026
Infrastructure assets	18,219	19,451
Other PPE assets	636,945	636,389
Total PPE assets	655,164	655,840

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 Dunstons 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 2025/26. 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 £8,383,000. Other museum exhibits are valued for insurance purposes at £886,000 and various civic and public art commissions are valued at £2,165,000 giving an overall total of £11,434,000 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 2025		Asset	At 31 March 2026	
£'000	£'000		£'000	£'000
886		Museum Exhibits	886	
<u>10,492</u>		Public Art and Painting Collection	<u>10,548</u>	
	11,378	Museum contents and artefacts		11,434
972		Roman Site Butchery Lane	972	
334		Canterbury Castle	1,129	
161		Littlebourne Barn	161	
489		Central Parade Clock Tower	489	
<u>1,172</u>		The Westgate	<u>1,168</u>	
	3,128	Land and Buildings		3,919
	<u>14,506</u>	Total		<u>15,353</u>

10.2 Assets held for sale

31 March 2025	Transfers	Revaluations	Assets sold	31 March 2026
£'000	£'000	£'000	£'000	£'000
2,952 Car park land	0	0	0	2,952
0 Business centres	0	0	0	0
3,010 Surplus land	0	0	0	3,010
<u>7,929</u> Surplus Property	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,929</u>
<u>13,890</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,890</u>

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.
- 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 2025/26 were carried out internally with the exception of Whitefriars and Riverside, which was valued by Knight Frank.

Assets that are carried at valuation, but that were not valued in year were assessed against appropriate indices to ensure that the valuations within the accounts are materially correct. Having carried out this calculation, the total value of indexation amounted to £722,000. As this is not material, these changes have not been made to the assets. In calculating indexation in 2026/27, this movement that has not been actioned will be factored into the calculation.

Assets category	Date of last valuation	Basis of valuation	Value of revalued assets £'000	Valuer
Council dwellings	March 2026	A	320,848	Adam Wright, MRICS
Other land and buildings	March 2026	B	249,416	Adam Wright, MRICS
Surplus assets	March 2026	C	0	Adam Wright, MRICS
Investment properties	March 2026	C	1,854	Adam Wright, MRICS
Infrastructure assets	March 2026	B	47,075	Liam Woollorton, IEng, MICE
Assets held for sale	March 2026	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 2026.

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.

2024/25 *Restated	Capital Expenditure and Financing	2025/26
£'000		£'000
255,125	Opening Capital Financing Requirement	259,784
1,855	Transition to IFRS 16 - Right of Use Assets	0
256,980	Adjusted Opening Capital Finance Requirement	259,784
	Capital Expenditure in year:	
29,299	Property, plant and equipment	21,239
41	Assets under construction	195
3,916	Revenue expenditure funded from capital under statute see note 11.1	5,054
<u>33,256</u>		<u>26,488</u>
0	HRA loan repayment	0
	Sources of Finance	
(7,629)	Capital receipts	(2,656)
(139)	Loan repayments	(145)
(8,485)	Government grants and other contributions	(13,433)
(5,131)	Revenue and Reserves	(4,691)
(9,069)	Revenue and provision for repayment of loans (MRP)	(9,501)
<u>(30,453)</u>		<u>(30,427)</u>
259,784	Closing Capital Financing Requirement	255,845
	Explanation of movements in year	
0	HRA loan repayment	0
(9,069)	MRP	(9,501)
(139)	Soft loan repayments	(145)
13,866	Increase in underlying need to borrow (unsupported by government financial assistance).	5,708
<u>4,658</u>	Movement of Capital Financing Requirement	<u>(3,939)</u>

*Prior year has been restated to show the implementation effect of IFRS 16.

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.

2024/25	2025/26			Net Exp £'000
	Gross Exp £'000	Gov Grant £'000	Other Contr £'000	
0 Disabled facilities and improvement grants	0	0	0	0
2,092 Other including parish council grants	5,054	(1,636)	(523)	2,895
2,092 Total	5,054	(1,636)	(523)	2,895

The financing of this expenditure was grants and contributions of £2.158m. Adding this to the £11.275m non REFCUS grant funded capital expenditure reconciles to the total capital grants applied to finance capital expenditure £13.433m (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	<u>Non-Current</u>				<u>Current</u>				Total 31 March	Total 31 March
	Investments		Debtors		Investments		Debtors			
	31 March	31 March	31 March	31 March	31 March	31 March	31 March	*Restated 31 March		
	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost	0	0	88	(58)	0	0	8,988	9,342	9,076	9,284
Fair Value through profit and loss	0	0	0	0	16,266	12,357	0	0	16,266	12,357
Cash and cash equivalents	0	0	0	0	0	0	645	1,297	645	1,297
Soft loans	0	0	2,058	2,199	0	0	0	0	2,058	2,199
Total financial assets	0	0	2,146	2,141	16,266	12,357	9,633	10,639	28,045	25,137
Non-financial assets	0	0	0	0	0	0	2,848	691	2,848	691
Total	0	0	2,146	2,141	16,266	12,357	12,480	11,330	30,893	25,827
Financial Liabilities	<u>Non-Current</u>				<u>Current</u>				Total 31 March	Total 31 March
	Borrowings		Creditors		Borrowings		Creditors			
	31 March	31 March	31 March	31 March	31 March	31 March	31 March	*Restated 31 March		
	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost	(129,375)	(140,603)	0	0	(41,175)	(42,577)	(12,005)	(16,437)	(182,555)	(199,617)
Total financial liabilities	(129,375)	(140,603)	0	0	(41,175)	(42,577)	(12,005)	(16,437)	(182,555)	(199,617)
Non-financial liabilities	0	0	0	0	0	0	(2,642)	(8,549)	(2,642)	(8,549)
Total	(129,375)	(140,603)	0	0	(41,175)	(42,577)	(14,647)	(24,986)	(185,198)	(208,166)

*Prior year balances have been restated to correct the categorisation of short term debtors and creditors which do not meet the definition of a financial asset or liability.

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 £2.1m shown in the table at 12.1 above, is an amount of £2.0m in respect of the KCCC.

	2024/25 £'000	2025/26 £'000
Balance at start of year:		
Opening balance	2,222	2,104
Loans repaid	(139)	(145)
Increase/(decrease) in discounted amount	21	20
Impairment losses	0	
Closing balance at end of year	2,104	1,979
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:

	2024/25 £'000	2025/26 £'000
Net (gains)/losses on:		
Financial assets measured at fair value through profit and loss	(975)	(782)
Financial assets measured at amortised cost	204	269
Total net gains/losses	(771)	(513)
Interest revenue:		
Financial assets measured at amortised cost	(104)	(109)
Interest expense	6,100	5,340

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 2026 were between 5.27% and 6.54% depending on the maturity date of the loan.
- 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 2026			31 March 2025	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
Long term borrowing				
140,601	123,885	Financial Liabilities - LT loans including PWLB	129,373	113,363
2	0	Financial Liabilities - Other bonds and mortgages	2	0
Short term borrowing				
42,577	40,787	Financial Liabilities - ST loans (including ST element of annuity loans)	41,175	40,253

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 £81m with rates of 2.61% and 2.47% which account for a fair value of £10.5m 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 2025			31 March 2026	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
Investments				
0	0	Loans and receivables - banks and building societies	0	0
12,357	12,357	Fair value through profit and loss - money market funds	16,266	16,266
<u>12,357</u>	<u>12,357</u>		<u>16,266</u>	<u>16,266</u>

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 investment 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 2025/26 was agreed by Council on 24th February 2025 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 (£16m) 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, £50.4m 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 2025	Source of Loan	Range of interest rates payable	31 March 2026
£'000		%	£'000
140,601	Public Works Loan Board	0.74 - 10.50	119,373
2	Other loans, bonds and mortgages	4.35 - 5.625	10,002
140,603	Total Long term borrowing		129,375
	Analysis of loans by maturity is:		
11,228	Maturing in 1-2 years		24,458
44,635	Maturing in 2-5 years		31,895
29,544	Maturing in 5-10 years		22,587
55,196	Maturing in over 10 years		50,435
140,603	Total Long term borrowing		129,375

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 £142k would be generated from the funds. A 1% reduction would have the opposite effect.

General Fund Borrowing

The maturity analysis table on page 52 shows £50.4m Council borrowing in excess of 10 years, of this £49.1m relates to the General Fund and £1.3m relates to the HRA.

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

The Council held £16.3m in money market funds at 31 March 2026 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 £21k.

13 Long term debtors

Balance at 31 March 2025 £'000	Category	Repayments £'000	Balance at 31 March 2026 £'000
Soft loans (Misc loans)			
2,328	Actual amount outstanding	(161)	2,168
(130)	Adjustments to fair value	20	(110)
<u>2,198</u>	Soft loans - Fair value	<u>(141)</u>	<u>2,058</u>
132	Canenco loan	(44)	88
(190)	Shared Service Reserves	190	0
<u>2,141</u>	Total	<u>5</u>	<u>2,146</u>

The balance for soft loans at 31 March 2026 of £2.168m has been reduced downwards by £110k (contra the Financial Instruments adjustment account) to a 'fair value' of £2.058m 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 2025		31 March 2026
*Restated £'000	Category	£'000
11,232	Other entities and individuals	13,974
1,827	Central government bodies	2,070
1,212	Other local authorities	457
24	Public corps and trading funds	206
14,294	Total	16,707
Impairment of debt		
(1,033)	Local tax payers	(1,658)
(1,623)	Housing	(1,686)
(1,360)	Benefits	(1,333)
(245)	Penalty charges notices & other provisions	(195)
(4,262)	Total	(4,871)
10,033	Total short term debtors	11,836

*Prior year balances restated to correct a misclassification of Collection Fund debtors as a creditor

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 2025			31 March 2026		
General £'000	HRA £'000	Total £'000	General £'000	HRA £'000	Total £'000
1,024	43	1,067	1,189	20	1,208
196	(1)	195	175	1	176
152	1	153	27	3	30
58	5	64	207	3	210
288	114	402	281	126	408
1,718	163	1,881	1,879	152	2,031

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 2025 £'000	31 March 2026 £'000
992	894
1,253	1,436
2,245	2,330

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:

31 March 2025		31 March 2026
£'000		£'000
267	Bank overnight deposits	228
1,078	Cash in hand	902
<u>1,345</u>		<u>1,130</u>
(48)	Payments in transit	(485)
<u>1,297</u>		<u>645</u>

16 Creditors

31 March 2025		31 March 2026
*Restated	Category	£'000
£'000	Sundry creditors	£'000
(10,340)	Other entities and individuals	(10,033)
(5,232)	Central government bodies	(2,078)
(9,392)	Other local authorities	(2,432)
(23)	Public corps and trading funds	(104)
<u>(24,986)</u>	Total	<u>(14,647)</u>

*Prior year balances restated to correct a misclassification of Collection Fund debtors as a creditor

16.1 Deposits and Receipts in Advance

The balance for deposits and receipts in advance of £12.556m is predominantly made up of various government grants. (In 2024/25 the total was £11.916m 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 31 March 2025 *Restated £'000	Net movement in year £'000	Balance 31 March 2026 £'000	Purpose of reserve
Revaluation Reserve	(300,017)	(1,276)	(301,294)	Store of gains on revaluation of fixed assets, not yet realised through sales see note 18.1 for details
Capital Adjustment Account	(118,294)	(3,323)	(121,616)	Store of capital resources set aside to meet past expenditure see note 18.2 for details
Financial Instrument Adjustment Account	355	(37)	318	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments.
Pensions Reserve	3,146	2,166	5,312	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet. See note 18.3 for details
Collection Fund Adjustment Account	(633)	806	173	Resources available to meet future precept payments re City Council share only
Short-term accumulating absences account	280	(30)	250	Represents accrual of holiday entitlement carried forward at year end
Total	(415,163)	(1,694)	(416,857)	

*Opening balance of the Collection Fund Adjustment Account has been restated by £12k to correct an error in prior years

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 2025 £'000	Category	General Fund £'000	Housing £'000	31 March 2026 £'000
(251,788)	Balance at 1 April	(103,355)	(196,662)	(300,017)
(47,236)	Upward revaluation of assets	(8,234)	(1,233)	(9,467)
834	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on provision of services	3,487	6,203	9,689
(46,402)		(4,747)	4,970	223
(3,685)	Depreciation written out on revaluations of PPE	0	(4,318)	(4,318)
(50,087)	(Surplus)/deficit on revaluation of assets not posted to the surplus or deficit on the provision of services per CIES.	(4,747)	651	(4,096)
	Transfers to Capital Adjustment Account (note 18.2)			
374	Write-out the revaluation gains previously recognised for assets disposed of in current year.	537	0	537
(49,713)	(Surplus)/deficit on revaluation of PPE	(4,210)	651	(3,558)
1,484	Difference between fair value depreciation and historical cost depreciation following revaluations	2,274	8	2,282
(48,229)	Total movement in reserve in the year	(1,936)	660	(1,276)
(300,017)	Balance at 31 March	(105,292)	(196,002)	(301,294)

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.

2024/25 Capital Adjustment Account	General	Housing	2025/26
Total	Fund		Total
£'000	£'000	£'000	£'000
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement			
Charges for depreciation and impairment			
(127,474)			(118,294)
Balance at 1 April			
	(44,360)	(73,934)	
Charges for depreciation and impairment of non-			
12,774	9,368	4,436	13,804
current assets			
23,269	(711)	6,690	5,979
Revaluation of Property, Plant and Equipment			
2,092	2,895	0	2,895
Revenue expenditure funded from capital under statute			
Amounts of non-current assets written off on			
950	395	4,010	4,406
disposal/sale as part of gain/loss on disposal to CIES			
39,086	11,948	15,136	27,084
(1,484)	(2,274)	(8)	(2,282)
Adjusting amounts written out to Revaluation Reserve			
Net written out amount of the cost of non-current			
37,602	9,674	15,128	24,802
assets consumed in the year.			
Capital financing applied in the year			
Use of the Capital Receipts Reserve to finance new			
(7,629)	(1,023)	(1,634)	(2,656)
capital expenditure			
Use of the Major Repairs Reserve to finance new			
(4,536)	0	(4,438)	(4,438)
capital expenditure			
Capital grants and contributions credited to the CIES			
(6,662)	(10,439)	(835)	(11,275)
that have been applied to capital financing			
Statutory provision for the financing of capital charged			
(9,069)	(9,501)	0	(9,501)
to the General Fund and HRA balances			
Capital expenditure charged against the General Fund			
(595)	(253)	0	(253)
and HRA balances			
(28,491)	(21,216)	(6,907)	(28,123)
Movement in the year			
Movement in the market value of Investment Properties			
debited or credited to the Comprehensive Income and			
57	(13)	0	(13)
Expenditure Statement			
11	11	0	11
Repayments of soft loans and housing act advances			
(118,294)	(55,903)	(65,714)	(121,616)
Balance at 31 March			

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.

2024/25	2025/26
£'000	£'000
4,737 Balance at 1 April	3,146
224 Remeasurements of the net defined benefit liability	5,464
3,067 Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the Comprehensive I&E Statement	1,735
(4,882) Employer's pension contributions	(5,033)
<u>3,146</u> Balance at 31 March	<u>5,312</u>

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:

2024/25	2025/26
£'000	£'000
5,670 Interest paid	5,958
(1,105) Investment income received	(879)
<u>4,565</u> Total	<u>5,079</u>

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 2025	Liability	Financing cash flows	Non cash changes	Balance at 31 March 2026
£'000		£'000	£'000	£'000
(140,603)	Long term borrowings	10,986	243	(129,374)
(42,577)	Short term borrowings	1,000	401	(41,176)
	Total liabilities from financing activities	11,986	644	(170,550)

20 Grant Income

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

2024/25	2025/26
£'000	£'000
a) General government grants	
(7,273) Non-domestic rates income and expenditure	(6,035)
(998) New homes bonus	(2,230)
(3,315) Other central government grants	(3,006)
(11,587) Total of general government grants	(11,271)
b) Recognised capital grants and contributions	
(6,656) Grants and contributions	(10,959)
(6,656) Total of recognised capital grants and contributions	(10,959)

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

2024/25	2025/26
£'000	£'000
Credited to Services	
(15,741) Rent allowances	(13,019)
(11,239) Rent rebates	(8,594)
(343) Benefits administration	(348)
(237) NDR administration	(238)
(7,616) Other revenue grants	(6,625)
(1,568) Disabled facilities grants	(1,561)
(36,744)	(30,385)

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.

2024/25	2025/26
£'000	£'000
182 External audit services carried out by the appointed auditor	214
47 Certification of grant claims and returns	77
229 Total	291

22 Councillors' Allowances

The total of councillors' allowances paid in the year was £410,638.

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 2024/25	Remuneration band	Number of Employees 2025/26
16	£50,000 - £54,999	21
17	£55,000 - £59,999	10
5	£60,000 - £64,999	10
5	£65,000 - £69,999	8
8	£70,000 - £74,999	6
2	£75,000 - £79,999	5
6	£80,000 - £84,999	5
1	£85,000 - £89,999	3
1	£90,000 - £94,999	0
2	£95,000 - £99,999	1
0	£100,000 - £104,999	2
0	£105,000 - £109,999	0
0	£110,000 - £114,999	0
0	£115,000 - £119,999	0
1	£120,000 - £124,999	0
1	£125,000 - £129,999	0
0	£130,000 - £134,999	0
0	£135,000 - £139,999	2
0	£140,000 - £144,999	0
0	£145,000 - £149,999	0
0	£150,000 - £154,999	0
65	Total	73

23.1 Senior Officers' Emoluments

This note reports the details of officers with statutory responsibilities and those reporting direct to the Joint Chief Executives or part of Senior Management Team. The lowest full-time pay rate on the Council's salary scale is £24,309, therefore the test of the most senior salary not exceeding 20 times this rate is comfortably met.

2024/25			2025/26				
Salaries fees & allowances	Pension Contribution	Total	Statutory Officers		Salaries fees & allowances	Pension Contribution	Total
£'000	£'000	£'000			£'000	£'000	£'000
33	6	39	39	Joint Chief Executive	138	26	164
33	6	39	39	Joint Chief Executive	137	26	163
93	17	110	110	Chief Financial Officer - Service Director Finance & Procurement	95	18	113
Non Statutory Directors							
24	5	29	29	Director of People	101	19	120
24	5	29	29	Director of Place	101	19	120
18	3	21	21	Head of Case Services	73	14	87
21	4	25	25	Head of Digital, Data & Improvement	87	16	103
246	46	292	Total		732	138	870

24 Exit Packages and Termination Benefits

The council terminated the contract of one employee in 2025/26, incurring liabilities of £659 (£41,000 in 2024/25). The total in 2025/26 is in respect of one officer from one division within the council who was made redundant as part of the councils 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:

2024/25			2025/26			
Number of Packages	Type of exit package	Total cost £'000	Band	Number of Packages	Type of exit package	Total cost £'000
4	Other	14	£19,999	0	Other	0
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
6		41		1		0.66

Accounting regulations require the Council to include a provision in the accounts for redundancy costs that the Council know they will incur in 2026/27. The amounts payable to officers after 31 March 2026 are excluded from the table above as it will be disclosed in 2026/27.

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 2025/26, the Council's Director of People, Head of Finance and Head of Policy and Communications served as company Directors.

Payment of £12.9m was made in 25/26 to Canenco in relation to waste services and the Council received £369k from Canenco in relation to support service charges. Balances due to/from Canenco at 31st March 2026 were £94k and £205k 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. During 2025/26 the Head of Corporate Governance served as company Director.

Payment of £3.2m (exclusive of VAT) was made in 25/26 to PartnershipOne in relation to services provided and the Council received £206k from PartnershipOne in relation to support service charges. Balances due from PartnershipOne at 31st March 2026 were £14k.

Stour Environmental Credits

Stour Environmental Credits is a joint venture formed between Ashford Borough Council and Canterbury City Council, incorporated on 17 December 2024. It was set up to carry out environmental credit activities, supporting environmental mitigation and regulatory compliance objectives.

During 2025/26, the Council's Director of Place and Head of Finance served as company Directors.

There were no transactions between the Council and Stour Environmental Credits in 2025/26.

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 78-81. Kent County Council also administers the Kent Pension Fund on behalf of Kent districts (see pages 63-69).

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:

2024/25 £'000	Transactions in the Comprehensive Income and Expenditure Statement	2025/26 £'000
	Cost of Services	
2,795	Current Service cost	1,932
0	Past Service costs/(gains)	2
0	Settlements and Curtailments	0
163	Administrative expense	184
	Financing and Investment income and expenditure	
109	Net interest expense	(383)
3,067	Total retirement benefit charged to the Surplus or Deficit on the provision of services	1,735
	Other retirement benefit charged to the Comprehensive Income and Expenditure statement	
	Remeasurement of the net defined benefit liability comprising:	
2,713	Return on plan assets (exc net interest expense amount)	(9,432)
(469)	Actuarial changes in demographic assumptions	2,312
(21,423)	Actuarial changes in financial assumptions	(5,786)
0	Other actuarial (gains)/losses on assets	(290)
(430)	Experience (gain)/loss on defined benefit obligation	2,422
19,833	Impact of asset ceiling	16,238
224	Total retirement benefit charged to the other Comprehensive Income and Expenditure Statement	5,464
3,291	Total charged to the Comprehensive Income and Expenditure Statement	7,199
	Movements in Reserves Statement	
(3,067)	Reversal of net charges for retirement benefits in accordance with the code to the Surplus or Deficit for the provision of services	(1,735)
	Actual amount charged against the General Fund Balance for pensions in the year	
4,602	Employer contributions payable to the scheme	4,763
280	Unfunded benefits paid	270

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:

2024/25 £'000	Net Pension Liability as at 31 March in Balance Sheet	2025/26 £'000
157,817	Present value of the defined benefit obligation	159,110
(176,386)	Less fair value of plan assets	(192,946)
(18,569)	Sub-total	(33,836)
21,715	Other movements in the liability	39,148
3,146	Net liability arising from the defined benefit obligation	5,312

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

2024/25 £'000	Movement in Fair Value of scheme assets	2025/26 £'000
172,811	Opening fair value of scheme assets at 1 April	176,386
8,420	Interest income	10,337
(2,713)	Remeasurement gain/(loss):	
	Return on plan assets (exc amount in net interest expense)	9,432
0	Other actuarial gains/(losses)	290
0	Settlement prices received/(paid)	0
(163)	Administrative expenses	(184)
4,882	Employer Contribution	5,033
1,390	Employee Contribution	1,449
(8,241)	Estimated Benefits paid	(9,797)
176,386	Closing fair value of scheme assets at 31 March	192,946

28.4 Reconciliation of Present Value of the Scheme Liabilities

2024/25 £'000	Movement in Defined Benefit Obligation ('Scheme Liabilities')	2025/26 £'000
(177,548)	Opening balance at 1 April	(159,699)
(2,795)	Current service cost	(1,932)
(8,529)	Interest cost of pension scheme liabilities	(8,781)
(1,390)	Employee Contributions	(1,449)
	Remeasurement gains and losses:	
469	Actuarial gains/(losses) from demographic assumption changes	(2,312)
21,423	Actuarial gains/(losses) from financial assumption changes	5,786
430	Experience gain/(loss) on defined benefit obligation	(2,422)
0	Past service cost/gain including curtailments	(2)
280	Unfunded pension payments	270
7,961	Estimated benefits paid	9,527
0	Liabilities extinguished on settlements	0
(159,699)	Closing balance at 31 March	(161,014)

28.5 Reconciliation of Change in Impact of Asset Ceiling

2024/25 £'000	Reconciliation of change in impact of asset ceiling	2025/26 £'000
0	Opening impact of asset ceiling	19,833
0	Interest on impact of asset ceiling	1,173
19,833	Actuarial losses/(gains)	16,238
19,833	Closing impact of asset ceiling	37,244

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). For the period beyond the existing Rates and Adjustments certificate, it is assumed that rates will be calculated in line with the current Funding Strategy Statement. This is based on the fund actuary's methodology which is designed to provide a stable contribution rate, and also the lack of any other readily available figure.

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 £33.836m, the initial impact of the asset ceiling is £33.836m.
- 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 £3.408m to be recognised.
- The unadjusted funded surplus is £33.836m. There is an initial impact from an asset ceiling of £33.836m, plus an additional liability of £3.408m. The final funded net asset to be recognised is - £3.408m.
- In addition, there is an unfunded liability of £1.904m. The final deficit to be recognised is £5.312m.

28.6 Local Government Pension Scheme Assets Comprised:

2024/25 £'000	Pension Scheme Assets	2025/26 £'000
6,976	Cash	5,320
100,441	Equity instruments	113,102
	Bonds	
10,456	- Gilts	10,645
26,221	- Other	26,945
14,444	Property	18,850
9,009	Target Return Portfolio	9,631
8,839	Infrastructure	8,453

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).

	2025/26	
	% Quoted	% Unquoted
Fixed Interest Government Securities		
UK	0.0%	0.0%
Overseas	0.3%	0.0%
Index Linked Government Securities		
UK	5.2%	0.0%
Overseas	0.0%	0.0%
Corporate Bonds		
UK	4.3%	0.0%
Overseas	9.7%	0.0%
Equities		
UK	11.8%	0.0%
Overseas	42.2%	0.0%
Property	0.0%	9.8%
Absolute return portfolio	5.0%	0.0%
Hedge Fund	0.0%	0.0%
Private Equity	0.0%	4.6%
Infrastructure	0.0%	4.4%
Unit Trust	0.0%	0.0%
Commodities	0.0%	0.0%
Derivatives	0.0%	0.2%
Cash/Temporary Investments	0.0%	2.5%
Net Current Assets		
Debtors	0.0%	0.0%
Creditors	0.0%	0.0%
Total	78.5%	21.5%

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:

2024/25		2025/26
	<i>Mortality assumptions:</i>	
	Longevity at 65 for current pensioners	
20.7	- Men	21.6
23.3	- Women	23.9
	Longevity at 65 for future pensioners	
22.0	- Men	23.2
24.7	- Women	25.6
5.80%	<i>Discount rate</i>	6.10%
2.90%	<i>Pension increases (CPI)</i>	2.90%
3.20%	<i>RPI inflation</i>	3.30%
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.

<u>Sensitivity Analysis</u>	£'000	£'000	£'000	£'000	£'000
Adjustment to discount rate	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present Value Total Obligation	151,413	159,009	161,014	163,066	171,753
Projected Service Cost	1,668	1,940	2,014	2,089	2,418
Adjustment to long term salary increase	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present Value Total Obligation	161,460	161,102	161,014	160,927	160,582
Projected Service Cost	2,014	2,014	2,014	2,014	2,014
Adjustment to pension increases & deferred revaluation	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present Value Total Obligation	170,928	163,102	161,014	159,452	152,631
Projected Service Cost	2,448	2,095	1,940	1,935	1,643
Adjustment to life expectancy assumptions		+1 year	none	-1 year	
Present Value Total Obligation		167,596	161,014	154,727	
Projected Service Cost		2,087	1,940	1,943	

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 latest triennial valuation was completed as at 31 March 2025 and new contribution rates will be implemented from 1 April 2026.

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 £4.151m employer contributions to the scheme in 2026/27.

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 2025/26, the Authority has applied IFRS 16 Leases as adopted by the Code of Accounting Practice. 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.

Right of Use Assets

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

	£'000	£'000	£'000
Balance at 1 April 2025	1,217	1,354	2,571
Additions	0	32	32
Revaluations	0	6	6
Depreciation and Amortisation	(125)	(464)	(589)
Balance at 31 March 2026	1,092	928	2,020

Transactions under leases

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

2024/25	2025/26
£'000	£'000
Comprehensive income and expenditure statement	
84 Interest expense on lease liabilities	62
4 Expense relating to exempt leases of low-value items	4
Cash flow statement	
539 Total cashflow for leases	550
84 Cash payments for interest portion of lease liabilities	62
4 Low value lease payments where exemptions taken	4

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 2026
	£'000
Less than one year	535
One to five years	527
More than five years	0
Total undiscounted liabilities	1,062

The discounted lease liabilities are included in the Balance Sheet as £496k for current lease liabilities (included within Other Lease Liabilities in the Balance Sheet) and £512k 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:

As at 31 March 2025 Restated £'000	Details of period	As at 31 March 2026 £'000
552	Not later than one year	598
340	Later than one year and not later than five years	280
5,849	Later than five years	5,805
6,741	Total	6,683

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

Details of period	2026 £'000
Within one year	6,655
Later than one year and not later than five years	23,659
Later than five years	424,937
Total	455,251

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.

In September 2025 the government published proposed amendments to the Pension Schemes Bill that would allow retrospective actuarial validation to confirm whether historic changes to contracted-out benefits complied with statutory requirements. The bill is expected to receive Royal Assent in 2026.

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 £1.51m on rectifying the defects, with the total cost estimated at £2.0m. 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 82 to 88 below.

Key results for the company in 2025/26 are as follows:

2024/25 Canenco	2025/26
£'000	£'000
11,945 Turnover	12,945
3,882 Gross profit	4,335
21 Net profit/(loss) after administration, interest and tax	6
58 Net assets	64

PartnershipOne Limited

The Council is joint owner of PartnershipOne Limited with Dover District Council and Thanet District Council, whose principal activity is to provide revenue and benefits services and frontline customer services for the three Authorities.

For financial accounting purposes, PartnershipOne is regarded as being a joint venture under joint control and each authority holds an equal share of 33.33% in the company. Under the Code, authorities with interests in joint ventures shall produce Group Accounts in addition to their single entity accounts, unless their interest is considered not material. The Authority considers that its' interest in PartnershipOne is not material and that Group Accounts do not need to be prepared.

The financial (unaudited) results of PartnershipOne for 2025/26 and the Authority's share are as follows:

	2025/26	
	PartnershipOne	CCC Share
	£'000	(33.33%)
Profit and Loss	£'000	£'000
Turnover	(9,284)	(3,094)
Expenditure	8,706	2,902
Operating (profit)/loss	(578)	(193)
(Profit)/loss after taxation	(573)	(191)
Balance Sheet		
Non-current Assets	147	49
Current assets	3,864	1,288
Current liabilities	(3,430)	(1,143)
Net Assets	581	194
Capital and Reserves	(581)	(194)

Stour Environmental Credits Limited

The Council jointly owns Stour Environmental Credits Limited with Ashford Borough Council. It was set up to carry out environmental credit activities, supporting environmental mitigation and regulatory compliance objectives.

For financial accounting purposes, Stour Environmental Credits is regarded as being a joint venture under joint control and each authority holds an equal share of 50% in the company.

Under the Code, authorities with interests in joint ventures shall produce Group Accounts in addition to their single entity accounts, unless their interest is considered not material. The Authority considers that its' interest in Stour Environmental Credits is not material and that Group Accounts do not need to be prepared.

The financial (audited) results of Stour Environmental Credits for 2025/26 and the Authority's share are as follows:

	2025/26	
	Stour Environmental Credits	CCC Share (50%)
Profit and Loss	£'000	£'000
Turnover	(73)	(37)
Other operating income	(240)	(120)
Expenditure	313	157
Operating (profit)/loss	<u>0</u>	<u>0</u>
(Profit)/loss after taxation	<u>0</u>	<u>0</u>
Balance Sheet		
Non-current Assets	0	0
Current assets	4,329	2,165
Current liabilities	(4,329)	(2,165)
Net Assets	<u>0</u>	<u>0</u>
Capital and Reserves	<u>0</u>	<u>0</u>

33 Provisions

	NNDR Appeals	Other	Total
	£'000	£'000	£'000
Balance at 1 April 2025	(5,557)	(1,020)	(6,577)
Additional provisions made	(1,097)	(20)	(1,116)
Amounts used	1,074	0	1,074
Balance at 31 March 2026	<u>(5,579)</u>	<u>(1,040)</u>	<u>(6,619)</u>

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.

2024/25	2025/26
£'000 Income	£'000
(28,203) Dwelling rents (gross) note 8	(29,773)
(611) Non-dwelling rents (gross)	(619)
(328) Leaseholders charges for service and facilities	(379)
(2,055) Other charges for services and facilities	(2,124)
0 Revaluation of plant, property & equipment note 7	0
(221) Contributions towards expenditure	(179)
(31,417) Total Income	(33,074)
Expenditure	
8,358 Repairs and Maintenance	9,637
Supervision and management	
4,915 General Management	5,044
2,661 Special Services	2,794
1,113 Rents, rates, council tax and insurance	1,168
4,541 Depreciation charges note 6	4,438
19,611 Revaluation of plant, property & equipment note 7	6,690
24 Debt management costs	22
193 Increase/(decrease) in provision for bad debts	319
41,415 Total Expenditure	30,112
Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(2,962)
121 HRA services share of Corporate and Democratic Core	121
10,119 Net cost of HRA Services	(2,840)
HRA share of the operating income and expenditure included in the comprehensive income and expenditure statement	
(907) Gain on sale of HRA fixed assets	(3,089)
1,534 Interest payable and similar charges	1,371
Interest and investment income	
(142) Notional cash balances	(432)
18 Pensions interest cost and expected return on pension assets Note 10	(63)
(1,373) Capital grants and contributions receivable	(835)
9,250 (Surplus)/Deficit for the year on HRA services	(5,889)

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 £6.7m 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.

2024/25	2025/26
Net expenditure	Net expenditure
£'000	£'000
(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement	(5,889)
Adjustments between accounting basis and funding basis by statute	(2,307)
(16,737)	(2,307)
Net (increase)/decrease before transfers to or from reserves	(8,196)
Transfers to/(from) reserves (see table below)	25
(7,485)	(8,196)
(Increase)/Decrease in HRA Balance for the year	(8,171)
Housing Revenue Account balance b/f at 1 April	(8,300)
(815)	(8,300)
Housing Revenue Account balance c/f at 31 March	(16,471)
(8,300)	(16,471)

Movement on HRA Balance

2024/25	2025/26
Net Expenditure	Net Expenditure
£'000	£'000
Items included in the HRA Income & Expenditure Account, but excluded from the movement on the HRA Balance for the year	
(19,611) Reversal of revaluation adjustments - Note 7	(6,690)
1,373 Capital grants and contributions applied	835
907 Net gain on sale of HRA fixed assets	3,089
(1) Accrual for annual leave	3
(502) Net charges made for retirement benefits in accordance with IAS 19 - Note 10	(276)
(17,834)	(3,039)
Items not included in the HRA Income & Expenditure Account, but included in the movement on the HRA Balance for the year	
0 Transfers to/(from) major repairs reserve - Note 3	0
713 Employer's contributions payable to Kent Pension Fund and retirement benefits payable direct to pensioners	732
385 Capital expenditure funded by the HRA - Note 4	0
1,097	732
(16,737) Net adjustments between accounting basis and funding basis under statute	(2,307)
Transfers to/from reserves	
2 Contribution to/(from) HRA subsidence and other reserves	25
2 Transfers to/from reserves	25

Notes to the Housing Revenue Account

1 Housing Stock

At 31 March 2026, the Council was responsible for managing 5,075 units of accommodation:

Type of Property	Number of bedrooms				Total
	One	Two	Three	Four+	
Flats- low rise	1,102	348	10	0	1,460
Flats- medium rise	307	347	63	2	719
Flats- high rise	63	68	0	0	131
Houses and bungalows	362	902	1,367	112	2,743
Hostel places	20	2	0	0	22
Totals	1,854	1,667	1,440	114	5,075

Plus 11 basic homes (shared ownership dwellings).

The movement in housing stock can be summarised as follows:

	Stock at 31 March 2025	Right to buy sales	Auction sales	Additions	Stock at 31 March 2026
Flats	2,326	(16)	0	0	2,310
Houses and bungalows	2,782	(38)	(1)	0	2,743
Hostels	22	0	0	0	22
Totals	5,130	(54)	(1)	0	5,075

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

2024/25	2025/26
£'000	£'000
Operational assets	
326,623 Dwellings	316,648
3,557 Garages & parking area	4,830
811 Community centres & communal open space	798
1,204 Land	1,204
1,337 Shops	1,308
27 Plant, vehicles and equipment	10
121 Intangibles	0
333,680 Total	324,798

2 Vacant possession value

The vacant possession value of dwellings within the HRA as of 31 March 2026 was £960m. For the balance sheet, the figure has been reduced to 33% i.e. £317m 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.

2024/25 Major Repairs Reserve	2025/26
£'000	£'000
0 Balance at 1 April	0
(4,536) Transfer from capital adjustment account (HRA depreciation)	(4,438)
4,536 Less: expenditure on dwellings financed from this reserve	4,438
0 Balance at 31 March	0

4 Summary of Capital Financing

Capital expenditure of £6.9m was spent on housing assets within the HRA during the year. This was financed as follows:

2024/25 Capital financing of HRA expenditure	2025/26
£'000	£'000
4,536 Major repairs reserve	4,438
385 HRA Working Balance	0
7,067 Capital receipts	1,634
1,373 Capital grant & contributions	835
3,313 Borrowing	0
16,674 Total	6,907

5 Summary of Capital Receipts

Housing capital receipts during 2025/26 were as follows:

2024/25 Housing capital receipts	2025/26
£'000	£'000
(1,273) Dwelling sales (net of administration deduction)	(6,863)
(477) Other sales	(236)
(1,750) Total	(7,099)

6 Depreciation of property, plant and equipment

Depreciation of £4.44m was charged to the HRA. This comprises of £4.2m for dwellings and £238k for non-dwelling housing assets.

7 Revaluation of property, plant and equipment

2024/25	2025/26
£'000	£'000
16,674 Capital expenditure	6,907
(11,543) Less assessed net increase in effective value	(658)
5,131 Decrease in effective value	6,249
14,104 Impairment of non-dwelling assets	0
376 Social value reduction	441
19,611 Total reduction in valuation	6,690
0 Valuation increase applied to CIES	0
19,611 Net revaluation total	6,690

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 £118.91 per payment week in 2025/26 (£112.20 in 2024/25).

9 Rent Arrears

The rent arrears figures are as follows:

2024/25		2025/26
£'000		£'000
2,046	Gross rent arrears at 31 March	2,175
(934)	Repayments of rent	(1,052)
1,112	Net rent arrears at 31 March	1,123
1,623	Provision for bad debts at 31 March	1,686
<u> </u>	%	<u> </u>
	Gross rent arrears as a proportion of gross	
<u>7.3</u>	dwelling rent income	<u>7.3</u>

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:

2024/25		2025/26
£'000		£'000
(57)	HRA share of current service cost less employer contributions	(222)
(172)	HRA share of past service cost less employer contributions	(171)
(229)	Adjustment to 'General Management' line of HRA statement	(393)
18	HRA share of pensions interest cost and expected return on Pensions assets	(63)
<u>(211)</u>		<u>(456)</u>
(502)	Net charges made for retirement benefits in accordance with IAS 19	(276)
713	Employer's contributions payable to the Kent Pension Fund and retirement benefits payable direct to pensioners	732
211	HRA share of contributions to/from Pensions Reserve	456
<u>0</u>	Net effect on HRA balance	<u>0</u>

Collection Fund

Income & Expenditure Account

2024/25			Note	2025/26	2025/26
2024/25	Restated	Income		CTAX	NDR
CTAX	NDR			CTAX	NDR
£'000	£'000			£'000	£'000
(120,658)		Income from council tax payers		(130,338)	
	(48,193)	Income from business ratepayers			(55,849)
(120,658)	(48,193)	Total Income		(130,338)	(55,849)
Expenditure					
Precepts and demands					
	24,595	Central Government			27,155
87,026	4,427	Kent County Council		95,685	4,888
13,838	0	Police & Crime Commissioner for Kent		15,283	0
4,859	492	Kent & Medway Fire & Rescue Authority		5,366	543
14,182	19,676	Canterbury City Council		14,302	21,724
119,904	49,189	Total payments to preceptors		130,636	54,311
Business rates					
	237	Costs of collection			238
	366	Renewable Energy Schemes			366
	(937)	Transitional protection			(44)
Impairment of debts and appeals					
396	1,145	Write offs of uncollectable amounts		357	934
1,002	(838)	Increase/(decrease) in allowance for impairment		1,131	1,246
	462	Increase/(decrease) in allowance for appeals			56
121,302	49,625	Total Expenditure		132,124	57,108
Financing					
	138	Interest			224
644	1,571	Net (surplus)/deficit		1,786	1,483
(2,922)	(2,484)	Collection Fund balance at 1 April		(2,278)	(913)
(2,278)	(913)	Collection Fund balance at 31 March		(492)	570

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:

2024/25 £'000		2025/26 £'000
85,934	Kent County Council	-Precept
1,091		-Share of Collection Fund deficit
<u>87,026</u>		<u>93,107</u>
		<u>2,579</u>
		<u>95,685</u>
13,665	Kent Police & Crime Commissioner	-Precept
173		-Share of Collection Fund deficit
<u>13,838</u>		<u>14,873</u>
		<u>410</u>
		<u>15,283</u>
4,797	Kent Fire & Rescue	-Precept
62		-Share of Collection Fund deficit
<u>4,859</u>		<u>5,222</u>
		<u>144</u>
		<u>5,366</u>
13,769	Canterbury City Council	-Demand on Collection Fund
413		-Share of Collection Fund deficit
<u>14,182</u>		<u>14,618</u>
		<u>(316)</u>
		<u>14,302</u>
<u>119,904</u>	Total	<u>130,637</u>

NNDR (Business Rates)

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

2024/25 £'000		2025/26 £'000
24,140	Central Government	-Share of retained business rates
455		-Share of Collection Fund balance
<u>24,595</u>		<u>26,632</u>
		<u>523</u>
		<u>27,155</u>
4,345	Kent County Council	-Share of retained business rates
82		-Share of Collection Fund balance
<u>4,427</u>		<u>4,794</u>
		<u>94</u>
		<u>4,888</u>
483	Kent Fire & Rescue	-Share of retained business rates
9		-Share of Collection Fund balance
<u>492</u>		<u>533</u>
		<u>10</u>
		<u>543</u>
19,312	Canterbury City Council	-Share of retained business rates
364		-Share of Collection Fund balance
<u>19,676</u>		<u>21,306</u>
		<u>419</u>
		<u>21,724</u>
<u>49,189</u>	Total	<u>54,311</u>

For NNDR, the Collection Fund balance is shared as a surplus in 2024/25 and a deficit 2025/26.

In 2025/26, 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:

2024/25	2025/26
£'000	£'000
19,047 Canterbury City Council - share of retained business rates	21,131
<u>(17,869) Tariff</u>	<u>(18,071)</u>
<u>1,178</u> Adjusted share of retained business rates	<u>3,061</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:

2024/25 Band D equivalent dwellings	Band	Estimated Number of Taxable Properties after effect of discounts	Ratio (ninths)	2025/26 Band D equivalent dwellings
2,657	A	4,487	6/9	2,992
7,696	B	10,301	7/9	8,012
14,615	C	17,146	8/9	15,241
11,681	D	12,132	9/9	12,132
8,495	E	7,187	11/9	8,784
5,548	F	3,943	13/9	5,696
3,603	G	2,250	15/9	3,750
142	H	75	18/9	150
<u>54,437</u>		<u>57,522</u>		<u>56,757</u>
<u>98.0%</u>		Collection Rate		<u>97.0%</u>
<u>53,348</u>		Council Tax Base		<u>55,054</u>

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
154,362 Non domestic rateable value	155,473
0.499 small business non domestic rating multiplier	0.499
77,026 NNDR levied	77,581
<u>(29,589) Less: allowances and other adjustments</u>	<u>(24,529)</u>
47,437 Net contribution due	53,052
237 Cost of collection	238
<u>47,674</u> Income from business rate payers	<u>53,290</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 2026**

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2026

This statement shows the accounting cost of providing services in the year ended 31 March 2026, 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.

2024/25 Restated				2025/26		
Gross Exp	Income	Net Exp	Note	Gross Exp	Income	Net Exp
£'000	£'000	£'000		£'000	£'000	£'000
4,776	(4,933)	(157)		3,816	(5,163)	(1,347)
36,683	(30,050)	6,633	Corporate Management	30,697	(24,255)	6,443
5,524	(1,357)	4,167	Corporate Services	5,142	(1,063)	4,079
32,176	(36,722)	(4,546)	Strategy & Improvement	29,915	(40,834)	(10,919)
29,149	(15,571)	13,578	Place Services	24,925	(15,250)	9,675
886	(240)	645	People Services	643	(105)	538
41,433	(31,435)	9,998	Case Services (People & Place)	30,171	(33,132)	(2,962)
150,626	(120,307)	30,319	Housing Revenue Account	125,308	(119,802)	5,506
			Cost of Services			
			Other Operating Expenditure			
0	(1,163)	(1,163)	Loss/(Gain) on Sales of Assets	0	(3,678)	(3,678)
1,137	0	1,137	Parish Council Precepts & Drainage Board Levy	1,192	0	1,192
			Financing & Investment Income & Expenditure			
6,100	0	6,100	Interest Payable on Debt	5,340	(0)	5,340
109	0	109	Net interest on the net defined benefit liability	(383)	0	(383)
417	(1,269)	(852)	Investment interest and other income	684	(1,328)	(644)
0	(250)	(250)	Investment properties income and expenditure	0	(250)	(250)
57	0	57	Change in Fair Value of Investment Properties	0	(13)	(13)
89	(35)	54	(Surplus)/deficit from Trading Operations	114	(44)	70
19	(318)	(299)	Impairment adjustments	63	(78)	(15)
			Taxation & Non-Specific Grant Income & Expenditure			
1,613	(8,269)	(6,656)	Recognised Capital Grants & Contributions	892	(11,851)	(10,959)
0	(13,479)	(13,479)	Collection Fund (Income) & Expenditure	0	(13,496)	(13,496)
1,845	(13,432)	(11,587)	Non ring-fenced Government Grants	2,387	(13,658)	(11,271)
162,014	(158,521)	3,493	(Surplus)/deficit on provision of services	135,596	(164,197)	(28,601)
		11	Tax expenses of subsidiaries			4
		3,503	Group (surplus)/deficit			(28,597)
			(Surplus)/deficit on revaluation of non current assets			(3,558)
			Remeasurement of the net defined benefit liability			5,464
		224	Other Comprehensive (Income) & Expenditure			1,906
		(49,504)	Expenditure			(26,691)
		(45,985)	Total Comprehensive (Income) & Expenditure			(26,691)

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 2025/26	General Fund Balance	Earmarked Reserves	General Fund Total	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Subsidiary	Total for Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2025 carried forward	(2,086)	(35,913)	(37,999)	(8,300)	83	(7,910)	(54,126)	(415,163)	(469,289)	(58)	(469,347)
Movement in reserves during 2025/26											
(Surplus) or deficit on provision of services	(22,580)	0	(22,580)	(6,011)	0	0	(28,591)	0	(28,591)	(6)	(28,597)
Other comprehensive income and expenditure	(121)	0	(121)	121	0	0	0	1,906	1,906	0	1,906
Total comprehensive Income and Expenditure	(22,702)	0	(22,702)	(5,889)	0	0	(28,591)	1,906	(26,685)	(6)	(26,691)
Adjustments between accounting basis and funding basis under regulations	11,029	0	11,029	(2,307)	(5,439)	316	3,600	(3,600)	0	0	0
Net (increase)/decrease before transfers to Earmarked Reserves	(11,672)	0	(11,672)	(8,196)	(5,439)	316	(24,991)	(1,694)	(26,685)	(6)	(26,691)
Transfers to/(from) Earmarked Reserves	10,656	(10,681)	(25)	25	0	0	0	0	0	0	0
(Increase)/Decrease in year	(1,016)	(10,681)	(11,697)	(8,171)	(5,439)	316	(24,991)	(1,694)	(26,685)	(6)	(26,691)
Balance at 31 March 2026 carried forward	(3,102)	(46,594)	(49,696)	(16,471)	(5,356)	(7,594)	(79,117)	(416,857)	(495,974)	(64)	(496,038)

Movement in Reserves 2024/25 Restated	General Fund Balance	Earmarked Reserves	General Fund Total	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Subsidiary	Total for Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2024 carried forward	(2,052)	(31,901)	(33,953)	(815)	(5,421)	(7,916)	(48,105)	(375,208)	(423,313)	(37)	(423,350)
Movement in reserves during 2024/25											
(Surplus) or deficit on provision of services	(5,604)	0	(5,604)	9,129	0	0	3,525	0	3,525	(21)	3,504
Other comprehensive income and expenditure	(121)	0	(121)	121	0	0	0	(49,501)	(49,501)	0	(49,501)
Total comprehensive Income and Expenditure	(5,725)	0	(5,725)	9,250	0	0	3,525	(49,501)	(45,976)	(21)	(45,997)
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
Net (increase)/decrease before transfers to Earmarked Reserves	(4,044)	0	(4,044)	(7,487)	5,504	6	(6,021)	(39,955)	(45,976)	(21)	(45,997)
Transfers to/(from) Earmarked Reserves	4,010	(4,013)	(2)	2	0	0	0	0	0	0	0
(Increase)/Decrease in year	(34)	(4,013)	(4,046)	(7,485)	5,504	6	(6,021)	(39,955)	(45,976)	(21)	(45,997)
Balance at 31 March 2025 carried forward	(2,086)	(35,913)	(37,999)	(8,300)	83	(7,910)	(54,126)	(415,163)	(469,289)	(58)	(469,347)

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.

2024/25	2025/26
Restated	£'000
£'000	£'000
3,503 Net (surplus) or deficit on the provision of services	(28,597)
(12,483) Depreciation and impairment	(13,437)
(24,124) Impairment and downward revaluations	(5,442)
(402) Amortisation	(480)
(299) Change in impairment for bad debts	(15)
(4,409) (Increase)/decrease in creditors	7,929
3,390 Increase/(decrease) in debtors	(1,739)
2 Increase/(decrease) in inventories	2
1,815 Movement in pension liability	3,298
(57) Movement in investment property values	13
(1,294) Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(4,942)
7 Other non-cash items charged to the net surplus or deficit on the provision of services	19
(37,857) Adjustments to net surplus or deficit on the provision of services for non-cash movements	(14,794)
6,656 Capital grants credited to the surplus or deficit on the provision of services	10,959
2,113 Proceeds from the sale of property, plant and equipment	8,084
(25,585) Net Cash flows from operating activities	(24,348)
31,716 Purchase of property, plant & equipment, investment property and intangible assets	21,328
241,680 Purchase of short-term and long-term investments	255,834
0 Other payments for investing activities	0
(2,113) Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(8,084)
(234,330) Proceeds from investments	(251,924)
(7,852) Other receipts from investing activities	(10,706)
29,101 Net Cash flows from Investing Activities	6,447
(36,000) Cash receipts of short- and long-term borrowing	(38,000)
34,402 Repayments of short- and long-term borrowing	50,674
(1,813) Other payments for financing activities	5,348
(3,410) Net Cash flows from Financing Activities	18,022
107 Net (increase) or decrease in cash and cash equivalents	121
(1,836) Cash and cash equivalents at the beginning of the reporting period	(1,729)
(1,729) Cash and cash equivalents at the end of the reporting period	(1,608)

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 2026.

Signed

Nicci Mills
Date
Chief Financial Officer

Cllr Alister Brady
Date
Chair Audit Committee