



Draft Statement of Accounts

2024/2025
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Statement of Accounts 2024-25

Narrative

The purpose of this Statement of Accounts (Accounts) is to give electors, those subject to locally levied taxes and charges, Members of the Council, employees, and other interested parties clear information on the financial performance for the year 2024-25 and the overall financial position of the Council.

The format of the Statement of Accounts is governed by The Code of Practice on Local Authority Accounting in the United Kingdom (the Code). To make the document as useful as possible to its audience and make more meaningful comparisons between authorities, the Code requires:

- all Statements of Accounts to reflect a consistent presentation,
- interpretation and explanation of the Statement of Accounts to be provided, and
- the Statement of Accounts and supporting notes to be written in plain English.

The Statement of Accounts comprises various sections and statements, which are briefly explained below:

- Narrative - this provides information on the format of this Statement of Accounts as well as a review of the financial position of the Council for the financial year 2024-25.
- The Statement of Responsibilities - this details the responsibilities of the Council and the Corporate Director Finance concerning the Council's financial affairs and the Statement of Accounts.
- The main Accounting Statements, comprise:
 - ~ The Comprehensive Income and Expenditure Statement (CIES) - this provides a high level analysis of the Council's spending. It brings together all the functions of the Council and summarises all of the resources that the Council has generated, consumed and set aside in providing services during the year. (See pages 19 to 20)
 - ~ The Movement in Reserves Statement (MIRS) - 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', which are held either for statutory purposes or to comply with proper accounting practice. (See pages 21-22)
 - ~ The Balance Sheet - this statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets/liabilities of the Council (assets less liabilities) are matched by the reserves held by the Council. (See page 23)
 - ~ The Cash Flow Statement - this summarises the changes in cash and cash equivalents of the Council during the reporting period. (See page 24)
- The Expenditure and Funding Analysis - this note brings together the Council's performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund presented on the basis of how the Council is structured for decision making purposes. (See pages 25 to 27)
- Accounting Policies - notes relating to specific accounting statement lines as identified in the main statements of the accounts include the corresponding accounting policy. Note 2 - General Accounting Policies details the policies where there are not accompanying notes.
- The Group Accounts sets out the income and expenditure for the year and the financial position at 31 March 2025 of the Council and the wholly owned subsidiaries. The Group Accounts combines the financial results of Global Commercial Services Group Ltd.

- The Pension Fund Accounts - the Kent County Council Superannuation Fund (Kent Pension Fund) is administered by the Council but is accounted for completely separately. (See pages 142 to 172).
- The Independent Auditor's Report to the Council - this will be provided by the external auditors, Grant Thornton UK LLP, following the completion of the annual audit.
- The accounting arrangements of any large organisation such as Kent County Council are complex, as is local government finance. The Accounts are presented as simply as possible, however it is still a very technical document. A glossary of terms is provided on pages 175 to 176 to make the Statement of Accounts more understandable for the reader.

Changes to financial reporting requirements and accounting policies

The Code of Practice is based on International Financial Reporting Standards (IFRS) and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board. These Statement of Accounts for 2024-25 are prepared on an IFRS basis, as adapted and implemented by the Code.

In 2024-25, IFRS 16 Leases has been implemented, which introduces a significant change in how leases are accounted for by lessees (defined as the entities that obtain the right to use an asset for a specific period in exchange for lease payments). Under the previous standard (IAS 17), lessees classified leases as either operating leases or finance leases, with only finance leases being recognised on the Balance Sheet. Under the new standard (IFRS 16), most leases are now recognised on the Balance Sheet, as the distinction between operating and finance leases is removed. This means lessees are required to recognise a lease liability recognising their obligation to make lease payments and a corresponding 'right of use' asset, reflecting their right to use the leased asset. Disclosure on leases is provided in Note 21 on page 82.

Organisational Overview and External Environment

Kent County Council (KCC) operates under the legislation set out in the Local Government Act and provides statutory and discretionary services. KCC is organised on a directorate and divisional basis as set out below:

Directorates/Departments	Divisions
Adult Social Care & Health (ASCH)	Strategic Management & Directorate Budgets Adult Social Care & Health Operations Strategic Commissioning (Integrated & Adults) Public Health
Children, Young People & Education (CYPE)	Strategic Management & Directorate Budgets Education & Special Educational Needs Integrated Children's Services (Operations & County Wide) Schools' Delegated Budgets
Growth, Environment & Transport (GET)	Strategic Management & Directorate Budgets Environment & Circular Economy Growth & Communities Highways & Transportation
Chief Executive's Department (CED)	Strategic Management & Departmental Budgets Commercial & Procurement Finance Governance, Law & Democracy Strategy, Policy, Relationships & Corporate Assurance
Deputy Chief Executive's Department (DCED)	Strategic Management & Departmental Budgets Corporate Landlord Human Resources & Organisational Development Infrastructure

	Marketing & Resident Experience Technology
Non-Attributable Costs (NAC)	Non-Attributable Costs including Corporately Held Budgets

Governance

Kent County Council (KCC) is responsible for ensuring that services and operations are conducted in accordance with the law and proper standards. The authority has a specific responsibility to ensure that public money is used carefully and effectively and is properly accounted for. There is also a duty to continuously review and improve the way we work whilst offering services that are efficient and provide value for money.

KCC operates an Executive scheme of governance with major decisions taken by nine Cabinet Members and a Leader executing the policies and strategies supported by a majority of Members. Where there are powers and functions reserved to the Council, these are taken by or on behalf of the full Council. The County Council sets an annual budget which determines the resource available to deliver these decisions, strategies, and functions.

KCC's Code of Corporate Governance describes the principles applied by KCC as the framework for good corporate governance, how we are achieving these, and the key policies and plans in place to support this.

To meet the requirements of the Accounts and Audit Regulations 2015 and the principles set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework: "Delivering Good Governance in Local Government (2016)" the Council is required to produce an Annual Governance Statement (AGS). Please see the 2024-25 AGS for further information on how the Council has complied with these principles.

Strategic and Corporate Plans

KCC produces a flagship strategy to set the strategic direction for the Council which shapes business and resource planning over a four year period. KCC's current Strategic Statement, 'Framing Kent's Future', was approved by County Council in May 2022 and sets out the council's ambition and strategic priorities until 2026. This was supplemented in autumn 2023 by 'Securing Kent's Future', the Council's Budget Recovery Strategy which was created in response to the extremely challenging financial landscape. This strategy instigated a reprioritisation of council activity in order to meet its fundamental policy objectives of bringing the budget back into balance and securing financial sustainability. Securing Kent's Future requires a multi-faceted, multi-year programme of activity and is supported by robust Delivery Plans which are iterative.

The May 2025 local elections resulted in the election of a new administration to the Council. Therefore, a new Strategic Statement setting out the new administration's strategic priorities may be developed during the 2025-26 period.

For 2024-25, Securing Kent's Future underpinned KCC's strategic business planning: divisions produced individual business plans which provided a comprehensive picture of the key priorities and activities across the Council's services for the year ahead, set against the context of ensuring financial sustainability as described through the budget recovery strategy.

For 2025-26, in response to the significant complexity and challenge posed by KCC's current operating environment, a single council-wide business plan has been produced. This provides a clear view of the Council's most critical activity to be delivered this financial year against the backdrop of a changing local government landscape. Delivery of the activity will be taken forward through the existing management structures of the council.

Risk Strategy

Please refer to the draft Annual Governance Statement on Kent.gov.uk for details of the Council's governance arrangements.

The operating environment for local government has become increasingly challenging over the past decade, in terms of growing and complex service demand, cost inflation, recruitment and retention difficulties, additional statutory requirements (often without sufficient levels of funding to support changes) and increasing resident expectations, all set against a backdrop of local government funding restraint. This continuing trend requires greater collaboration, system-wide planning and a strong understanding of risk across public services.

The pressures on local government finances have become particularly acute now, with several authorities over recent years either issuing Section 114 (S114) notices under the 1988 Finance Act (essentially a statutory stop on all non-essential spending), or requesting Exceptional Financial Support from Government. In addition to these sector-wide concerns, there are some challenges unique to KCC that compound the pressures the Council is facing, for example, as a result of Kent's strategic location as the Gateway to Europe and main entry point into the UK through the Short Straits channel crossings.

These factors all affect the risk environment, which is likely to be volatile, complex and ambiguous for a number of years. The risks arising in this environment will often have no simple, definitive solutions and will require whole-system-thinking, aligned incentives, positive relationships and collaboration, alongside relevant technical knowledge, to support multi-disciplinary approaches to their effective management.

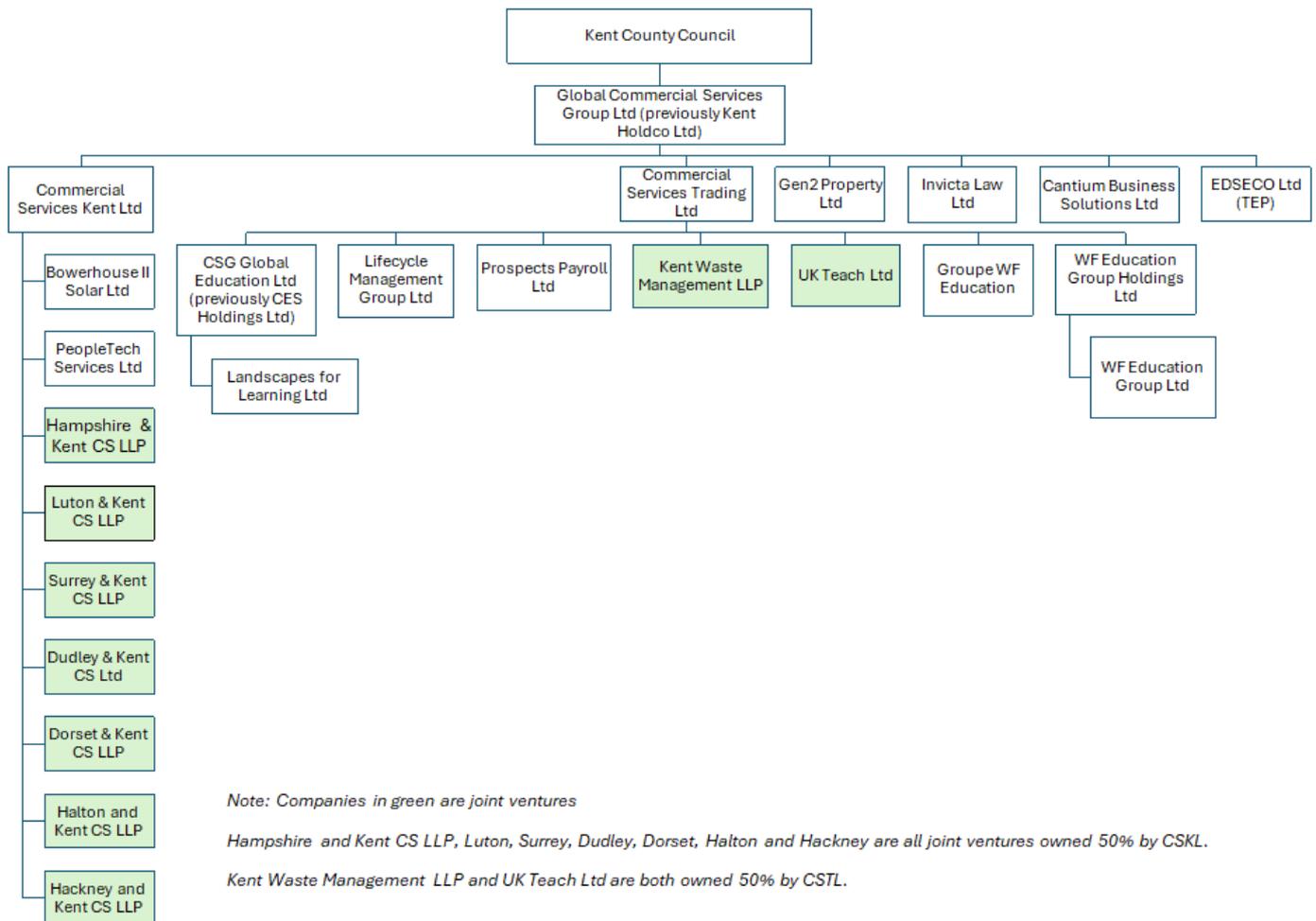
Given the above, in delivering Securing Kent's Future the council is required to increase its risk appetite to successfully mitigate the significant financial risk it currently faces, while also continuing to consider how much control can be exerted over risks, many of which cannot be directly mitigated by the Council alone.

In the context of continual and fast-paced change in a challenging financial context, our elected Members will need to make challenging policy and budgetary decisions, while maintaining a longer-term view, so officers will need to provide the right balance of evidence, insight, advice and understanding of risk and opportunity.

The Council will also be considering implications of the English Devolution White Paper, which has set out an ambitious agenda to reshape local government in England through broadening and deepening devolution and progressing local government reorganisation in two-tier areas. The Council needs to respond to the Government's decision not to include Kent and Medway on the in the Devolution Priority Programme, with the aim to ensure Kent receives a clear devolution timetable. Alongside this, the Minister of State for Local Government and English Devolution has written to Council Leaders in Kent and Medway, formally inviting them to develop proposals for local government reorganisation, with any full proposal to be submitted by 28th November 2025. This work will require thorough and regular consideration of transition risks, as well as opportunities arising.

Council's wholly-owned subsidiaries

The Council has interests in a number of companies that are classified as a subsidiary, associate or joint venture, all of which have been considered for consolidation. This is a common model of operation for local authorities as they seek alternative ways of achieving their aims within reduced funding arrangements. The structure chart shows the companies as at the end of March 2025:



Joint ventures

Commercial Services Kent Limited (CSKL) has partnerships with various local authorities (Hampshire County Council, Luton Borough Council, Surrey County Council, Dudley Metropolitan Borough Council, Dorset Council, Halton Borough Council and the London Borough of Hackney). They provide agency and interim staff and recruitment for hard to fill permanent contracts.

Commercial Services Trading Limited (CSTL) owns 50% of Kent Waste Management LLP (owned jointly with Countrystyle Recycling Ltd) and UK Teach Ltd (owned jointly with Ktb Technologies Ltd).

Wholly owned companies

Global Commercial Services Group Ltd – prior to May 2023 Global Commercial Services Group was known as Kent Holdco Ltd. This holding company provides KCC with a single point of contact with a streamlined management and executive function. Global CS help generate efficiencies and consistency between the companies.

Commercial Services Kent Ltd - provides temporary staff, waste management, vehicle leasing and managed portfolio services on behalf of KCC. It manages solar farms and provides energy services (Laser) and helps clients achieve carbon reduction.

GEN2 Property Ltd - property services and property management consultancy. The services provided by GEN2 have been transferred to KCC and the company is not currently trading.

Invicta Law Ltd - specialises in child protection and community care legal advice.

Cantium Business Solutions Ltd - provides a range of IT services to KCC and other external clients. Cantium provides IT services including a “one stop shop” from the provision of hardware to support, professional management IT services and General Data Protection Regulation (GDPR) management.

Education Sector – companies operating in the education sector are **CSG Global Education Supplies, Landscapes for Learning, EDSECO Ltd** (trading as the Education People or TEP) and newly acquired **Groupe WF Education, WF Education Group Holdings Ltd** and **WF Education Group Ltd**. These provide resources (including books, stationery, equipment) and services to educational establishments from early years to young adults. The joint venture **UK Teach Ltd** provides a recruitment platform within the education sector.

Bowerhouse II Solar Ltd - a company generating electricity through renewable energy, reducing carbon emissions.

Lifecycle Management Group Ltd - provides a fully managed procurement service and contract management.

Prospects Payroll Ltd - provides payroll services (specialising in the Education sector).

Financial Report

Summary of the revenue outturn position

In February 2024 the Council approved the net revenue budget for 2024-25. The final budget totalled £1,429.5m. £2.8m was rolled forward from 2023-24 increasing the budget to £1,432.3m. The outturn position for the year against the revised budget is set out in the following table, together with the sources of income from which the Council's net revenue expenditure was financed.

Directorate / Department		Budget £000	Outturn £000	Variance £000
Adult Social Care & Health including Public Health	ASCH	569,387	615,797	46,410
Children, Young People & Education	CYPE	413,560	397,375	-16,185
Growth, Environment & Transport	GET	202,899	208,585	5,686
Chief Executive's Department	CED	30,595	28,427	-2,168
Deputy Chief Executive's Department	DCED	82,205	79,459	-2,746
Non-Attributable Costs including Corporately Held Budgets	NAC	133,633	129,578	-4,055
School's Delegated Budgets	CYPE	0	39,355	39,355
Delegated Schools Budgets - DfE contribution to DSG Deficit		0	-9,040	-9,040
Funded by:				
Reserves adjustment to fund agreed roll-forwards		-2,771	-2,771	0
Reserves drawdown to fund in-year overspend including roll forwards to 2025-26		0	-20,205	-20,205
Revenue Support Grant (RSG)		-11,806	-11,806	-0
Council Tax Yield including Collection Fund		-938,183	-938,183	-0
Local Share of Business Rates & Business Rate Collection Fund		-68,424	-73,459	-5,036
Business Rate Top Up		-147,383	-147,445	-63
Business Rate Compensation Grant		-51,080	-53,180	-2,099
New Homes Bonus (NHB) & NHB Adjustment Grants		-2,059	-2,059	-0
Improved Better Care Fund (iBCF) including Additional Adult Social Care Allocation		-50,015	-50,015	0
Social Care Reform Grant		-26,969	-26,969	0
Social Care Support Grant		-117,046	-117,046	-0
Services Grant		-1,312	-1,312	0
Adult Social Care Discharge Fund		-11,687	-11,687	-0
Other Unringfenced Grants		-3,545	-3,683	-138
Total Funding		-1,432,278	-1,459,819	-27,541
NET OUTTURN POSITION		0	29,716	29,716

The net overspend is £19.6m, being +£26.9m within directorates and -£7.3m funding variance (excluding -£30.3m delegated schools net overspend). There are £0.6m roll forward requests and these will be added to the 2025-26 budget to support the rescheduling of projects. The overspend (including roll forwards in 2025-26) have been funded by a £20.2m drawdown from General Reserves.

Summary of the capital outturn position

Capital expenditure is defined as expenditure on the purchase, improvement, or enhancement of assets, the benefit of which impacts for longer than the year in which the expenditure is incurred. Capital expenditure is funded from a variety of sources including: grants, capital receipts, borrowing, external contributions including developer contributions, and revenue contributions. Capital expenditure for the year was £272.121m. The expenditure analysed by portfolio was:

Portfolio	Revised Budget £000	Outturn £000	Variance £000
Children, Young People & Education	143,159	63,710	-79,449
Adult Social Care & Health	3,266	10,417	7,151
Growth, Environment & Transport	234,273	146,589	-87,684
Chief Executive's Department	205	-20	-225
Deputy Chief Executive's Department	54,840	38,351	-16,489
	435,743	259,047	-176,696
Devolved Capital to Schools	10,484	13,074	2,590
TOTAL	446,227	272,121	-174,106

Expenditure excluding that incurred by schools under devolved arrangements was £176.696m less than cash limits. Of this, -£184.637m reflected re-phasing of capital expenditure plans across all services and +£7.941m was due to real variations on a small number of projects. Rephased capital resources will be carried forward into 2025-26 and beyond in order to accommodate the revised profiles of capital expenditure.

Capital expenditure incurred directly by schools in 2024-25 was £13.074m.

Details of the financing of capital expenditure are on pages 72 and 73.

Summary of schools outturn position

In total, schools' reserves have decreased by £0.1m, this amount is made up of academy conversions of £1.2m, an increase in the value of schools' deficit balances of £0.4m and an increase in schools' surplus balances of £0.6m.

In addition, there was a £54.5m net overspend in year on the Central DSG Reserve made up of £58.3m overspend on High Needs budgets, £0.7m underspend relating to School Block related spend and a £3.1m underspend on Early Years. The council made a contribution of £15.1m and as part of the safety valve agreement Kent received £9.0m towards the historic deficit. The net surplus from 22-23, after offsetting the in year deficit, was £36.2m and is held in an earmarked 'DSG Safety Valve reserve' and the balance remains unchanged as at 31 March 2025.

Schools now have £58.5m of revenue reserves as reflected in note 22 on page 85 and there is a deficit balance of £133.7m in the DSG Adjustment Account as reflected in note 23 on page 86. The Authority entered the Department for Education's "Safety Valve" process in Summer 2022, which involves the Local Authority reforming its high needs systems and associated spending in return for additional funding to contribute to the historic deficit.

Budget context

To understand how the revenue overspend occurred, it is important to understand the original budget strategy and how the Council was trying to manage the considerable spending pressures facing it, especially around adult social care.

Setting the revenue budget for 2024-25 – the Budget Strategy

A new approach to the 2024-25 budget strategy was adopted to address the challenge for significant savings to balance forecast spending growth. This was in the context one-year local government finance settlements and council tax referendum limits. Since the Covid-19 pandemic and the ensuing global and national economic turbulence the Council (along with the vast majority of councils) has had to deal with significant increases in spending due to a complex combination of largely external factors way in excess of the resources available from central government and local taxation.

The new strategy was to be based on a hybrid of incremental and outcomes based budgeting. The Council's previous revenue budget strategy has been based on the principles of incremental budgeting. Incremental budgeting starts with the current year's budget and then adds/subtracts for known and forecast changes. These changes include the full year effect of current year forecast variances as well as future forecasts for pay/prices, service demands (largely driven by demography), service improvements and government legislation. These spending forecasts are then balanced against available funding by spending reductions through savings, income and where appropriate use of reserves.

An outcomes approach seeks to challenge the orthodoxy of incremental budgeting by measuring the difference that council spending is expected to make to the quality of life for local residents and communities. It was acknowledged that transitioning from an incremental approach to a fully outcomes approach would take several years.

Under the hybrid approach, it was agreed to continue with a Council wide estimate of available funding for each of the three years from which one-off savings/growth/use of reserves from prior years would be added back, and corporate pressures (debt financing, pay award etc.) funded. The balance was then available as outcomes based resource envelopes for the six most significant areas of council spending, which were as follows:

- social care for older persons
- social care for vulnerable adults
- integrated children's services (including disability services)
- public transport (including home to school transport)
- waste recycling and disposal
- highways

Spending pressures have continued to rise, particularly but not exclusively due to increased costs in people based services for adult social care, children's social care and Special Educational Needs (especially Home to School Transport funded from the council's core budget – spending on SEN provision is funded from specific government grant which is the subject of statutory override preventing overspends on the grant funded activity being charged to the General Fund).

Given the spending pressures and the scale of the predicted overspends, a revised strategic plan, Securing Kent's Future (SKF) was also developed. This recognised the significant shift in the financial and operating landscape. SKF was approved by Cabinet on 5th October 2023 and the initial draft budget proposals for 2024-27 for committee scrutiny were published on 1st November 2023 for the November cycle of meetings. These initial plans were prepared on the hybrid basis, but resulted in a large gap between costs and income, largely due to demand and cost drivers in the people-based services. This gap was closed through a combination of over additional savings, the removal of contingencies and the inclusion of one-offs, including additional grant, flexible use of capital receipts and use of reserves. The one-offs needed to be replaced in 2025-26 with as other savings.

Consulting on the 2024-25 budget

Consultation on budget strategy was launched on 13th July 2024 and was open for 8 weeks until 6th September 2023. The consultation focussed on the financial challenge the council potentially

faced, specifically on the six main day to day service areas that account for over 80% of the annual revenue budget. This financial challenge was compounded by market supply and sustainability issues for key providers of council services and increasing demands on council services due to complexity of need as well as increasing client numbers in some key services. The consultation identified that this combination meant that forecasting future spending and income is much harder than in previous years, yet we need to ensure the financial sustainability of the Council so that we can continue to provide essential services to Kent residents and communities. The consultation sought views on council tax increases up to referendum level and for adult social care. The consultation also sought views on whether we are prioritising resources in the right areas, and we asked for suggestions for how we might find further savings. Responses to the consultation were set out in a report considered by elected Members (Councillors) at Cabinet Committee/Scrutiny Committee/Cabinet meetings during November 2023 and January 2025 in advance of the budget debate and approval by County Council in February 2024.

Setting the 2024-25 budget in the national context

The Chancellor of the Exchequer announced the 2023 Autumn Statement on 22nd November 2023 (setting out high level government departmental spending plans for 2024-25). This was after the Council's initial budget plans had been published but the Autumn Statement did not include any new funding for local government other than to reaffirm the commitments made at Autumn Statement 2022 to provide additional support to the NHS and adult social care in England in response to the pressures facing the health service. The 2023 autumn budget also confirmed that the business rates for small business would continue to be frozen along with extensions to the reliefs for retail leisure and hospitality business with local authorities compensated for the impact on retained shares. Consequently, there was no change to the planning assumptions from the earlier guiding principles.

Designing the 2024-25 budget – major changes

A high-level presentation of the changes between the final approved revenue budget for 2023-24 and the final 2024-25 budget is shown in the table below. This presentation shows the change in the council's net budget requirement and the change in net funding from central government and local taxation and in particular the spending growth compared to the available funding from government settlement and local taxation.

Change in net spending	£m	Change in net funding	£m
Additional spending	200.2	Net increase in government grants	53.4
Savings from future cost avoidance	-36.5	Change in council tax base	14.4
Savings from spending reductions	-37.0	Increase in council tax charge	44.5
Changes in income	-15.7	Change in retained business rates	5.5
Changes in specific grants	7.2	Change in collection fund / compensation	-3.9
Changes in reserves	-4.3		
Total change in net spending	113.9	Total change in net funding	113.9

The 2024-25 budget presented to County Council for approval comprised of £171.3m of increased spending including base budget changes to reflect the full year effect of forecast variances in 2023-24 budget monitoring, provision for forecast pay, price and other demand and cost driver increases, and changes in spending from specific grants including the removal of the Household Support Fund, which at that time had not been extended into the 2024-25 financial year. The

budget presented included £89.2m of savings and income, £20.9m net reduction in specific government grant income and net £4.9m from changes in reserve contributions and drawdown.

The capital programme presented planned rolling programmes over 10 years together with approved projects where funding has been secured over the planned duration for the projects. Projects under development where funding has not yet been secured are presented in a separate schedule that does not form part of the approved programme. The ten-year capital programme for 2024-25 to 2033-34 was £1,665m funded by a combination of government grants (£1,012m), borrowing (£376m) and other sources (£277m).

The revenue and capital budgets represented the culmination of a long evolution process updating the original 2024-25 plan in the 2023-26 MTFP.

Adult social care spending has come under pressure, particularly older persons residential and nursing care where the cost of packages for new clients has been continually rising above inflation. There have also been significant cost and demand pressures in children's services including children in care, home to school transport and special educational needs.

Finalising the 2024-25 budget

The final draft budget for County Council approval was published on 9th February 2024. The final local finance settlement was published on 5th February 2024 and in an unusual step included some material changes from the provisional local government finance settlement published on 18th December 2023. An additional £600m was provided, distributed largely through the Social Care grant (£500m) with the remaining balance through Services Grant and other grants that do not apply to this council.

This additional grant was partly used to fund the full year effect of further forecast spending increases in adult's and children's social care and allowed some scope for additional investment in transformation activity. The final draft included further additional savings brought forward which reduced the requirement from one-offs to balance the budget down from just under £24m to £19.8m, with the commitment to identify and deliver replacement saving in 2025-26 and 2026-27.

The final settlement was included in the draft budget for County Council published on 9th February 2024 and increased revenue funding to £1,423.6m, an increase of £108m from the final approved budget for 2023-24. The business rate tax base and collection fund balances were included in final budget approved by Cabinet on 21st March. The final net revenue for 2024-25 was £1,429.5m (an increase of £113.9m or 8.7% on 2023-24).

The evolution of funding estimates for 2024-25 is shown below.

	Final 2023-24 in 2023-26 MTFP £m	Original 2024-25 in 2023-26 MTFP £m	Initial Draft Budget November 2023 £m	Draft Budget January 2024 (inc. PLGFS) £m	County Council Budget February 2024 (inc. FLGFS) £m	Final Budget March 2024 £m	Final Change on 2023- 24 £m
Council Tax (incl. tax base)	876.8	934.4	936.2	936.2	935.7	935.7	58.9
Retained Business Rates	60.2	64.1	63.2	62.8	62.8	65.7	5.5
Collection Funds & Compensation	9.2	7.0	7.0	7.0	2.5	5.2	-4.0
General Grants	201.6	212.7	209.6	215.5	215.5	215.9	14.2
Social Care Grants	160.2	173.2	191.9	192.9	205.7	205.7	45.5
Services Grant	7.6	7.6	7.6	1.2	1.3	1.3	-6.3
Total	1,315.6	1,399.0	1,415.5	1,415.7	1,423.6	1,429.5	113.9

Risks associated with the 2024-25 budget

The section 25 assurance statement acknowledged the challenge in balancing the budget due to ongoing and escalating cost pressures, alongside insufficient funding in the local government finance settlement. The report identified that drawdowns from reserves meant that while levels of planned reserves remained adequate, they now posed a more significant risk to the Council's medium to long term sustainability than levels of capital debt. The assurance concluded that provided all the measures set out in the 2024-25 budget were delivered that the Council would continue to demonstrate financial sustainability in the short-term, although there remained considerable uncertainty over the medium term. The 2024-25 budget included an assessment of the main financial risks that have not been included in spending plans. In particular, the highest rated risks included:

- Ongoing rises in demand to support children and young people with Special Educational Needs and Disability (SEND). This demand is rising much faster than increases in High Needs funding within the Dedicated Schools Grant. The Council has developed and implemented an SEN Action Plan and is included in phase 2 of the Government's "Safety Valve" programme.
- Changes in circumstances affecting the delivery of planned savings and the inability to replace use of one-off measures.
- Capital infrastructure life expired and insufficient to cope with increased housing and population levels.
- Impact of 2023-24 forecast overspend on usable revenue reserves and consequential impact on future financial resilience.
- Changing government focus on funding net zero.
- Market sustainability of adult and children's social care market
- Inflation increases over and above estimated price levels included within capital and revenue budgets.
- Availability of suitable placements for looked after children.

Looking Forward - 2025-26 Budget Onwards

Local authorities in the United Kingdom will continue to keep their Accounts in accordance with 'proper practices'. CIPFA/LASAAC continue to consider future changes to International Financial Reporting Standards (IFRS) for Local Government, as it reinforces the drive to improve financial reporting and enhance accountability for public money.

Given the considerable overspend on Adult Social Care in 2024-25, the Council has engaged with PriceWaterhouseCoopers (PwC) to devise a more robust set of savings plans and enhanced monitoring mechanisms to underpin its savings plans for 2025-26.

Consultation on the 2025-26 budget was carried out between 13th June 2024 and 7th August 2024. The consultation included some key facts about Kent, KCC's strategic priorities and the financial challenges facing the council in setting a sustainable budget in 2025-26. The consultation set out the uncertainties around future funding and in all likelihood any increase in funding wouldn't keep pace with our estimated spending increases. To address this challenge, the consultation set out a number of options to close the estimated budget gap.

An initial draft revenue budget and MTFP was published at the end of October 2024 for the November Cabinet Committees. The Administration's draft budget 2025-26 and MTFP over the three years were not completely balanced, due principally to underdelivered savings in adult social care and the timing of the £19.8m policy savings previously agreed to replace the use of one-offs to balance the 2024-25 budget. The initial draft included replenishment of general reserves drawn down to balance 2022-23 outturn over two years to return general reserves to 5% by 2025-26.

The initial draft was published before the Autumn Budget Statement 2024 on 30th October 2024. This announcement included a £1.3bn increase in central government funding for local government nationally although at the time there was no detail how this would be allocated

through individual grants other than at least £600m would be available for adult social care. Local authorities were also to receive around £1.1bn guaranteed additional income from Extended Producer Responsibilities. The government committed to a fundamental reform of the approach to allocating funding to local authorities starting with a targeted approach to allocating some of the increase for 2025-26 ahead of wider reform and multi-year settlements from 2026-27 onwards. The Autumn Budget also included £250m for children's social care reforms and £1bn increase in Special Educational Needs and Alternative Provision funding. The autumn budget included increases in the National Living Wage and employer's National Insurance contributions which would impact on Council costs.

A revised draft budget was published on 6th January 2025 for the January Cabinet Committees. The report set out any material changes from those presented to committees in November. The updated draft reflected the latest in year budget monitoring, latest projections for price indices, latest activity/demand/cost trends, spending and income arising from Autumn 2024 Budget statement, Provisional Local Government Finance Settlement and departmental grant announcements.

The final local government finance was announced on 3rd February 2025 and included an updated and increased allocation for the new Children's Social Care Prevention Grant and confirmed our share of compensation funding through the Employer's National Insurance Contributions Grant. The additional grant amounts were reflected in the final draft budget published on 5th February for full Council approval on 13th February 2025 to fund latest spending forecasts and provide some investment in transformation activity along with limited other changes from the revised 6th January draft.

Earmarked Reserves

The financial statements set out the detail and level of the Council's earmarked reserves. Earmarked reserves are an essential tool that allows the Council to manage risk exposure and smooth the impact of major costs. The requirement for financial reserves is acknowledged in statute. Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement, and regard to LAAP 13: Local Authority Reserves and Balances.

Revenue earmarked reserves are £252.0m and Note 24 on pages 95 to 96 provides an explanation of the purpose of each significant reserve along with the balance held at 31 March 2024. The general reserve position as at 31 March 2024 is £78.5m which is a net increase of £35.2m.

At 31 March 2024 the Council has usable capital reserves of £215.3m as shown on Note 22 on page 85.

Certain reserves are held to manage the accounting processes for such items as capital assets, collection fund and retirement benefits and these are unusable reserves of the Council. The Council also has a number of provisions set aside to meet known liabilities. The main provisions are for insurance claims and redundancies. Provisions held at 31 March 2025 totalled £32.3m, see Note 25 on page 97 to 98.

The level of the County Council General Fund is consistent with the overall financial environment and the key financial risks faced by the Council. Our Corporate Director of Finance, who is responsible for setting the level of reserves, has deemed the level to be 'adequate' given the level of risk that we face.

Pension Fund

Local Authorities are required to comply with the disclosure requirements of IAS 19 - Employee Benefits. Under IAS 19, the Council is required to reflect in the primary statements of the Accounts, the assets and liabilities of the Pension Fund attributable to the Council and the cost of

pensions. IAS 19 is based upon the principle that the Council should account for retirement benefits when it is committed to give them even though the cash payments may be many years into the future. This commitment is accounted for in the year that an employee earns the right to receive a pension in the future. These disclosures are reflected in the Comprehensive Income and Expenditure Account, the Balance Sheet and the Movement in Reserves Statement.

IAS 19

The 2024-25 IAS 19 report shows that the Kent County Council Pension Fund now has a deficit of £29.3m. This is a decrease in the deficit of £5.5m from 2023-24.

Current Borrowing & Capital Resources

All of the borrowing disclosed in the balance sheet relates to the financing of capital expenditure incurred in 2024-25, earlier years and for future years. The balance currently stands at £741m (short- and long-term) as shown on the balance sheet on page 23. Future capital expenditure will be financed from revenue contributions, sale of surplus fixed assets, capital grants and contributions, borrowing, and relevant funds within earmarked reserves.

The Council's Stewardship, Responsibilities and Financial Management Policies

The Council is responsible for handling a significant amount of public money. The Council's Financial Regulations must comply with the Constitution and set the control framework for five key areas of activity:

- Financial Planning
- Financial Management
- Risk Management and Control of Resources
- Systems and Procedures
- External Arrangements.

The Council needs to ensure that it has sound financial management and procedures in place and that they are adhered to. The Financial Regulations are reviewed regularly to reflect changes in structures and working practices; and to ensure our regulations reflect current best practice and strengthen areas where there were known gaps. The regulations provide clarity about the accountability of the following:

- Cabinet
- Members
- the Monitoring Officer
- the Chief Finance Officer (Corporate Director Finance)
- Corporate Directors.

Further information about the Accounts can be obtained from Joe McKay, Acting Chief Accountant.

Telephone (03000) 42 14 47 or E-Mail joe.mckay@kent.gov.uk

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 ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Director of Finance;
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- to approve the Statement of Accounts.

I confirm that these Accounts were approved by the Governance and Audit Committee at its meeting on TO FOLLOW on behalf of Kent County Council.

Chairman of the Governance and Audit Committee

The Corporate Director Finance's Responsibilities

The Corporate Director Finance 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 Council Accounting in the United Kingdom (the Code), and is required to give a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2025.

In preparing this Statement of Accounts the Corporate Director Finance has:

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

The Corporate Director of Finance has also:

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

I confirm that these accounts give a true and fair view of the financial position of the Council at the reporting date and its income and expenditure for the year ended 31 March 2025.

Certificate of the Corporate Director Finance

John Betts
Interim Corporate Director Finance

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure 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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Year Ended 31 March 2025

Service	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Adult Social Care & Health including Public Health	ASCH	931,433	-309,129	622,304
Children, Young People & Education	CYPE	1,767,563	-1,308,955	458,608
Growth, Environment & Transport	GET	342,486	-72,490	269,996
Chief Executive's Department	CED	48,830	-21,403	27,427
Deputy Chief Executive's Department	DCED	128,265	-12,218	116,047
Non-Attributable Costs including Corporately Held Budgets	NAC	17,297	-12,096	5,201
Cost of Services		3,235,873	-1,736,291	1,499,583
Other operating Expenditure	12			60,669
Net Surplus on trading accounts	33			-5,835
				11,105
Financing and Investment Income and Expenditure	13			
Taxation and Non-Specific Grant Income	14			-1,598,429
(Surplus) or deficit on Provision of Services				-32,907
(Surplus)/deficit arising on revaluation of non-current assets				-92,159
Remeasurement of the net defined benefit liability				29,336
(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income				-866
Other Comprehensive Income and Expenditure				-63,689
Total Comprehensive Income and Expenditure				-96,596

Year Ended 31 March 2024

Service	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Adult Social Care & Health including Public Health	ASCH	865,528	-290,820	574,708
Children, Young People & Education	CYPE	1,608,074	-1,189,157	418,917
Growth, Environment & Transport	GET	318,676	-70,160	248,516
Chief Executive's Department	CED	60,495	-33,650	26,845
Deputy Chief Executive's Department	DCED	107,705	-13,107	94,598
Non-Attributable Costs including Corporately Held Budgets	NAC	17,084	-14,041	3,043
Cost of Services		2,977,562	-1,610,935	1,366,627
Other operating Expenditure	12			89,800
Net Surplus on trading accounts	33			-4,487
Financing and Investment Income and Expenditure	13			21,035
Taxation and Non-Specific Grant Income	14			-1,521,511
(Surplus) or deficit on Provision of Services				-48,536
(Surplus)/deficit arising on revaluation of non-current assets				21,446
Remeasurement of the net defined benefit liability				3,359
(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income				-950
Other Comprehensive Income and Expenditure				23,855
Total Comprehensive Income and Expenditure				-24,681

Movement in Reserves Statement

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

Year Ended 31 March 2024

	General Fund	Earmarked General Fund Reserves	S31 – 75% Tax Income Guarantee Grant and Business Rate Relief Grant Reserves	Total General Fund including Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
Balance at 31 March 2023 carried forward	-36,917	-413,215	-2,348	-452,480	-39,227	-102,203	-593,910	-2,380,653	-2,974,563
Movement in reserves in 2023-24									
Total Comprehensive Income & Expenditure	-48,537			-48,537			-48,537	23,854	-24,683
Adjustments between accounting basis and funding basis under regulations	70,367			70,367	-5,008	-61,448	3,911	-3,911	
Net increase/decrease before Transfers to Earmarked Reserves	21,830	0	0	21,830	-5,008	-61,448	-44,626	19,943	-24,683
Transfer between Usable and Unusable Reserves		14,400		14,400			14,400	-14,400	
Transfers to/from Earmarked Reserves (total of *s in Note 22)	-27,943	25,595	2,348	0					
Increase/Decrease (movement) in year	-6,113	39,995	2,348	36,230	-5,008	-61,448	-30,226	5,543	-24,683
Balance at 31 March 2024	-43,030	-373,220	0	-416,250	-44,234	-163,652	-624,136	-2,375,110	-2,999,246

Year Ended 31 March 2025

	General Fund	Earmarked General Fund Reserves	Total General Fund including Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
Balance at 31 March 2024 carried forward	-43,030	-373,220	-416,250	-44,234	-163,652	-624,135	-2,375,111	-2,999,246
Adjustments on transition to new accounting arrangements for leases	4,249	-511	3,738			3,738	13,401	17,139
Transitional adjustments between accounting basis and funding basis	-4,249		-4,249				4,249	4,249
Adjusted balance at 1 April 2024	-43,030	373,731	-416,761	-44,234	-163,652	-624,646	-2,357,461	-2,982,107
Movement in reserves in 2024-25								
Total Comprehensive Income & Expenditure	-35,053		-35,035			-35,053	-63,688	-98,741
Adjustments between accounting basis and funding basis under regulations	59,147		59,147	3,921	-11,349	51,719	-51,719	0
Net increase/decrease before Transfers to Earmarked Reserves	24,094	0	24,094	3,921	-11,349	16,666	-115,407	-98,741
Transfer between Usable and Unusable Reserves								
Transfers to/from Earmarked Reserves (total of *s in Note 22)	-59,627	59,627	0			0		0
Increase/Decrease (movement) in year	-35,533	59,627	24,094	3,921	-11,349	16,666	-115,407	-98,471
Balance at 31 March 2025	-78,563	-314,104	-392,667	-40,313	-175,001	-607,980	-2,472,868	-3,080,849

Balance Sheet

The Balance Sheet shows the financial position of Kent County Council as a whole at the end of the year. Balances on all accounts are brought together and items that reflect internal transactions are eliminated.

	Notes	31 March 2025 £000	£000	31 March 2024 £000
Property Plant & Equipment	16	3,791,446		3,695,126
Heritage Assets	20	8,725		8,546
Investment Property	17	43,317		43,168
Intangible assets		313		330
Right of use assets	21	36,667		0
Long-term investments	38	316,469		301,053
Long-term debtors	26	70,237		50,787
Total long-term assets			4,267,174	4,099,010
Inventories		2,102		2,537
Assets held for sale (<1yr)		692		1,614
Short-term debtors	26	374,606		397,669
Short-term investments	38	42,690		36,683
Cash and Cash equivalents	28	142,979		142,511
Total current assets			563,069	581,014
Temporary borrowing	38	-90,510		-78,369
Short-term Lease Liability	38	-20,587		-9,207
Short-term provisions	25	-23,888		-26,905
Creditors	27	-446,931		-441,793
Cash and Cash equivalents	28	-40,297		-10,967
Total Current liabilities			-622,214	-567,241
Creditors due after one year	27	-533		-34
Provisions	25	-8,453		-9,548
Long-term borrowing	38	-650,338		-702,562
Long-term lease liabilities	21	-43,004		0
Other Long-Term Liabilities	37/38	-243,252		-243,325
Capital Grants Receipts in Advance	15	-183,746		-158,068
Long-Term Liabilities			-1,129,326	-1,113,537
Net Assets/(Liabilities)			3,078,704	2,999,246
Usable Reserves	22		-607,980	-624,135
Unusable Reserves	23		-2,470,723	-2,375,111
Total Reserves			-3,078,703	-2,999,246

Cash Flow Statement

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

	Notes	2024-25 £000	2023-24 £000
Net (Surplus) or deficit on the provision of services		-32,908	-48,536
Adjustments to net surplus or deficit on the provision of services for non-cash movements	29	-227,857	-181,115
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	29	218,663	249,452
Net cash flows from operating activities		-42,102	19,801
Investing Activities	30	21,469	-56,040
Financing Activities	31	49,496	36,409
Net increase (-) or decrease in cash and cash equivalents		28,863	170
Cash and cash equivalents at the beginning of the reporting period		131,544	131,714
Cash and cash equivalents at the end of the reporting period	28	102,681	131,544

Note 1a - Expenditure and Funding Analysis

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

Year Ended 31 March 2025

	As reported to Management £000	Adjustments to arrive at the net amount chargeable to the General Fund Balance £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Adult Social Care & Health	615,797	2,375	618,172	4,131	622,303
Children, Young People & Education	397,375	3,680	401,055	57,552	458,608
Growth, Environment & Transport	208,585	2,934	211,520	58,476	269,996
Chief Executive's Department	28,427	373	28,800	-1,372	27,427
Deputy Chief Executive's Department	79,459	19,550	99,009	17,038	116,047
Non-Attributable Costs including Corporately Held Budgets	129,578	-113,604	15,974	-10,773	5,201
Schools' Delegated Budgets	30,315	-30,315	0	0	0
Net Cost of Services	1,489,536	-115,006	1,374,530	125,053	1,499,582
Other Income and Expenditure	-1,459,819	109,384	-1,350,435	-182,055	-1,532,490
Surplus or Deficit	29,717	-5,622	24,094	-57,055	-32,908
Opening General Fund Balance			-416,761		
Less/Plus Surplus or (Deficit) on General Fund in Year			24,094		
Transfers between Usable & Unusable Reserves			0		
Closing General Fund Balance at 31 March 2025			-392,666		

Note 9a on pages 45 to 48 provides an explanation of the main adjustments to the Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

Year Ended 31 March 2024

	As reported to Management £000	Adjustments to arrive at the net amount chargeable to the General Fund Balance £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Adult Social Care & Health	561,326	11,481	572,807	1,901	574,708
Children, Young People & Education	371,637	4,921	376,558	42,359	418,917
Growth, Environment & Transport	191,465	1,775	193,240	55,275	248,515
Chief Executive's Department	28,076	5	28,081	-1,236	26,845
Deputy Chief Executive's Department	75,643	11,405	87,048	7,551	94,599
Non-Attributable Costs including Corporately Held Budgets	113,568	-110,441		113,568	-110,441
Schools' Delegated Budgets	22,664	-22,664	0	0	0
Net Cost of Services	1,364,379	-103,518	1,260,861	105,766	1,366,627
Other Income and Expenditure	-1,344,402	105,372	-1,242,515	-176,134	-1,415,164
Surplus or Deficit	19,977	1,854	21,831	-70,368	-48,537
Opening General Fund Balance			-452,480		
Less/Plus Surplus or (Deficit) on General Fund in Year			21,830		
Transfers between Usable & Unusable Reserves			14,400		
Closing General Fund Balance at 31 March 2023			-416,250		

Note 1b. Basis for Preparation/General

The notes to the financial statements on the following pages are in order of significance, primarily based on aiding an understanding of the key drivers of the financial position of the Council, whilst maintaining the grouping of notes between the income and expenditure statement and the balance sheet where appropriate.

The notes relating to specific financial statement lines include the corresponding accounting policy. As a result, there is not a separate principal accounting policies note but note 2 details general accounting policies or those where there are not accompanying notes.

Details of the order of the notes can be found in the index on page 2 of the financial statements.

Note 2. General Accounting Policies (where there is no accompanying note)

General

The Council is required to prepare a Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. The Accounts of Kent County Council have been compiled in accordance with the Code of Practice on Local Authority Accounting in the UK 2023-24 supported by International Financial Reporting Standards. These accounts are prepared in accordance with the historical cost convention, modified for the valuation of certain categories of non-current assets and financial instruments. They are also prepared on a going concern basis.

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. The majority of expenditure is created using iProcurement and accruals are generated automatically. Outside of iProcurement, a de minimus of £5,000 for revenue and £10,000 for capital is used for income and expenditure items. 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.

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.

Accounting for Schools

The accounting policies for Schools are in line with the Council's and therefore are compiled on an accruals basis. Schools balances are consolidated into the Council's accounts, with income and expenditure being attributed to the appropriate service line in the Comprehensive Income and Expenditure Statement and assets and liabilities included on the Balance Sheet. The Schools Reserve is held in a separate reserve and is located within Usable Reserves. The DSG deficit is transferred to the DSG Adjustment Account via the Movement to Reserves Statement.

Non-current assets for maintained schools are included on the balance sheet where they are owned or controlled by the Authority or the school governing body.

Intangible Assets

Assets that do not result in the creation of a tangible asset (which is an asset that has physical substance), but are identifiable and are controlled by the Council, e.g. software licences, are classified as intangible assets. This expenditure is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the life of the asset. For software licences this is normally between 3 to 5 years.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Fair Value Measurement of non-financial assets

The Council's accounting policy for fair value measurement of financial assets is set out in Note 38. The Council also measures some of its non-financial assets such as investment properties and assets held for sale and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Surplus assets are also valued at fair value in accordance with the valuation policy of surplus assets disclosed on page 64. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

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

The Council measures the fair value of an asset using the assumptions that market participants would use when pricing the asset, 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 for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

Valuation techniques for levels 2 and 3 include market approach, cost approach and income approach.

Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

East Kent Opportunities

East Kent Opportunities LLP (EKO) is a 'Jointly Controlled Operation' and in 2024-25 the transactions and balances of EKO relating to KCC have been incorporated into the financial statements and notes of the Council's Statement of Accounts.

Accounting for Value Added Tax (VAT)

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

Inventories

Stock is valued at the lower of cost or net realisable value. Spending on consumable items is accounted for in the year of purchase.

Interests in companies and other entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in the companies and other entities are recorded as financial assets held at fair value through profit and loss.

Insurance Fund

IAS 37 Provisions, Contingent Liabilities and Contingent Assets requires that full provision should be made for all known insurance claims.

Based on current estimates of the amount and timing of fund liabilities, the insurance provision at 31 March 2025 is established at a level sufficient to meet all known insurance claims where the

likely cost can be estimated and there is reasonable certainty of payment. It is therefore in accordance with the requirements of IAS 37. Details can be found on page 97.

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

There are no amendments expected to have a significant impact on the Council.

Note 4 - Critical Judgements in applying Accounting Policies

In applying the accounting policies set out, 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:

- There is a high degree of uncertainty about future levels of funding for local government. 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.

Property, Plant and Equipment

The Council has a policy to revalue its land and buildings at least every 4 years and undertakes an annual review, based on applying percentage movements on revalued assets to the unvalued asset portfolio, to ensure that the carrying amount of assets not revalued in year is not materially different to their current value at the balance sheet date. £492m worth of assets in the balance sheet have not been revalued in 2024-25. Due to the value, valuation type and prior valuation date of these assets, and the percentage movements on the revalued assets, we are confident that the value of assets not revalued in 2024-25 is not materially different to their current value at the balance sheet date.

In order to meet the Authority's policy on accounting for non-current assets related to schools, each school is considered on an individual basis taking into account ownership rights and, where relevant, the circumstances under which the school is using the asset.

Kent County Council's - Interest in Companies

The Council wholly owns Global Commercial Services Group Ltd and this company and its subsidiaries are consolidated into our Group Accounts.

The Council has an interest in companies outside of those that are our wholly owned subsidiaries. KCC have conducted tests of control on these companies and in considering the outcome of these tests we have concluded that we have no overall control or significant influence over these companies, and our level of control is less than or equal to 50%. The economic activity of these companies is not deemed material and therefore not consolidated into the group accounts. Payments made to any entity we have an interest in are shown in Note 36 on pages 106 to 107. We annually review all companies we have an interest in and test the level of control.

Note 5 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

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

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

Item	Uncertainties	Effect if Actual results differ from Assumptions
Property, Plant and Equipment: Useful lives	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation would increase and the carrying amount of the assets could fall. It is estimated that the annual depreciation charge would increase by £1.8m for every year that asset lives had to be reduced.</p> <p>The useful lives applied to our assets for depreciation calculations are provided by RICS qualified external valuers and we therefore consider this to be the most accurate estimate we can obtain. However, if assumptions do not materialise then there could be a material difference to depreciation and carrying amounts of assets.</p>
Property, Plant and Equipment: Valuation Assumptions	<p>Asset valuations are based on key assumptions.</p> <p>Assets valued on a Depreciated Replacement Cost basis, totalling £2,285.6m in the balance sheet, are significantly influenced by obsolescence rates, BCIS rates and allowances for fees & externals. These require professional judgement and therefore are not certain.</p> <p>Assets valued on an Existing Use Value basis, totalling £214.8m on the balance sheet, are significantly influenced by assumptions around rents and yields.</p> <p>Surplus assets valued on a Fair Value basis, totalling £98.8m, are significantly influenced by assumptions around land values, rents and yields.</p>	<p>The assumptions on which valuations are based are provided by RICS qualified external valuers and challenged rigorously and therefore considered reliable. However, if assumptions within the methodology do not materialise then there could be a material impact on the valuation of land & buildings.</p> <p>It should be noted though that any differences in asset valuations would not have an impact on the General Fund balance.</p>

Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For example, a decrease of 0.1% in the discount rate would result in an increase in the pension liability of £43.3m. A 1-year increase to life expectancy assumptions would result in an increase in the pension liability of £114.1m.</p> <p>A reduction in the value of the assets would increase the pension liability on the Balance Sheet.</p> <p>The net pension liability carrying value for 2024-25 is £29.3m.</p> <p>More information on the carrying amount of the assets & liabilities impacted by estimation uncertainty can be found in Note 37 on pages 108 to 114.</p>
Fair Value measurements	<p>Surplus and Investment Properties cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), so their fair value is measured using income or market approach valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible unobservable inputs, which require judgement, are used to establish fair values. The significant unobservable inputs used in the fair value measurement include assumptions regarding passing rents and yields, estimated sale values, revenue streams and discount rates.</p> <p>Information about valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 16, 17 and 38.</p>	<p>Sizable changes in any of the unobservable inputs would result in a significant lower or higher fair value measurement for those assets held at fair value.</p>

Note 6. Officers Remuneration

Accounting Policy

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) 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 charged to Service lines within the Comprehensive Income and Expenditure Statement but is then reversed out through the Movement in Reserves Statement, so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the 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 Service lines in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the cost for 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.

Post Employment Benefits

The Council participates in two different pension schemes. Both schemes provide members with defined benefits (retirement lump sums and pensions), related to pay and service. The schemes are as follows:

Teachers and former NHS Staff

The Council contributes to the Teachers' Pension Scheme and the NHS Pension Scheme at rates set by the schemes actuary and advised by the Schemes Administrator. The schemes pay benefits on the basis of pre-retirement salaries of teaching staff and former NHS staff. While the schemes are of the Defined Benefit type, they are accounted for as Defined Contribution Schemes and no liability for future payments of benefits is recognised in the Balance Sheet.

Other employees

- 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.

- 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:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the 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 Comprehensive Income and Expenditure Statement,
- net interest on the net defined benefit liability (asset), i.e. the net interest expense for the Council - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (assets) during the period as a result of contribution and benefit payments.

Remeasurement comprising:

- net return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) - charged to the Pension Reserve as Other Comprehensive Income and Expenditure,
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve, as Other Comprehensive Income and Expenditure,
- contributions paid to the Kent 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 appropriations 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 earned by employees.

Discretionary Benefits

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 (including teachers) 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.

Summary of employees receiving remuneration of £50,000 or more during the period 1 April 2024 to 31 March 2025

Regulations require the Council to disclose remuneration for all employees earning over £50,000 plus additional disclosures for those senior officers reporting directly to the Head of Paid Service and those earning over £150,000.

This note shows the number of employees whose total remuneration in the financial year 2024-25, was £50,000 or more.

Remuneration includes:

- a) all sums paid to or receivable by an employee including non-taxable termination payments, redundancy payments and pay in lieu of notice. This includes all payments, regardless of whether or not they were due in the year e.g. advance payment of salary in lieu of notice,
- b) expense allowances chargeable to tax i.e. the profit element of car allowances; and
- c) the money value of benefits such as leased cars and health insurance,
- d) but excludes Employer's Pension contributions.

Senior Officers whose remuneration is disclosed on pages 39 to 42 are included in the remuneration bandings shown in the table on the following page for completeness, even though there is a statutory provision that allows senior officers to be excluded from the banding analysis.

Remuneration £	Total Number of Employees Non-Schools 31 March 2025	Total Number of Employees Schools 31 March 2025	Total Number of Employees Non-Schools 31 March 2024	Total Number of Employees Schools 31 March 2024
50,000 - 54,999	404	398	315	367
55,000 - 59,999	238	256	207	227
60,000 - 64,999	154	151	145	139
65,000 - 69,999	84	108	65	99
70,000 - 74,999	64	60	65	70
75,000 - 79,999	48	42	40	52
80,000 - 84,999	37	34	29	26
85,000 - 89,999	30	18	19	23
90,000 - 94,999	18	12	12	8
95,000 - 99,999	9	7	14	11
100,000 - 104,999	12	6	10	8
105,000 - 109,999	12	5	4	2
110,000 - 114,999	5	5	8	6
115,000 - 119,999	6	2	3	7
120,000 - 124,999	2	5	4	1
125,000 - 129,999	9	3	1	3
130,000 - 134,999	0	0	1	0
135,000 - 139,999	2	4	3	0
140,000 - 144,999	6	1	2	1
145,000 - 149,999	0	0	0	0
150,000 - 154,999	1	0	1	1
155,000 - 159,999	1	1	1	0
160,000 - 164,999	1	1	2	0
165,000 - 169,999	1	0	1	0
170,000 - 174,999	1	1	1	0
175,000 - 179,999	1	0	0	0
180,000 - 184,999	0	0	1	0
185,000 - 189,999	0	0	0	0
190,000 - 194,999	1	0	1	0
195,000 - 199,999	0	0	0	0
200,000 - 204,999	0	0	0	0
205,000 - 209,999	0	0	0	0
210,000 - 214,999	0	0	0	0
215,000 - 219,999	0	0	0	0
220,000 - 224,999	1	0	0	0
Total	1,148	1,120	955	1,051

The number of employees shown against the above remuneration band will not tie-up with the information on the following pages. This is because the table above refers to remuneration which includes items a-c as per the note on the previous page, whereas the following table relates purely to salary entitlement in the year and requires the employer's pension contribution to be disclosed but only for senior officers. The Code defines senior officers as those whose annual salary is £150,000 or more, or those whose salary is above £50,000 and holds a chief officer position. Where a senior officer's annual salary is £50,000 or more, but less than £150,000, remuneration is disclosed by job title. For Senior Officers whose annual salary is £150,000 or more, their name is also disclosed. The following tables are set out in the format prescribed in the CIPFA Code, issued by The Chartered Institute of Public Finance and Accountancy.

The remuneration paid to the Authority's senior employees for 2024-25 is as follows:

Post Holder	Notes	Salary Including Fees & Allowance £	Bonus £	Allowance £	Compensation for loss of Office e.g. Redundancy Payment * £	Other £	Total Remuneration excluding Pension Contribution £	Employer Pension Contribution £	Total Remuneration including Pension Contribution £
Chief Executive - Amanda Beer		223,979					223,979	45,916	269,895
Corporate Director Adult Social Care & Health - Richard Smith		192,151					192,151	39,391	231,542
Corporate Director Children, Young People & Education - Sarah Hammond		171,883					171,883	35,236	207,120
Corporate Director Growth, Environment & Transport - Simon Jones		161,731					161,731	33,155	194,886
Corporate Director Finance - Zena Cooke	1	65,502		1,333	116,529	13,873	197,238	5,492	202,730
Interim Corporate Director Finance - John Betts	2	168,190		7,000			175,190	25,574	200,764
Director of Public Health*		127,186		16,158			143,344	29,385	172,729
General Counsel - Ben Watts	3	128,548		16,142			144,690	917	145,607
Director of Infrastructure		128,548					128,548	26,352	154,900
Director of Strategy, Policy, Relationships & Corporate Assurance		128,548					128,548	26,352	154,900
Director of Technology		126,648		12,568			139,216	28,539	167,756
Head of Commercial & Procurement		108,690		6,500			115,190	23,614	138,804

*This includes all contractual entitlements

Post Holder	Notes	Salary Including Fees & Allowance £	Bonus £	Allowance £	Compensation for loss of Office e.g. Redundancy Payment * £	Other £	Total Remuneration excluding pension Contribution £	Employer Pension Contribution £	Total Remuneration including pension Contribution £
Director of Human Resources & Organisational Development - Paul Royel		128,150					128,150	26,271	154,421

Notes	
1	Mrs Cooke left the post of Corporate Director Finance on 31 May 2024. The annualised salary for this post was £152,743.
2	Mr Betts was paid via Connect to Kent from April to June and then through KCC payroll from July to March. The annualised salary for this post was £157,000
3	Remuneration for duties as Returning Officer have been included in the allowances for Mr Watts

The remuneration paid to the Authority's senior employees for 2023-24 is as follows:

Post Holder	Notes	Salary Including Fees & Allowance £	Bonus £	Allowance £	Compensation for loss of Office e.g. Redundancy Payment * £	Other £	Total Remuneration excl pension Contribution £	Employer Pension Contribution £	Total Remuneration incl pension Contribution £
Chief Executive – David Cockburn	1	86,036					86,036	15,817	101,854
Chief Executive – Amanda Beer	2	142,345					142,345	29,181	171,525
Deputy Chief Executive – Amanda Beer	3	56,744					56,744	11,633	68,377
Corporate Director Adult Social Care & Health – Richard Smith		187,100					187,100	38,355	225,445
Corporate Director Children, Young People & Education – Sarah Hammond		163,854					163,854	33,590	197,445
Corporate Director Growth, Environment & Transport – Simon Jones		155,810					155,810	31,941	187,751
Corporate Director Finance - Zena Cooke	4	152,744		7,436			160,180	32,837	193,017
Acting Corporate Director Finance – John Betts	4	50,400					50,400	0	50,400
Director of Public Health*		123,842		16,158			140,000	28,700	168,700
General Counsel – Ben Watts	7	123,842		14,475			138,317	917	139,234
Director of Infrastructure		123,842					123,842	25,388	149,230
Director of Strategy, Policy, Relationships & Corporate Assurance		123,842					123,842	25,388	149,230

Post Holder	Notes	Salary Including Fees & Allowance £	Bonus £	Allowance £	Compensation for loss of Office e.g. Redundancy Payment * £	Other £	Total Remuneration excl pension Contribution £	Employer Pension Contribution £	Total Remuneration incl pension Contribution £
Director of Technology		122,012		12,568			134,580	27,589	162,169
Strategic Commissioner (Interim)	5	45,880		542			46,422	9,448	55,870
Head of Commercial & Procurement	6	62,569		3,792			66,361	13,673	80,034
Director of Human Resources & Organisational Development		115,959	3,500				119,459	24,489	143,948
* This includes all contractual entitlements.									

Notes	
1	Mr Cockburn left KCC on 31 July 2023
2	Mrs Beer was appointed as Chief Executive from 1 August 2023
3	Mrs Beer was Deputy Chief Executive from 1 April to 31 July 2023. The Deputy Chief Executive was vacant for the remainder of the year
4	In the absence of the Corporate Director Finance since 8 January 2024, the role has been filled by an Acting Corporate Director Finance from 8 January 2024 until 31 March 2024 at a cost of £50,400
5	The Strategic Commissioner post was deleted from 1 September 2023 and replaced by the Head of Commercial & Procurement
6	The Head of Commercial & Procurement post was introduced from 1 September 2023
7	Remuneration for duties as Returning Officer have been included in the allowances for Mr Watts

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. Of the total redundancies made, 60% of those are compulsory redundancies. We do not have the detail across bands £0 - £20,000, £20,001 - £40,000, and £40,001 - £80,000 and have applied this percentage equally to each of these bands. The total cost in 2024-25 of £1.7m includes schools and commitments in 2025-26.

(a) Exit package cost band (inc special payments)	(b) Number of compulsory redundancies 2023/24	(b) Number of compulsory redundancies 2024/25	(c) Number of other departures agreed 2023/24	(c) Number of other departures agreed 2024/25	(d) Total number of exit packages by cost band [(b)+(c)] 2023/24	(d) Total number of exit packages by cost band [(b)+(c)] 2024/25	(e) Total cost of exit packages in each band £ 2023/24	(e) Total cost of exit packages in each band £ 2024/25
80,001 - 120,000	0	0	0	1	0	1	£0	£116,529
40,001 - 80,000	2	0	1	0	3	0	£133,207	£0
20,000 - 40,000	12	10	3	6	15	16	£363,410	£501,257
0 - 20,000	40	91	11	60	51	151	£355,255	£1,044,838
Total	54	101	15	67	69	168	£851,872	£1,662,624

Note 7. Members Allowances

The Council paid the following amounts to members of the Council during the year:

	2024-25	2023-24
	£000	£000
Allowances	2,349	2,055
Expenses	53	59
Total	2,403	2,114

In 2024-25 the cost of the County Cars was £6.1k (£11.5k in 2023-24).

Note 8. Material Items of Income and Expense

Accounting Policy

Exceptional Items

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

Material Items of Income and Expense

The net loss on disposal of non-current assets of £58.2m (£87.2m in 23-24) includes a loss of £61.3m (£86.7m in 23-24) which relates to schools transferring to academy status, at nil value, as instructed by the Secretary of State for Education.

Note 9a - Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to the Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

For further details on each column, please refer to the numbered paragraphs after the tables as per the column headers.

2024-25	Drawdown to/from Reserves (Note 1) £000	Investment Income reported at Directorate Level (Note 1) £000	Chief Exec's Dept Recharges (Note 1) £000	Realignment of Financing Items for Accounting Purposes (Note 1) £000	Adjustments for Trading Activities (Note 1) £000
Adult Social Care & Health	2,370	0	5	0	0
Children, Young People & Education	2,883	551	64	181	0
Growth, Environment & Transport	1,849	358	679	0	48
Chief Executive's Department	1,121	0	-748	0	0
Deputy Chief Executive's Department	16,617	3,299	0	0	-366
Non-Attributable Costs including Corporately Held Budgets	-21,480	19,369	0	-111,492	0
Schools Delegated Budgets	-30,315	0	0	0	0
Net Cost of Services	-26,954	23,577	0	-111,311	-318
Other income and expenditure from the Expenditure and Funding Analysis	22,976	-23,577	0	111,311	-1,327
Total	-3,978	0	0	0	-1,645

2024-25	Total to arrive at amount charged to the General Fund £000	Adjustments for Capital Purposes (2) £000	Net change for the Pensions Adjustments (3) £000	Other Differences (4) £000	Total Adjustment between Funding and Accounting Basis £000
Adult Social Care & Health	2,375	8,460	-4,140	-189	4,131
Children, Young People & Education	3,680	27,967	-15,342	44,927	57,552
Growth, Environment & Transport	2,934	60,766	-2,796	507	58,476
Chief Executive's Department	373	5	-1,417	40	-1,372
Deputy Chief Executive's Department	19,550	17,926	-833	-55	17,038
Non-Attributable Costs including Corporately Held Budgets	-113,604	5,554	-1	-16,326	-10,773
Schools' Delegated Budgets	-30,315	0	0	0	0
Net Cost of Services	-115,006	120,677	-24,528	28,903	125,053
Other income and expenditure from the Expenditure and Funding Analysis	109,384	-172,123	-10,343	412	-182,054
Total	-5,622	-51,446	-34,871	29,315	-57,002

2023-24	Drawn down to/from Reserves (1) £000	Investment Income reported at Directorate Level (1) £000	Chief Exec's Dept Recharges (1) £000	Realignment of Financing Items for Accounting Purposes (1) £000	Adjustments for Trading Activities (1) £000
Adult Social Care & Health	11,465		16		
Children, Young People & Education	4,152	546	31	192	
Growth, Environment & Transport	1,050	513	296		-83
Chief Executive's Department	348		-343		
Deputy Chief Executive's Department	9,859	2,485			-940
Non-Attributable Costs including Corporately Held Budgets	-18,777	18,681		-110,344	
Schools' Delegated Budgets	-22,664				
Net Cost of Services	-14,567	22,225	0	-110,152	-1,023
Other income and expenditure from the Expenditure and Funding Analysis	17,323	-22,225		110,152	121
Total	2,756	0	0	0	-902

2023-24	Total to arrive at amount charged to the General Fund £000	Adjustments for Capital Purposes (2) £000	Net change for the Pensions Adjustments (3) £000	Other Differences (4) £000	Total Adjustment between Funding and Accounting Basis £000
Adult Social Care & Health	11,481	5,778	-3,667	-210	1,901
Children, Young People & Education	4,921	36,948	-15,126	20,537	42,359
Growth, Environment & Transport	1,776	57,482	-2,646	440	55,276
Chief Executive's Department	5	172	-1,415	6	-1,237
Deputy Chief Executive's Department	11,404	8,312	-728	-33	7,551
Non-Attributable Costs including Corporately Held Budgets	-110,440	0	-1	-83	-84
Schools' Delegated Budgets	-22,664	0	0	0	0
Net Cost of Services	-103,517	105,207	-23,583	20,657	105,766
Other income and expenditure from the Expenditure and Funding Analysis	105,371	-174,067	-7,396	5,329	-176,134
Total	1,854	-65,375	-30,979	25,986	-70,368

1. Adjustments to arrive at amount charged to the General Fund

Drawdown to and from Reserves – for management reporting purposes the Council includes drawdowns to and from reserves, this needs reversing to arrive at the amount chargeable to the General Fund.

Investment Income and realignment of Non Attributable Costs (financing items) for Accounting Purposes – the Council also includes investment income in its directorate reporting and within Financing Items are such items as interest payable, Minimum Revenue Provision (MRP) and bank fees, however this is reported in the financial statements below the cost of services line and the table above shows these items being reallocated.

Chief Executive's Department Recharges – for management reporting purposes the Council records Members Grants to the Chief Executive's Department, however for accounting purposes this is reallocated across the other directorates.

Trading Activities – for management reporting purposes the Council includes the contribution received from its trading activities, however this needs adjusting to reflect the surplus or deficit of the trading activities. The Council also is required to consolidate a joint operation into its accounts.

2. Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

3. Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

For services this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.

For Financing and investment income and expenditure the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

4. Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For services this represents the following:

- i) The finance costs charged to the Comprehensive Income and Expenditure Statement that are different from the finance chargeable in the year in accordance with statutory requirements.
- ii) The officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis that is different from the remuneration charged in the year in accordance with statutory requirements.
- iii) The Schools Budget deficit charged to the Comprehensive Income and Expenditure Statement.

The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Note 9b. Segmental Income

Income from Sales, Fees and Charges, including Internal Recharges, are analysed on a segmental basis below:

	2024-25 £000	2023-24 £000
Adult Social Care & Health	-136,125	-120,691
Children, Young People & Education	-123,160	-122,934
Growth, Environment & Transport	-55,235	-51,039
Chief Executive's Department	-13,853	-13,209
Deputy Chief Executive's Department	-15,565	-13,345
Non-Attributable Services	-5,496	-7,099
Total Income analysed on a segmental basis	-349,434	-328,317

Note 10. Expenditure and Income Analysed by Nature

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

	2024-25 £000	2023-24 £000
Expenditure		
Employee benefits expenses	1,000,814	936,945
Other services expenses	2,123,601	1,945,229
Support service recharges	87,006	77,948
Depreciation, amortisation, impairment	120,713	115,754
Interest payments including interest on Defined Liability of the Pension Fund	39,363	44,316
Precepts and levies	2,398	2,280
Loss/(Gain) on the disposal of assets	58,242	87,169
Total expenditure	3,432,139	3,209,641
Income		
Fees, charges and other service income	-365,071	-336,766
Interest and investment income	-38,630	-34,170
Income from council tax and non-domestic rates	-1,010,469	-939,432
Government grants and contributions	-2,050,877	-1,947,811
Total income	-3,465,047	-3,258,178
Surplus or Deficit on the Provision of Services	-32,908	-48,537

Included in the 2024-25 'Fees, charges and other services income' is £120.1m (£106.1m in 2023-24) of Revenue from Contracts with Service Recipients specifically relating to Social Care.

Note 11. Adjustments between accounting basis and funding basis under regulations

31 March 2025	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable reserves £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	-118,557			118,557
Revaluation gains/(losses) on Property Plant and Equipment and Assets held for Sale	-5,037			5,037
Movements in the fair value of Investment Properties	470			-470
Amortisation of intangible assets	-174			174
Capital Grants and contributions applied	119,755			-119,755
Income in relation to donated assets	0			0
In year revenue expenditure funded from capital under statute	-53,968			53,968
Prior year revenue expenditure funded from capital under statute including long term debtor adjustments	-251			251
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-80,923			80,923
Amounts of capital inventory written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-187			187
Realised & unrealised gains/(losses) on financial assets held at FVPL	74			-74
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	64,536			-64,536
Capital expenditure charged against the General Fund	23,874			-23,874
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	77,497		-77,497	
Application of grants to capital financing transferred to the Capital Adjustment Account			66,148	-66,148
Cessation of recyclable grant repaid to accountable body	-1,512	1,512		

31 March 2025	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable reserves £000
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	21,723	-21,723		
Transfer of cash sale proceeds from disposal of investment property credited to the Comprehensive Income and Expenditure Statement				
Transfer of cash sale proceeds from disposal of capital inventory credited to the Comprehensive Income and Expenditure Statement	243	-243		
Use of the Capital Receipts Reserve to finance new capital expenditure		35,484		-35,484
Loan repayments	957	-10,471		9,514
Movement in Donated Assets Account				
Realisation of deferred capital receipts		-638		638
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	1,515			-1,515
Adjustment primarily involving the Pooled Investment Adjustment Account:				
Unrealised gains/losses on financial assets held at FVPL	2,981			-2,981
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-60,942			60,942
Employer's pensions contributions and direct payments to pensioners payable in the year	95,813			-95,813
Adjustments primarily involving the DSG Adjustment Account:				
Amount by which Schools Deficit has moved in year.	-30,315			30,315

31 March 2025	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable reserves £000
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	-1,173			-972
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	604			-604
Total Adjustments	57,003	3,921	-11,349	-49,575

31 March 2024	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable reserves £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	-110,436			110,436
Revaluation gains/(losses) on Property Plant and Equipment and Assets held for Sale	-7,925			7,925
Movements in the fair value of Investment Properties	-7,165			7,165
Amortisation of intangible assets	-1,351			1,351
Capital Grants and contributions applied	135,128			-135,128
Income in relation to donated assets	0			0
In year revenue expenditure funded from capital under statute	-43,491			43,491
Prior year revenue expenditure funded from capital under statute including long term debtor adjustments	6,690			-6,690
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-99,274			99,274
Amounts of capital inventory written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-162			162
Realised & unrealised gains/(losses) on financial assets held at FVPL	3,485			-3,485
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	59,421			-59,421
Capital expenditure charged against the General Fund	19,973			-19,973
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	94,027		-94,027	0
Application of grants to capital financing transferred to the Capital Adjustment Account			32,579	-32,579
Cessation of recyclable grant repaid to accountable body	-1,319	1,319		0

31 March 2024	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable reserves £000
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7,433	-7,433		0
Transfer of cash sale proceeds from disposal of investment property credited to the Comprehensive Income and Expenditure Statement	5,035	-5,035		0
Transfer of cash sale proceeds from disposal of capital inventory credited to the Comprehensive Income and Expenditure Statement	195	-195		0
Use of the Capital Receipts Reserve to finance new capital expenditure		14,639		-14,639
Loan repayments	857	-8,303		7,446
Movement in Donated Assets Account	3,815			-3,815
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	495			-495
Adjustment primarily involving the Pooled Investment Adjustment Account:				
Unrealised gains/losses on financial assets held at FVPL	473			-473
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-59,746			59,746
Employer's pensions contributions and direct payments to pensioners payable in the year	90,725			-90,725
Adjustments primarily involving the DSG Adjustment Account:				
Amount by which Schools Deficit has moved in year.	-5,815			5,815
KCC contribution to the DSG Safety Valve	-14,400			14,400

31 March 2024	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable reserves £000
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	-6,219			6,219
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-81			81
Total Adjustments	70,368	-5,008	-61,448	-3,912

Note 12. Other Operating Expenditure

	2024-25 £000	2023-24 £000
Levies	2,398	2,280
(Gains)/Losses on the disposal of non-current assets	58,242	87,169
Assets held for Sale - revaluation movements ((Gains)/Losses)	29	351
	60,669	89,800

Note 13. Financing and investment income and expenditure

	2024-25 £000	2023-24 £000
Interest payable and similar charges	51,289	54,761
Net interest on the net defined benefit liability	-11,489	-10,054
(Gain)/loss from settlements	-2,036	-296
Pensions - Administration expenses and curtailments	3,182	2,954
Interest receivable and similar income	-21,687	-20,548
Income & expenditure in relation to investment properties and changes in fair value	-2,804	586
Changes in fair value of Financial Assets held at fair value through profit and loss	-3,055	-3,958
Other investment income	-2,295	-2,410
	11,105	21,035

Note 14. Taxation and non-specific grant income

Collection Fund Accounting Policy

To reflect that billing authorities act as agents for major preceptors in collecting their share of Council Tax and Non-Domestic Rating income, transactions and balances will be allocated between billing authorities and major preceptors. Thus, the risks and rewards that the amount of Council Tax and Non-Domestic Rates collected could vary from that predicted will be shared proportionately by the billing authorities and major preceptors.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

Revenue relating to such things as Council Tax and Non-Domestic Rates, are measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

A debtor/creditor position between billing authorities and major preceptors is required to be recognised for the cash collected by the billing Council from Council Tax and Non-Domestic Rates debtors that belongs proportionately to the billing Council and the major preceptors. This is because the net cash paid to each major preceptor in the year will not be its share of cash collected from Council Taxpayers and Non-Domestic Ratepayers. The effect of any bad debts written off, or movement in the impairment provision, are also shared proportionately.

Part of the arrangement for the retention of business rates is that authorities will assume the liability for refunding ratepayers that have successfully appealed against the rateable value of their property. At the end of 31 March 2025, the Council's estimated share of these liabilities is £6.6m.

	2024-25	2023-24
	£000	£000
Income from Council Tax	-940,164	-873,968
Non-domestic rates income and expenditure	-70,305	-65,464
Non-ringfenced government grants	-425,318	-381,429
Capital Grants and Contributions	-162,642	-200,651
	-1,598,428	-1,521,512

KCC's share of surplus on the Council Tax is £3.2m (2023-24 surplus of £1.2m). For 2024-25, the Business Rate Collection Fund has a surplus of £0.1m (2023-24 a surplus of £3.2m). See the Collection Fund Adjustment Account detailed in Note 23.

Note 15. Grant Income

Accounting Policy

Government Grants and Contributions

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

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

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

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

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2024-25:

	2024-25 £000	2023-24 £000
Credited to Taxation and Non-Specific Grant Income		
Council Tax Yield including Collection Fund	-940,164	-873,968
Local Share of Business Rates & Business Rate Collection Fund	-70,305	-65,464
Revenue Support Grant (RSG)	-11,806	-11,073
Social Care Support Grant	-117,046	-88,771
Business Rate Top-Up	-147,445	-140,802
Business Rate Compensation Grant	-53,180	-44,581
Improved Better Care Fund (iBCF) including Additional Adult Social Care Allocation	-50,015	-50,015
New Homes Bonus (NHB) & NHB Adjustment Grants	-2,059	-2,273
Covid 19 Compensation for Covid related business rate reliefs		-2,097
Services Grant	-1,312	-7,599
Adult Social Care Discharge Fund	-11,687	-7,012
Social Care Reform Grant	-26,969	-23,810
Other Un-ringfenced Grants	-3,800	-3,396
Capital Government Grants & Contributions	-162,642	-200,651
Total	-1,598,428	-1,521,512

	2024-25 £000	2023-24 £000
Credited to Services		
Dedicated Schools Grant	-923,625	-844,380
Education Funding Agency	-115,641	-104,692
Other DFES Grants	-54,930	-52,310
Department of Health Grants	-115,606	-101,770
Department for Transport	-10,763	-15,369
Asylum	-61,301	-41,479
Department of Business, Energy & Industrial Strategy		0
Department for Housing, Levelling-up, Communities & Housing	-17,058	-35,955
Department for Environment Food & Rural Affairs	-2,901	-1,776
Other	-32,366	-40,538
Total	-1,334,192	-1,238,269

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

	2024-25 £000	2023-24 £000
Capital Grants Receipts in Advance		
Department for Education	-197	-197
Other Grants	-67,157	-39,494
Other Contributions	-116,392	-118,377
Total	-183,746	-158,068

Note 16. Property, Plant and Equipment

Accounting Policy

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

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment above our de minimis of £10k (£2k in schools) is capitalised on an accruals basis. In this context, enhancement means work that has substantially increased the value or use of the assets. Work that has not been completed by the end of the year is carried forward as "assets under construction".

Measurement

Assets are initially measured at cost, comprising:

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost,
- surplus assets – fair value based on 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,
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

The Council has a policy in place to revalue its assets on a rolling programme basis. All assets will be revalued at least every four years. Assets will also be revalued following significant works occurring on that asset or some event that may impact on the value of that asset, such as a significant downturn in economic conditions. Revaluation gains are written to the Revaluation Reserve, after reversing any revaluation losses on that asset previously posted to the Comprehensive Income and Expenditure Statement. Revaluation losses will be written off against any balance on the Revaluation Reserve for that asset or to the Comprehensive Income and Expenditure Statement where no revaluation gain exists in the reserve for that asset. These amounts are then written out through the Movement in Reserves Statement so that there is no impact on Council Tax.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.

Where impairment losses are identified, they are accounted for by:

- writing down the balance on the Revaluation Reserve for that asset up to the accumulated gains
- writing down the relevant service line in the Comprehensive Income and Expenditure Statement where there is no balance or insufficient balance on the Revaluation Reserve.

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

Depreciation

Depreciation is calculated on a straight-line basis over each asset's useful economic life and is charged to the relevant service revenue account in the year following completion of the asset.

The periods over which assets are depreciated are as follows:

Land	- nil
Buildings	- 3-60 years (as determined by the valuer)
Vehicles, plant and equipment	- 3-25 years
Roads & other highways infrastructure	- 5-120 years
Community assets	- nil
Assets under construction	- nil
Investment properties, Assets Held for Sale	- nil
Heritage Assets	- nil

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.

Property will be split into five components:

Land
Structure
Mechanical and Electrical
Fixtures and Furnishings
Temporary Buildings.

These components are a significant value of the asset as a whole and have significantly different useful lives.

Under component accounting, the Authority applies a de minimis threshold of £2m per asset except Secondary Schools which have a threshold for componentisation of £8m.

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

Disposals and Non-Current Assets Held for Sale

Assets are generally defined as 'held for sale' if their carrying amount is going to be recovered principally through a sale transaction rather than through continued use. This excludes from consideration any assets that are going to be abandoned or scrapped at the end of their useful lives. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value, less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of

any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Gains and Losses on Disposal of Non-Current Assets

When an asset is disposed of or decommissioned, the difference between the capital receipt from the sale and the carrying amount of the asset in the Balance Sheet, after identified costs have been removed, 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. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. The written-off value of disposals is not a charge against council tax, as the cost of fixed 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.

Schools transferring to academy status within the financial year are derecognised. On transfer the full carrying value is derecognised as an asset disposal for nil consideration. The net loss on disposal of non-current assets of £58.2m includes a loss of £61.3m which relates to schools transferring to academy status.

Capital receipts

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then normally only be used for new capital investment. There are certain circumstances that allow revenue expenditure to be funded from capital receipts, for example the revenue costs associated with transformation. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. Conditional receipts are not included in these figures until it is prudent to do so.

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 fixed 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 fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. 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 amortisations are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Movement on balances - Movements in 2024-25	Land and Buildings £000	Vehicles, Plant and Equipment £000	Community Assets £000	Assets under Construction £000	Surplus Assets £000	Total £000	PFI Assets included in Property, Plant and Equipment £000
Cost or Valuation at 1 April 2024	2,506,828	63,036	6,047	114,799	99,220	2,789,930	301,472
Transfer of Finance Leased Assets to Right of Use Assets under IFRS 16	-5,351					-5,351	
Adjusted balance as at 1 April 2024	2,501,477	63,036	6,047	114,799	99,220	2,784,579	301,472
Additions	36,940	3,467		74,779		115,186	10,214
Donations						0	
Revaluation increases / (decreases) recognised in the Revaluation Reserve	49,335				905	50,240	-1,350
Revaluation increase / (decreases) recognised in the Surplus / Deficit on the Provision of Services	-3,901				-2,861	-6,762	
Derecognition - Disposals	-61,725	-586			-14,659	-76,970	-33,968
Derecognition - Other	-3,265	-3,539				-6,804	
Assets reclassified (to) / from Held for Sale					-721	-721	
Transfers from Assets Under Construction	26,377	142		-58,458	896	-31,043	4
Other Movements in cost or valuation	-23,406			5,338	16,105	-1,963	
At 31 March 2025	2,521,832	62,520	6,047	136,458	98,885	2,825,742	276,372

Movement on balances - Movements in 2024-25	Land and Buildings £000	Vehicles, Plant and Equipment £000	Community Assets £000	Assets under Construction £000	Surplus Assets £000	Total £000	PFI Assets included in Property, Plant and Equipment £000
Accumulated Depreciation and Impairment at 1 April 2024	-6,998	-35,610	0	0	0	-42,608	-162
Transfer of Finance Leased Assets to Right of Use Assets under IFRS 16	51					51	
Adjusted balance as at 1 April 2024	-6,947	-35,610	0	0	0	-42,557	-162
Depreciation Charge	-47,981	-5,699			-294	-53,974	-5,506
Depreciation written out to the Revaluation Reserve	42,427				176	42,603	2,827
Depreciation written out to Surplus / Deficit on the Provision of Services	2,530				120	2,650	
Impairment (losses) / reversals recognised in the Revaluation Reserve						0	
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	-47	-16		-461		-524	
Derecognition – Disposals	342	329			113	784	
Derecognition - Other	90	3,539				3,629	
Other movements in Depreciation and Impairment	389	15		461	-167	698	
At 31 March 2025	-9,197	-37,442	0	0	-52	-46,691	-2,841
Net Book Value At 31 March 2025	2,512,635	25,078	6,047	136,458	98,833	2,779,051	273,531
Net Book Value At 31 March 2024	2,499,830	27,426	6,047	114,799	99,220	2,747,322	301,310

Movement on balances - Comparative Movements in 2023-24	Land and Buildings £000	Vehicles, Plant and Equipment £000	Community Assets £000	Assets under Construction £000	Surplus Assets £000	Total £000	PFI Assets included in Property, Plant and Equipment £000
Cost or Valuation at 1 April 2023	2,621,106	59,330	6,027	102,029	103,813	2,892,305	348,213
Additions	25,063	8,349	20	60,292	57	93,781	3,940
Donations						0	
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-69,327				134	-69,193	-21,545
Revaluation increase / (decreases) recognised in the Surplus / Deficit on the Provision of Services	-12,300				-442	-12,742	-5,225
Derecognition - Disposals	-89,845	-1,708			-4,846	-96,399	-23,911
Derecognition - Other	-1,073	-7,175				-8,248	
Assets reclassified (to) / from Held for Sale					-928	-928	
Transfers from Assets Under Construction	36,519	4,240		-57,758	121	-16,877	
Other Movements in cost or valuation	-3,315			10,236	1,311	8,232	
At 31 March 2024	2,506,828	63,036	6,047	114,799	99,220	2,789,930	301,472
Accumulated Depreciation and Impairment at 1 April 2023	-9,061	-38,510			-227	-47,798	-5,287
Depreciation Charge	-50,104	-5,182			-135	-55,421	-6,730
Depreciation written out to the Revaluation Reserve	47,294				123	47,417	10,009
Depreciation written out to Surplus / Deficit on the Provision of Services	5,021				148	5,169	1,846
Impairment (losses) / reversals recognised in the Revaluation Reserve						0	
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	90	-8		-343		-261	
Derecognition - Disposals	330	942			3	1,275	
Derecognition- Other		7,140				7,140	
Other movements in Depreciation and Impairment	-568	8		343	88	-129	
At 31 March 2024	-6,998	-35,610	0	0	0	-42,608	-162
Net Book Value At 31 March 2024	2,499,830	27,426	6,047	114,799	99,220	2,747,322	301,310
Net Book Value At 31 March 2023	2,612,045	20,820	6,027	102,029	103,586	2,844,507	342,926

Roads and Other Highways Infrastructure Assets

Movements on balances

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.

The Authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2024-25 £000	2023-24 £000
Net Book Value as at 1 April	947,805	896,840
Additions	96,762	89,750
Derecognition		
Depreciation	-59,830	-54,753
Impairment		
Transfers from Assets Under Construction	27,658	15,968
Other movements in cost		
Net Book Value as at 31 March	1,012,395	947,805

Reconciliation to Property, Plant and Equipment balance:

	2024-25 £000	2023-24 £000
Infrastructure Assets	1,012,395	947,805
Other PPE Assets	2,779,051	2,747,322
Total PPE Assets	3,791,446	3,695,127

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

Valuations of Property, Plant and Equipment carried at current value:

The following statement shows an analysis of the Net Book Value of revalued assets by the year of valuation. The valuations as at 31 March 2025 were carried out by Wilks Head & Eve, overseen by Guy Harbord MRICS

Valuation date of revalued assets:	Land & Buildings NBV £000	Surplus Assets NBV £000	Total NBV £000
31/03/2023	98,025	-	98,025
31/03/2024	295,272	87,510	382,782
31/03/2025	2,108,012	11,323	2,119,335
TOTAL	2,501,309	98,833	2,600,142

In addition, land and buildings totalling £11.327m are held at cost as at 31st March 2025, reflecting new assets that will be revalued in 2025-26.

The basis for valuation is set out in the statement of accounting policies, and further explained below.

Basis of valuation

All valuations of land and buildings were carried out in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors (RICS). In 2024-25 all land and buildings which have not had a valuation within the last four years have been valued. All schools, libraries, household waste centres, and highways depots were revalued.

The following methods/assumptions have been applied in estimating the current values:

- Existing Use Value where the property is not specialised and is owner occupied, for example county offices.
- Depreciated Replacement Cost where no market exists for a property, which may be rarely sold or it is a specialised asset, for example schools.
- Fair value for surplus assets.

We have considered and analysed the assets which have not been revalued in 2024-25 and are confident that the carrying amount of these assets as at 31 March 2025 is not materially different to their current value as at 31 March 2025.

The sources of information and assumptions made in producing the various valuations are set out in a valuation certificate and report.

Surplus Assets Fair Value Hierarchy

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31 March 2025 are shown in the following table:

<i>Recurring fair value measurements using:</i>	Level 2 inputs £000	Level 3 inputs £000	Fair value as at 31 March 2025 £000	Level 2 Valuation Technique	Level 3 Valuation Technique
Residential developments/conversions	800	69,334	70,134	Market approach	Market approach
Car Park		1,394	1,394		Income approach
Residential dwellings		4,085	4,085		Income & Market approach
Non-residential institutions		1,816	1,816		Income approach
Assembly & Leisure		671	671		Income & Market approach
Amenity land /woodland/grazing land		4,042	4,042		Market approach
Educational land/agricultural land		5,034	5,034		Income & Market approach
Industrial development/Commercial development/Mixed Development		10,395	10,395		Market approach
Ransom Strip		1,000	1,000		Market approach
Commercial warehousing/units		262	262		Income approach
	800	98,033	98,833		

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31 March 2024 (excluding in year additions) are as follows:

<i>Recurring fair value measurements using:</i>	Level 2 inputs £000	Level 3 inputs £000	Fair value as at 31 March 2024 £000	Level 2 Valuation Technique	Level 3 Valuation Technique
Residential developments/conversions	800	72,478	73,278	<i>Market approach</i>	<i>Market approach</i>
Car Park		348	348		<i>Income approach</i>
Residential dwellings		1,437	1,437		<i>Income & Market approach</i>
Non-residential institutions		2,186	2,186		<i>Income approach</i>
Assembly & Leisure		421	421		<i>Income approach</i>
Amenity land /woodland/grazing land		3,549	3,549		<i>Market approach</i>
Educational land/agricultural land		7,051	7,051		<i>Income & Market approach</i>
Industrial development/Commercial development/Mixed Development		10,525	10,525		<i>Market approach</i>
Commercial warehousing/units		425	425		<i>Income & Market approach</i>
	800	98,420	99,220		

NB The Council does not have any Level 1 valuations.

Reconciliation of Fair Value Measurements (using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Value Hierarchy

The movements during the year of level 3 surplus assets held at fair value, are analysed below:

	2024-25 £000	2023-24 £000
Opening balance	98,420	102,737
Transfers into Level 3	12,654	5,377
Transfers out of Level 3	-2,514	-4,912
Additions	363	0
Donations	0	0
Derecognition	-11,392	-4,675
Total gains or (losses) for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in the fair value	-1,599	-294
Total gains or (losses) for the period included in Other Comprehensive Income and Expenditure resulting from changes in the fair value	1,703	306
Depreciation charge	-208	-135
Other changes	606	16
Closing balance	98,033	98,420

£1.6m of losses arising from changes in the fair value of surplus assets have been recognised in the Surplus or Deficit on the Provision of Services within the 'Strategic & Corporate Services' line and £1.7m of gains were recognised in Other Comprehensive Income and Expenditure within the '(Surplus)/deficit arising on revaluation of non-current assets' line.

Quantitative Information about Fair Value Measurement of Surplus Assets using Significant Unobservable Inputs - Level 3

	Fair Value as at 31/03/25 £000	Unobservable input	Quantitative Information	Sensitivity
Residential Developments	69,334	1) Land value reduced to reflect uncertainty 2) Estimated fees, costs and values	1) £2,350,000 - £4,650,000 per hectare reduced by 0% - 90% 2) £235,000 - £840,000 per unit less construction costs and fees	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Car Park	1,394	1) Estimated rent 2) Passing rent 3) Estimated yield	1) £65 - £350 per permit 2) £13,250 3) 5% - 8%	Due to the low fair value of this category a significant change in unobservable inputs would not result in a significantly lower or higher fair value
Residential Dwellings	4,085	1) Rent 2) Lifelong tenancy valued to perpetuity 3) Sales price and restriction discount 4) Rate per bedroom per week	1) £1,400 - £6,516 per annum 2) Years Purchase in Perpetuity 4% 3) £385,000 - £500,000 per unit reduced by 50% 4) £1,064 per week	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Non-residential institutions	1,816	1) Estimated rent 2) Estimated yield	1) £1,924 - £6,200 per annum and £43 - £139 per square metre 2) 6.5% - 9%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Assembly & Leisure	671	1) Passing rent 2) Estimated yield 3) Estimated land value	1) £150 per annum and £55 per square metre 2) 8% - 10% 3) £100,000 per hectare	Significant changes in unobservable inputs could result in a significantly lower or higher fair value

	Fair Value as at 31/03/25 £000	Unobservable input	Quantitative Information	Sensitivity
Amenity land /woodland/grazing land	4,042	1) Estimated land value	1) £22,230 - £100,000 per hectare	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Educational land/agricultural land	5,034	1) Estimated rent 2) Estimated yield 3) Estimated land value	1) £300 - £3,150 per annum 2) 5% - 9% 3) £22,230 - £4,400,000 per hectare	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Industrial development/Commercial development/Mixed Development	10,395	1) Land value reduced to reflect uncertainty	1) £250,000 - £2,250,000 per hectare reduced by 0% - 75%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Ransom Strip	1,000	1) Estimated land value	Expert valuer judgement based on geographical relationship with neighbouring land	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Commercial warehousing/units	262	1) Estimated rent 2) Estimated yield	1) £95 - £129 per square metre 2) 12%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Total	98,033			

Valuation Process for Surplus Assets

The fair value of the Council's surplus assets is measured at least every four years in line with our revaluation policy for Property, Plant and Equipment. All valuations are carried out by appointed external valuers in accordance with the professional standards of the Royal Institution of Chartered Surveyors and reviewed internally by finance officers.

Highest & Best Use of Surplus Assets

In estimating the fair value of the Council's surplus assets, the highest and best use of 35 of the 100 assets is their current use. Of the remaining 65 assets, 60 are vacant, and 5 have alternative uses as a result of existing lease arrangements.

Contractual Commitments

The Council have contractual commitments to make payments of circa £125.8m in future years (£155.2m in 2023-24).

Note 17. - Investment Property

Accounting Policy

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 Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2024-25	2023-24
	£000	£000
Rental income from Investment Property	2,700	2,484
Direct operating expenses arising from Investment Property	-366	-940
Net gain/(loss)	2,334	1,544

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

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

	2024-25 £000	2023-24 £000
Balance at start of the year	43,168	51,140
Additions:		
• Purchases		
• Construction		
• Subsequent expenditure	32	
Disposals		-4,706
Net gains/(losses) from fair value adjustments	470	-2,459
Transfers:		
• to/(from) Inventories		378
• to/(from) Property, Plant & Equipment	-353	-1,367
Other Changes		182
Balance at end of the year	43,317	43,168

Fair Value Hierarchy

Details of the Authority's investment properties, and information about the fair value hierarchy as at 31 March 2025 are shown below:

<i>Recurring fair value measurements using:</i>	Level 2 inputs £000	Level 3 inputs £000	Fair value as at 31 March 2025 £000	Level 2 Valuation Technique	Level 3 Valuation Technique
Residential developments		6,827	6,827		<i>Market</i>
Offices	12,197	18,188	30,385	<i>Income</i>	<i>Income</i>
Industrial development / commercial development		1,363	1,363		<i>Market</i>
Car Park		53	53		<i>Income</i>
Ransom Strips		500	500		<i>Market</i>
Industrial units	3,306	103	3,409	<i>Income</i>	<i>Income</i>
Affordable housing	780		780	<i>Market</i>	
	16,283	27,034	43,317		

Details of the Authority's investment properties and information about the fair value hierarchy as at 31 March 2024 are shown below.

<i>Recurring fair value measurements using:</i>	Level 2 inputs £000	Level 3 inputs £000	Fair value as at 31 March 2024 £000	Level 2 Valuation Technique	Level 3 Valuation Technique
Residential developments	530	6,298	6,828	<i>Market</i>	<i>Market</i>
Offices	27,741	1,752	29,493	<i>Income</i>	<i>Income</i>
Industrial development/commercial development	60	1,341	1,401	<i>Market</i>	<i>Market</i>
Non-residential institutions		132	132		<i>Income</i>
Car Parks		1,187	1,187		<i>Income</i>
Ransom Strips	500		500	<i>Market</i>	
Industrial units	2,744	103	2,847	<i>Income</i>	<i>Income</i>
Affordable housing	780		780	<i>Market</i>	
	32,355	10,813	43,168		

NB The council does not have any Level 1 valuations.

Reconciliation of Fair Value Measurements (using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Value Hierarchy

The movements during the year of level 3 investment property held at fair value, are analysed below:

	2024-25 £000	2023-24 £000
Opening balance	10,813	32,414
Transfers into Level 3	17,612	
Transfers out of Level 3	-1,267	-17,985
Additions	32	
Disposals		-3,041
Total gains or (losses) for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in the fair value	-156	-725
Other changes		150
Closing balance	27,034	10,813

£0.2m of losses arising from changes in the fair value of the investment property have been recognised in the 'Surplus or Deficit on the Provision of Services - Financing and Investment Income and Expenditure' line.

Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs - Level 3

	Fair Value as at 31/03/25 £000	Unobservable input	Quantitative Information	Sensitivity
Residential Developments	6,827	1) Estimated land value 2) Discount for uncertainty	1) £2,700,000 - £3,300,000 per hectare 2) 50% - 65%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Offices	18,188	1) Estimated rent 2) Estimated yield 3) Void period	1) £84 - £274 per square metre 2) 8.0% - 11.0% 3) 1-2 years	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Industrial development/commercial development	1,363	1) Estimated land value 2) Discount for uncertainty	1) £1,200,000 - £4,100,000 per hectare 2) 15% - 50%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Car Parks	53	1) Estimated rent 2) Estimated yield	1) £250 per space 2) 8.0% - 8.5%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Ransom Strips	500	1) Estimated land value 2) Planning consent risk	Expert valuer judgement based on geographical relationship with neighbouring land	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Industrial Units	103	Estimated yield	8.25% - 9.25%	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Total	27,034			

Valuation Process for Investment Properties

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out by appointed external valuers in accordance with the professional standards of the Royal Institution of Chartered Surveyors and reviewed internally by finance officers.

Highest & Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of 20 of the 28 properties is their current use. Of the remaining 8 properties, 6 are held for capital appreciation as investments and 2 have an alternative use as a result of existing lease arrangements.

Note 18. Capital Expenditure and Financing

Accounting Policy

Government Grants and Contributions

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

Revenue expenditure funded from capital under statute

Revenue expenditure funded from capital under statute represents expenditure which may be properly capitalised but does not result in the creation of a non-current asset. The expenditure has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Capital expenditure on assets that do not belong to the council such as Academy schools are charged here and are written out in the year. These charges are reversed out to the Capital Adjustment Account through the Movement in Reserves Statement to mitigate any impact on council tax.

The total amount of capital expenditure incurred in the year is shown in the following table (including the value of right of use assets and PFI/PP contracts), 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. The CFR is analysed in the second part of this note.

	2024-25 £000	2023-24 £000
Opening Capital financing requirement	1,268,288	1,292,420
Adjustments on transition to new accounting arrangements for leases under IFRS 16	50,425	
Adjusted Opening Capital financing requirement	1,318,713	
Capital investment		
Property, Plant and Equipment	211,947	183,529
Revenue expenditure funded from capital under statute	53,968	43,491
Long-Term Debtors	6,132	10,974
Other	14,941	-386
	1,605,701	1,530,028
Sources of finance		
Capital receipts	-35,484	-14,639
Government grants and other contributions	-185,903	-167,707
Direct revenue contributions	-23,874	-19,973
(MRP/loans fund principal)	-64,536	-59,421
Closing Capital Financing Requirement	1,295,904	1,268,288
Movement	-22,809	-24,132

Explanation of movements in year	2024-25 £000	2023-24 £000
Increase in underlying need to borrow (supported by Government financial assistance)	-37,657	
Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)		-24,414
Assets acquired under IFRS 16/Finance leases	14,848	282
Increase/(decrease) in Capital Financing Requirement	-22,809	-24,132

Note 19. PFI and Similar Contracts

Accounting Policy

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets, written down by any capital contributions.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- lifecycle replacement costs - recognised as additions to Property, Plant and Equipment.

Value of PFI assets at each balance sheet date and analysis of movement in those values

Value of assets

	6 schools	Swanscombe Schools	Westview/ Westbrook	Better Homes, Active Lives	3 BSF Schools	Excellent Homes for All	TOTAL £000
As at 31 March 2024	68,554	10,733	23,160	64,017	70,371	61,616	298,451
Additions	1,542	48	1,172	530	6,699	223	10,214
Transfers out	-33,967						-33,967
Transfers in							0
Revaluations	1,071	162			30		1,263
Depreciation	-779	-218	-516	-1,178	-1,588	-1,146	-5,425
Other Movements	4						
As at 31 March 2025	36,425	10,725	23,816	63,369	75,512	60,693	270,540

£33m assets transferred out relates to one school converting to academy status.

NB The value of PFI assets in Note 16 includes £2,992k in relation to service concession arrangements (IFRIC 12) assets that are not included in this note.

Finance Lease Liability

	6 schools	Swanscombe Schools	Westview / Westbrook	Better Homes, Active Lives	3 BSF Schools	Excellent Homes for All	TOTAL £000
As at 31 March 2024	53,701	4,548	9,914	44,112	44,830	28,166	185,271
IFRS 16 re-measurement	4,227	2,858	11,871		2,943		21,899
As at 1 April 2024	57,928	7,406	21,785	44,112	47,773	28,166	207,170
Additions							0
Liability repaid	-2,738	-1,578	-644	-1,708	-2,053	-1,324	-10,045
As at 31 March 2025	55,190	5,828	21,141	42,404	45,720	26,842	197,125

The original recognition of these fixed assets is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. For the 6 Schools PFI, the liability was

written down by an initial capital contribution of £4.541m. For the Better Homes, Active Lives PFI the liability was written down by an initial capital contribution of £0.65m.

Details of payments to be made under PFI contracts

6 schools

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL £000
Within 1 year	2,698	4,894	4,602	2,631	14,825
Within 2-5 years	13,815	17,019	18,406	10,060	59,300
Within 6-10 years	29,522	12,662	23,008	8,932	74,124
Within 11-15 years	9,155	826	4,602	243	14,825

RPIx is used as the basis for indexation in the 6 schools PFI contract.

Swanscombe Schools

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL £000
Within 1 year	1,761	856	1,036	627	4,279
Within 2-5 years	4,067	860	1,510	292	6,728
Within 6-10 years	0	0	0	0	0

RPIx is used as the basis for indexation in the Swanscombe Schools PFI contract.

Westview/Westbrook

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL £000
Within 1 year	1,159	1,633	2,190	707	5,689
Within 2-5 years	7,227	5,394	8,762	1,373	22,757
Within 6-10 years	12,756	2,814	6,571	615	22,757
Within 11-15 years	0	0	0	0	0

The RPIx and Average Weekly Earnings (AWE) indices are both used as bases for indexation in the Westview/Westbrook PFI Contract.

Better Homes, Active Lives

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL £000
Within 1 year	2,112	3,012	0	247	5,371
Within 2-5 years	9,134	10,523	0	1,827	21,484
Within 6-10 years	14,905	9,099	0	2,851	26,855
Within 11-15 years	16,253	2,830	0	611	19,694
Within 16-20 years	0	0	0	0	0

No indexation is applied to the Better Homes, Active Lives PFI contract.

3 BSF Schools

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL £000
Within 1 year	2,335	4,249	2,921	1,637	11,142
Within 2-5 years	9,828	14,748	11,685	8,305	44,567
Within 6-10 years	24,291	11,678	14,606	5,132	55,708
Within 11-15 years	9,266	861	925	90	11,142

RPIx is used as the basis for indexation in the BSF Wave 3 PFI contract.

Excellent Homes for All

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL £000
Within 1 year	1,293	1,227	1,097	314	3,931
Within 2-5 years	5,214	4,335	4,387	1,788	15,724
Within 6-10 years	7,842	3,981	5,484	2,348	19,655
Within 11-15 years	9,477	2,044	5,484	2,651	19,655
Within 16-20 years	3,016	139	548	228	3,931

No indexation is applied to the Excellent Homes for All PFI contract.

TOTAL for all PFI Contracts

	Repayment of liability	Interest	Service Charges	Lifecycle costs	TOTAL £000
Within 1 year	11,357	15,870	11,846	6,163	45,236
Within 2-5 years	49,284	52,881	44,750	23,645	170,559
Within 6-10 years	89,317	40,235	49,669	19,879	199,099
Within 11-15 years	44,150	6,561	11,010	3,594	65,315
Within 16-20 years	3,016	139	548	228	3,931
Total	197,124	115,685	117,823	53,509	484,141

Swan Valley and Craylands, 6 Group Schools, and 3 BSF Schools

On 24 May 2001, the Council contracted with New Schools (Swanscombe) Ltd to provide Swan Valley Secondary School and Craylands Primary School under a Private Finance Initiative (PFI). The schools opened in October 2002. Under the PFI contract the Council pays an agreed charge for the services provided by the PFI contractor. The unitary charge commenced in October 2002, PFI credits were received from April 2003 and were backdated to October 2002. This charge is included in the Council's revenue budget and outturn figures. At the time the contract was signed the total estimated contract payments were £65.5m over the 25 year (termination end of September 2027) contract period. In September 2013 Swan Valley Community School converted into Ebbsfleet Academy.

On 7 October 2005, the Council contracted with Kent Education Partnership to provide 6 new secondary schools (Hugh Christie Technology College, Holmesdale Technology College (now Holmesdale School), The North School (now an Academy), Ellington School for Girls, The Malling School and Aylesford School - Sports College) under a Private Finance Initiative (PFI). The

development of these schools straddled both the 2006-07 and 2007-08 financial years. Three of these schools opened part of their new buildings during the 2006-07 financial year (Hugh Christie, Holmesdale and The North). The other three schools opened their new buildings during 2007-08 (Ellington School for Girls, The Malling and Aylesford). From September 2009 Ellington School for Girls merged with Hereson Boys School to become Ellington and Hereson School, which is also a Trust. The school has now been renamed the Royal Harbour Academy. The Royal Harbour Academy Lower Site, serving Years 7 and 8 is the only site in the PFI. The Upper Site is not part of the contract. The North School became an academy in January 2022. In September 2022 both Aylesford and Holmesdale Schools became academies. The Royal Harbour Academy school became an academy on 1 April 2023. Hugh Christie Technology College became an academy on 1 April 2024.

The unitary charge commenced in November 2006, PFI credits commenced in June 2007 and were backdated to November 2006. This charge is included in the Council's revenue budget and outturn figures. At the time the contract was signed the total estimated contract payments were £373.9 million over the 28 year contract period.

On 24 October 2008, the Council contracted with Kent PFI Company 1 Ltd to provide 3 new secondary schools in Gravesend (St John's Catholic School, Thamesview School and Northfleet Technology College) under a Private Finance Initiative (PFI) which formed part of the Building Schools for the Future programme. All three schools opened their new buildings during the 2010-11 financial year. The unitary charge commenced in July 2010 upon the opening of the three schools, PFI credits commenced in March 2011 and were backdated to July 2010. This charge is included in the Council's revenue budget and outturn figures. At the time the contract was signed the total estimated contract payments were £250.8 million over the 25 year contract period.

Central Government provides a grant to support the PFI schemes. This Revenue Support Grant is based on a formula related to the Capital Expenditure in the scheme: this is called the notional credit approval and amounts to £11.62m of credits for Swan Valley and Craylands, £80.75m for the 6 schools and £98.94m for the 3 schools. This approval triggers the payment of a Revenue Support Grant over the life of the schemes of 25 years (Swan Valley and Craylands), 28 years (6 schools), and 25 years (3 schools). This grant amounts to just under £23m (Swan Valley and Craylands), just over £177m (6 schools) and just over £193m (3 schools).

Westbrook and Westview

In 2024-25, the Council made payments of £5.7m to Integrated Care Services (ICS) for the maintenance and operation of Westbrook and Westview recuperative care facilities. The Council is committed to making payments of £5.7m for 2025-26 under this PFI contract. The actual amount paid will depend on the performance of ICS in delivering the services under the contract which will run until April 2033.

Gravesham Place

The NHS are the accountable body for this PFI arrangement and in accordance with accounting procedures this is not included on KCC's balance sheet. However, in 2025-26 the Council is committed to making payments estimated at £4.3m per year under a contract with NHS Property Services, of which an estimated £4.0m will be paid by NHS Property Services to Land Securities Group Plc for the maintenance and facilities management, including laundry and catering, of Gravesham Place integrated care centre. The actual amount is subject to an annual inflationary uplift, other contractual adjustments and is also dependent on the performance of Land Securities in delivering the services under the contract (£4.2m was invoiced in 2024-25, of which £3.9m was paid to Land Securities Group Plc). The contract will run until April 2036.

Better Homes, Active Lives PFI

In October 2007 the Council signed a PFI contract with Kent Community Partnership Ltd (a wholly owned subsidiary of Housing 21) to provide 340 units of accommodation of which 275 units are Extra Care accommodation, 58 units for people with learning difficulties, and 7 units for people with mental health problems. The contract for the provision of services will last until 2038-39. In 2024-25 the Council made payments of £5.3m to the contractor and is committed to paying the same amount next year, although this will depend on the performance of Kent Community Partnership delivering the services under the contract.

Excellent Homes for All PFI

In June 2014 the Council signed a PFI contract with Galliford Try PLC (now Galliford Try Ltd) who will provide 238 units of specialist accommodation on seven sites across Kent. There will be 218 units of Extra Care accommodation, 9 units for people with mental health problems and 11 move-on apartments. In 2024-25 the Council made unitary charge payments of £3.9m to the contractor and is committed to paying the same amount each year, although this will depend on the performance of the Kent EHFA Projectco Limited delivering the services under the contract. The contract runs until 2040-41.

Note 20. Heritage Assets

Accounting Policy

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

Heritage assets above our de minimis of £10k are recognised in the balance sheet wherever possible at valuation or cost. In most cases, insurance valuations are used. However, the unique nature of many heritage assets makes valuation complex and so where values cannot be obtained, either due to the nature of the assets or the prohibitive cost of obtaining a valuation, they are not recognised in the balance sheet, but comprehensive descriptive disclosures are included in the statement of accounts.

An impairment review of heritage assets is carried out where there is physical deterioration of a heritage asset.

	Historic Buildings £000	Artwork - Paintings & Sculptures £000	Archives £000	Historical & Archaeological Artefacts £000	Civic Regalia £000	Total Heritage Assets £000
Cost or Valuation At 1 April 2023	2,043	2,670	3,065	188	21	7,987
Additions	306					306
Donations						
Disposals						
Revaluations Increases / (Decreases) recognised in the Revaluation Reserve			254			254
Revaluations Increases / (Decreases) recognised in the Surplus / Deficit on the Provision of Services						
At 31 March 2023	2,349	2,670	3,319	188	21	8,547
Cost or Valuation At 1 April 2024	2,349	2,670	3,319	188	21	8,547
Additions	178					178
Donations						
Disposals						
Revaluations Increases / (Decreases) recognised in the Revaluation Reserve						
Revaluations Increases / (Decreases) recognised in the Surplus / Deficit on the Provision of Services						
At 31 March 2025	2,527	2,670	3,319	188	21	8,725

Historic Environment & Monuments

Eight windmills are included in the balance sheet at a value of £2.415m, which represents spend on these assets including £178k capital expenditure added to these assets in 2024-25. These are either Grade I or II listed buildings and are located across Kent. KCC first took windmills into our care in the 1950s when, with the millers gone, there was no one else to protect these landmark buildings. We now own eight, ranging from Post Mills of Chillenden and Stocks at Wittersham to the magnificent Smock Mill at Cranbrook – the tallest in England.

Kent County Council works with local groups to actively preserve the future of the windmills and to support their repair and, where records exist, restoration. We also encourage improvements to the buildings and sites, to encourage greater public access and greater use of the windmills as an educational resource.

Thurnham Castle, located within White Horse Wood Country Park is a late 11th/early 12th century motte and bailey castle with gatehouse and curtain walls in flint and traces of an oval or polygonal shell keep, built on a steep spur of the North Downs. Above ground remains consist of some surviving sections of walling and earthworks of the main castle mound. This is valued at £111k in the balance sheet which represents spend on the asset. Situated within Shorne Woods Country Park is the site of the medieval manor house **Randall Manor**. The site now consists of below ground archaeological remains, along with earthworks relating to associated fishponds and field systems.

Hildenborough war memorial consists of a cross shaft with a carved relief of a crucifixion scene. It stands on a plinth on a stepped dais. The inscription to the dead of the First World War is on the front face of the plinth below the cross with names on the side faces and additional names of the fallen on the risers of the steps.

The former World War II Air Raid Wardens' post stands in a fenced and partly walled enclosure at the side of the steps down from Folkestone Road to the approach to Dover Priory railway station. It is a small flat-roofed concrete structure with all apertures boarded up.

Martello Tower No. 5 situated at Folkestone Grammar School is a Scheduled Monument, one of a chain of forts that protected the south coast from the threat of invasion in the Napoleonic period. It stands within the grounds of the school, immediately west of the buildings.

The church of St Martin-le-Grand and remains of the Dover Classis Britannica fort are incorporated and displayed at the Dover Discovery Centre, which houses Dover Library. It was formerly the White Cliffs Experience. The Roman remains relate to the 2nd century fort that occupied the site and the area to the southwest. The church of St Martin-le-Grand was an early foundation that developed through the medieval period. At the time of the Reformation, it fell into disuse and buildings were constructed in and around the church. The remains of the church are exposed in the land between the centre and the museum to the northeast.

A grade II listed **Statue of Queen Victoria** is situated outside of the Adult Education Centre, Gravesend.

Artwork

Included in the balance sheet, at insurance valuations, are the following collections:

Kent Visual Arts Loan Service, a collection of c.1500 pieces of original artwork currently held in storage at Sessions House, valued at £730k.

The Antony Gormley Boulders Sculpture, the sculptors' first professional commission, valued at £859k. The sculpture is a single piece, in that the two parts are inextricably linked. The hollow bronze piece is a facsimile of the granite stone. The work represents the "old and the new" sitting side by side in harmony and is located at the Kent History and Library Centre.

Contemporary collection of c. 200 artworks (6 out of 7 collections) in storage in Sessions House, valued at £334k.

KCC Sessions House collection, valued at £83k.

Glass Screen by Chris Ofili valued at £491k. Translucent glazed screen lit from below, by Chris Ofili (2003), welcoming you to Folkestone Library.

Kent History Tree & Leaves valued at £173k. The "History Tree" at the Kent History and Library Centre was installed in September 2013, created by Anne Schwegmann-Fielding in collaboration with Michael Condron. It is an 8 metre stainless steel tree, adorning the front of the building, with translucent mosaic at its base and 17 steel and mosaic leaves changing from green to red blowing along the pillars.

Archive Collections

Kent County Council looks after its own records and those of its predecessor authorities. In addition, it collects and makes accessible other historic records under the terms of the 1962 Public Records Act and the 1972 Local Government Act. These records include those of public bodies such as courts, health trusts and coroners, of district councils and of individuals and organisations in the county. There are about 12kms of records, dating back to 699AD, and they are stored in BS5454 conditions at the Kent History Centre in Maidstone. Approximately 25% of the records are owned by KCC, the values of which are included in the balance sheet as follows (valuations are insurance valuations unless otherwise specified):

General archive collections, £952k

Knatchbull/Brabourne Manuscripts, £1,845k. Family and estate papers relating to the Knatchbull/Brabourne family comprising of accounts, correspondence, legal papers, and manorial records.

Rare Books collection, valued at £209k based on an informal estimate given by an antiquarian book dealer.

Amherst Family Papers £314k based on a valuation obtained before they were bought via a Heritage Lottery Fund bid.

The **Kent Historic Environment Record** is primarily a digital database (including GIS display) of Kent's archaeological sites, find spots, historic buildings, and historic gardens. It also includes paper records of archaeological, historic building and historic landscape reports. The County aerial photograph series is now located in the Kent History centre.

Archaeological & Historical Artefacts

Kent County Council has accepted ownership of the majority of the **HS1 archaeological archives** as owner of last resort to prevent the collections from being broken up or disposed of. The collections comprise approximately 70 cubic metres of boxes containing archaeological artefacts including pottery, bone, stone, metalwork, and worked flint. They are generally of little financial value. The collections are currently housed half at Kent Commercial Services, Aylesford, half in a store at Dover Eastern Docks, a small number of items in Invicta House, Maidstone, and waterlogged wood in Chatham Historic Dockyard. During 2014-15, in order to keep the HS1 archive together in one ownership, KCC has also acquired the finds from the Anglo-Saxon cemetery excavations at Saltwood Tunnel which have been declared as treasure under the Treasure Act 1996 and valued at £37.5k. The finds are currently stored within the Art Store at Kent County Council.

KCC owns approximately 4,000 objects of social history, archaeological and geological, prints, and drawings and other material housed at **Sevenoaks Kaleidoscope Museum**. A marble **roman**

bust & portrait, found at Lullingstone Villa, dating back to 2nd Century AD are valued at £60k and £40k, respectively. These are currently on long term loan from Sevenoaks Museum to the British Museum. The museum holds a **painting by John Downton** and a **18th/19th soldier's quilt** recently valued at £50k by an industry expert.

There is a collection of around 100 artefacts kept at Ramsgate Library, remnants of a fire at the library in 2004, including prize cups, watches, signs & plaques, pots, printing plates, weights and measures.

There is a wooden model of Broadstairs Lifeboat that was launched 84 times between 1868 -1888, displayed in a wood and glass cabinet. This model has been restored by a member of the public and is now on display in **Broadstairs Library**.

KCC owns **Scientific Calibration Equipment** dating back to the 1800s in the display cases.

Civic Regalia

KCC's silver collection is valued at £21k. This includes The Chairman's Plate, The Silver Salver, The Silver Gilt Cup, and The 500 Squadron Silver collection.

Note 21. Leases

Accounting Policy

The Council as Lessee

For arrangements previously accounted for as operating leases (i.e. without recognising the leased property as an asset and future rents as a liability), a right-of-use asset and a lease liability are to be brought onto the balance sheet at 1 April 2024. Leases for items of low value (under £10,000) and leases that expire within 12 months are exempt from the arrangements.

IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right-of-use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures. Lease liabilities are measured at the present value of the remaining payments at 1 April 2024, discounted by the authority's incremental borrowing rate at that date. The weighted average of the incremental borrowing rates used to discount liabilities was 5.10%. Right-of-use assets are measured at the amount of the lease liability, excluding any initial direct costs. As a practical expedient, the cost model has been used as a proxy for current value where appropriate as permitted by the Code.

Valuations are not required for all right of use assets in the same way they are for freehold land & buildings. This is because the IFRS 16 guidance allows them to be measured at the value of the lease liability, adjusted for certain eligible costs & reductions, where lease terms are short enough or contain provisions for rent reviews that will regularly update amounts payable under the lease to reflect current market conditions.

However, where there are no provisions in the lease for market-based rent reviews, or these have not been undertaken, or where the reviews are at periods of more than five years then a valuation is required.

In addition, a valuation must be obtained for any right of use assets under non-commercial leases (e.g. where we are paying peppercorn rent).

Opening position:

The impact on the balance sheet due to implementation of IFRS 16 Leases is an increase to long term assets £20.0m and an increase to short and long term liabilities of £28.5m as per the tables below.

Separately, as part of the requirements of the new standard, the net book value of finance leases at 31 March 2024 have been recategorised as right of use assets (previously within Property, Plant & Equipment), totalling £5.3m. This can be seen as part of the balance at 1 April 2024 in the 'In year changes to right of use assets' table below.

Right of use assets at 1 April 2024	£000s
Assets recognised on implementation of IFRS 16	20,038
Total	20,038

Lease liabilities at 1 April 2024	£000s
Short term liability (within 1 year)	3,423
Long term liability (over 1 year)	25,102
Total	28,525

Reconciliation of the Council's operating lease commitments as at 31 March 2024 to the total liability recognised on adoption of IFRS 16 Leases:

	£000s
Operating lease commitments as at 31 March 2024 per 2023-24 accounts	40,520
Additional lease commitments identified as part of the implementation	10,201
Contracts not in scope of IFRS 16	-13,115
Effect of discounting	-9,081
Lease liabilities recognised on adoption of IFRS 16	28,525

The additional lease commitments include 24 vehicle leases which were identified, commencing in March 2024 but not recorded in the 2023-24 accounts (£0.6m), a rent review on an asset leased out was backdated to 7 October 2023 (£5.9m), 4 new leases were identified (£1.2m), seven changes of judgement have been processed relating to lease options (£1.3m) and there is an embedded equipment lease (£1.1m). There is also a finance lease with a liability of £0.6m at 1 April 2024 that has been recategorised to an IFRS 16 lease liability.

In year changes to right of use assets:

	Total £000s
Balance at 1 April 2024	25,338
Additions	20,137
Lease Modifications	1
Revaluations	-1,581
Depreciation	-4,229
Disposals	-2,999
Balance at 31 March 2025	36,667

Comprehensive Income and Expenditure Statement:

	£000s
Interest expense on lease liabilities	1,771
Expense relating to short-term leases	609
Expenses relating to low value leases	1,244
Income from subletting right of use assets	-864

Maturity analysis of lease liabilities at 31 March 2025:

	Total £000s
Less than one year	6,048
One to five years	17,233
More than five years	37,239
Total	60,519

The Council as Lessor

The fundamental principles of lessor accounting remain largely consistent with the previous IAS 17 standard. Lessors must classify each lease out as either a finance lease or operating lease. This classification determines how the lease is accounted for. There is no requirement to reassess existing leases under lessor accounting for the implementation of IFRS 16.

Sub-leases

When a lessor sub-leases an asset, it must classify the sub-lease as either a finance lease or an operating lease based on the same criteria used for the original lease. IFRS 16 requires the classification of subleases to be assessed by reference to the right-of-use asset acquired by the authority under the head lease, and not the underlying asset.

For finance leases, the lessor derecognises the leased asset and recognises a lease receivable equal to the net investment in the lease. Interest income is recognised over the lease term.

The Council entered into a significant sublease in 2013 for a commercial warehouse property with Global Commercial Services Group Ltd, which runs until 4 October 2038. The sublease has been classified as a finance lease, as it transfers substantially all the risks and rewards associated with the right-of-use asset to the sublessee. As a result, the Council has derecognised the right-of-use asset and recognised a net investment in the lease. The annual lease income under the arrangement is £1.2m. The net investment in the sub lease is £12.1m at 31 March 2025.

Net investment in sub leases:

	KCC £000s	Trading Operations £000s	Total £000s
Net investment at 1 April 2024	12,737	9,170	21,907
New leases entered into	0	7,708	7,708
Payments by lessees	-638	-4,342	-4,980
Net investment at 31 March 2025	12,099	12,536	24,635

Note 22. Usable Reserves

Accounting Policy

The Council holds general fund reserves as a consequence of income exceeding expenditure, budgeted contributions to reserves or where money has been earmarked for a specific purpose. These reserves are set at a level appropriate to the size of the budget and the level of assessed risk.

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 Comprehensive Income and Expenditure Statement. 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, retirement and employee benefits and do not represent usable resources for the Council.

The Balance at 31 March 2024 matches the Balance Sheet on page 23. The Balance at 1 April 2024 is the restated balance following implementation of IFRS 16 Leases.

Reserve	Balance at 31 March 2024 £000	Balance at 1 April 2024 £000	Net Move-ment in year £000	Balance at 31 March 2025 £000	Purpose of Reserve
Usable Capital Receipts	-44,234	-44,234	3,921	-40,313	Proceeds of fixed assets and loan repayments available to meet future Capital Expenditure
General Fund - KCC	-43,228	-43,228	-35,223	-78,451	Resources available to meet future unforeseen events
General Fund - Commercial Services	198	198	-309	-111	Resources available to meet future unforeseen events
Capital Grants unapplied	-163,652	-163,652	-11,349	-175,001	See note below
Earmarked Reserves*	-312,851	-312,851	60,818	-252,033	See Note 24
Schools Reserve*	-58,634	-58,634	144	-58,490	See table below
Surplus on Trading Accounts*	-1,734	-2,246	-1,335	-3,581	Commercial Services (restated 1 April 2024 balance)
Total	-624,135	-624,646	16,666	-607,980	

The Net Movement in year figures in rows with an asterisk (*) in the table above match the 'Transfers to/from Earmarked Reserves' figures in the Earmarked GF Reserves column in the Movement in Reserves Statement (MIRS).

Capital grants unapplied of £175.0m as at 31 March 2025 includes the schools capital reserves of £0.432m. This has decreased from the surplus of £0.984m held by schools as at 31 March 2024. The remainder reflects Government grants and contributions received in year for projects in progress.

School Reserves

At 31 March 2025 funds held in school revenue reserves stood at £58.5m. These reserves are detailed in the table below:

	Balance at 1 April 2024 £000	Movement £000	Balance at 31 Mar 2025 £000
School delegated revenue budget reserves - committed	-18,381	-871	-19,252
School delegated revenue budget reserves - uncommitted	-39,989	1,076	-38,912
Unallocated Schools budget	0	0 -	0
Community Focused Extended School Reserves	-264	-61	-325
	-58,634	144	-58,490

Note 23. Unusable Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice.

The Balance at 31 March 2024 matches the Balance Sheet on page 23. The Balance at 1 April 2024 is the restated balance following implementation of IFRS 16 Leases.

Reserve	Balance at 31 March 2024	Balance at 1 April 2024	Net Movement in year £000	Balance 31 March 2025 £000	Purpose of Reserve
Revaluation Reserve	-1,483,685	-1,474,963	-19,045	-1,494,008	Store of gains on revaluation of fixed assets
Capital Adjustment Account	-1,057,935	-1,036,275	-114,843	-1,151,119	Store of capital resources set aside for past expenditure
Financial Instruments Adjustment Account	16,770	16,770	-2,381	14,389	Movements in fair value of assets and premiums
Collection Fund Adjustment Account	-4,411	-4,411	1,173	-3,238	Movement between the I & E and amount required by regulation to be credited to the General Fund
Pensions Reserves - KCC	34,032	34,032	-5,397	28,635	Balancing account to allow inclusion of Pensions Liability in Balance Sheet
Pensions Reserves - DSO	797	797	-138	659	Balancing account to allow inclusion of Pensions Liability in Balance Sheet
Pooled Investment Adjustment Account	5,570	5,570	-2,982	2,589	Movements in fair value of Pooled Investment Funds
Accumulated Absences Account	9,860	9,860	-224	9,636	This absorbs the differences on the General Fund from accruing for untaken annual leave

Reserve	Balance at 31 March 2024	Balance at 1 April 2024	Net Movement in year £000	Balance 31 March 2025 £000	Purpose of Reserve
Post Employment Account	461	461	-380	81	This absorbs the differences on the General Fund from accruing for redundancy and retirement costs agreed but not due until future years
Deferred Capital Receipts Reserve	0	-12,731	638	-12,092	
DSG Adjustment Account	103,430	103,430	30,315	133,745	Recognition of deficits in respect of the schools budget
Total	2,375,111	-2,357,461	-113,262	-2,470,723	

Revaluation Reserve

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

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

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

	2024-25 £000	2024-25 £000	2023-24 £000	2023-24 £000
Balance as at 31 March		-1,483,685		-1,585,992
Adjustments on transition to new accounting arrangements for leases under IFRS 16		8,721		
Restated Balance as at 1 April 24		-1,474,964		
Upward revaluation of assets	-115,467		-44,384	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	23,308		65,830	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		-92,159		21,446
Difference between fair value depreciation and historical cost depreciation	25,368		26,880	
Accumulated gains on assets sold or scrapped	47,746		53,981	
Amount written off to the Capital Adjustment Account		73,114		80,861
Balance at 31 March		-1,494,009		-1,483,685

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction, or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction, and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 11 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2024-25 £000	2024-25 £000	2023-24 £000	2023-24 £000
Balance as at 31 March		-1,057,934		-978,593
Adjustments on transition to new accounting arrangements for leases under IFRS 16		21,659		
Adjusted balance as at 1 April 2024		-1,036,275		
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
- Charges for depreciation and impairment of non-current assets	118,557		110,436	
- Revaluation losses on Property, Plant and Equipment and Assets Held for Sale	5,037		7,925	
- Income in relation to donated assets				
- Amortisation of intangible assets	174		1,351	
- Revenue expenditure funded from capital under statute	54,219		36,801	
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	80,923		99,274	
- Amounts of capital inventory written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	187		162	
- Realised and unrealised gains/losses on financial assets held at FVPL	-74		-3,485	
		259,023		252,464
Adjusting amounts written out of the Revaluation Reserve		-73,114		-80,861
Net written out amount of the cost of non-current assets consumed in the year		-850,366		-806,990

Capital financing applied in the year:				
- Use of the Capital Receipts Reserve to finance new capital expenditure	-35,484		-14,639	
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-119,755		-135,128	
- Application of grants to capital financing from the Capital Grants Unapplied Account	-66,148		-32,579	
- Statutory provision for the financing of capital investment charged against the General Fund	-64,536		-59,421	
- Capital expenditure charged against the General Fund	-23,874		-19,973	
		-309,797		-261,740
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		-470		7,165
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement				-3,815
Write down of long-term debtors		9,514		7,446
Balance at 31 March		-1,151,119		- 1,057,934

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

	2024-25 £000	2024-25 £000	2023-24 £000	2023-24 £000
Balance as at 1 April		16,770		18,215
Premiums/discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement				
Proportion of premiums/discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	-865		-950	
		-865		-950
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		-1,515		-495
Balance at 31 March		14,390		16,770

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to 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	2023-24
Balance at 1 April	34,829	62,449
Remeasurement of the net defined liability/(asset)	29,336	3,359
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	60,942	59,746
Employer's pension contributions and direct payments to pensioners payable in the year	-95,813	-90,725
Balance at 31 March	29,294	34,829

Collection Fund Adjustment Account

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

	2024-25	2023-24
Balance at 1 April	-4,412	-10,631
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	1,173	6,219
Balance at 31 March	-3,239	-4,412

Accumulated Absences Account

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

	2024-25 £000	2024-25 £000	2023-24 £000	2023-24 £000
Balance as at 1st April		9,860		8,865
Settlement or cancellation of accrual made at the end of the preceding year	-9,860		-8,865	
Amounts accrued at the end of the current year	9,636		9,860	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		-224		995
Balance at 31 March		9,636		9,860

Post Employment Account

The Post Employment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for early retirement and redundancy payments that are agreed in year but are due in future years. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2024-25 £000	2024-25 £000	2023-24 £000	2023-24 £000
Balance as at 1st April		461		1,375
Settlement or cancellation of accrual made at the end of the preceding year	-384		-855	
Amounts accrued at the end of the current year	4		-59	
		-380		-914
Balance at 31 March		81		461

Pooled Investment Adjustment Account

The Pooled Investment Adjustment Account absorbs the timing differences arising from the gains or loss made by the Council arising from increases or decreases in the value of its investments that are measured at fair value through profit or loss. On derecognition the cumulated gain or loss is posted back to the General Fund Balance in accordance with statutory regulation. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

	2024-25 £000	2024-25 £000	2023-24 £000	2023-24 £000
Balance as at 1st April		5,569		-6,043
Upward revaluation of investments				
Downward revaluation of investments	-2,981		-474	
Change in impairment loss allowances				
		-2,981		-474
Accumulated gains or losses on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income				
Accumulated gains or losses on assets sold and maturing assets written out to the General Fund Balance for financial assets designated to fair value through other comprehensive income				
Balance at 31 March		2,588		5,569

DSG Adjustment Account

The Dedicated Schools Grant adjustment account holds accumulated deficits relating to the schools budget. Where the authority has incurred a deficit on its schools budget in years beginning 1 April 2020 ending 31 March 2026, the Local Authorities (Capital Finance and Accounting) Regulations do not allow for such amounts to be included in the General Fund and instead must be held in this adjustment account.

	2024-25 £000	2023-24 £000
Balance as at 1st April	103,430	97,616
School budget deficit transferred from General Fund in accordance statutory requirements	45,415	20,214
KCC's contribution to the DSG Safety Valve agreement for 2023-24	-15,100	-14,400
Balance at 31 March	133,745	103,430

Note 24. Earmarked Reserves

A reserves review took place during 2024-25 which resulted in some recategorisation of some reserve balances.

The following describes each Earmarked Reserve categorisation for the balances shown as at 31 March 2024 or 31 March 2025 in the tables on page 96.

Vehicles, plant, and equipment (VPE)

These are reserve for the replacement and acquisition of vehicles, plant, and equipment. They are supported by an asset management plan showing the projected replacement timeline and cost. These reserves help to reduce fluctuations in spend.

Smoothing Reserves

These are reserves which are used to manage large fluctuations in spend or income across years.

Major Projects

These reserves are for future spending on projects.

Partnerships

These are reserves are resulting from our partnerships and are ringfenced for the benefit of the partnership or are held for investing in strategic priorities. This includes £36.2m held in DSG Safety Valve Reserve set aside to fund the deficit held in the DSG Adjustment Account.

Grants and External Funds

These reserves are for unspent grants which we are not required to repay, but which have restrictions on what they may be used for, and time limited projects funded from ringfenced external sources.

Departmental Under/Overspends

This reserve relates to the re-phasing of projects/initiatives and bids to use underspends at the year-end which are approved as roll forwards into the following year. These are subject to approval by Cabinet.

Insurance Reserve

This is a reserve for the potential cost of insurance claims in excess of the amount provided for in the insurance fund provision.

Public Health reserve

As set out in the Local Authority Circular issued for the Public Health grant, any unused funds at the end of the financial year have been placed into a reserve and are to be used to meet eligible public health spend in future years.

Special funds

These are reserves held primarily to facilitate the implementation of economic development and tourism initiatives and policy and regeneration expenditure.

	Balance at 1 April 2024 £000	Movement £000	Balance at 31 Mar 2025 £000
Other Earmarked Reserves			
VPE reserve	-22,554	-559	-23,114
Smoothing Reserves	-148,651	36,813	-111,838
Major Projects	-41,012	6,479	-34,534
Partnerships	-51,521	7,045	-44,476
Grant and External Funds	-16,150	8,405	-7,745
Departmental Under/Overspends	-2,771	2,173	-599
Insurance Reserve	-12,382	170	-12,212
Public Health Reserve	-16,984	264	-16,720
Special Funds	-825	28	-797
Total Earmarked Reserves	-312,851	60,818	-252,033

	Balance at 1 April 2023 £000	Movement £000	Balance at 31 Mar 2024 £000
Other Earmarked Reserves			
VPE reserve	-20,274	-2,280	-22,554
Smoothing Reserves	-109,211	-39,440	-148,651
Major Projects	-68,877	27,864	-41,013
Partnerships	-67,661	16,140	-51,521
Grant and External Funds	-53,182	37,031	-16,151
Departmental Under/Overspends	-3,303	531	-2,772
Insurance Reserve	-13,185	805	-12,380
Public Health Reserve	-16,899	-85	-16,984
Special Funds	-742	-83	-825
Total Earmarked Reserves	-353,334	40,483	-312,851

Note 25. Provisions

Accounting Policy

It is the policy of Kent County Council to make provisions in the Accounts where there is a legal or constructive obligation to make a payment, but the amount or timing of the payment is uncertain. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. The most significant provision made is for insurance claims. In addition, provision is made for outstanding income where there is doubt as to whether it will be realised.

The Council has made a provision for insurance claims. The Council's insurance arrangements involve both internal and external cover. For internal cover, an Insurance Fund has been established to provide cover for property, combined liability and motor insurance claims. The Fund comprises a provision for all claims notified to the Council at 31 March each year and a Reserve for claims not yet reported but likely to have been incurred.

The Post Employment Provision covers the costs of early retirements, redundancy costs, and any other post employment costs for ex-employees/employees who have confirmed leaving dates.

The Accumulated Absences Provision is required to cover the costs of annual leave entitlements carried over to the following financial year. If an employee were to leave, they would be entitled to payment for this untaken leave.

	Insurance £000	Post Employment £000	Accumulated Absences £000	Other Provisions £000	Total £000
Short Term					
Balance at 1 April 2024	-3,102	-754	9,860	-13,189	-26,905
Additional Provisions made in 2024-25	-3,236	-280	-6,369	-7,278	-17,163
Amounts used in 2024-25	3,374	653	6,593	3,438	14,058
Unused amounts reversed in 2024-25		20		6,102	6,122
Balance at 31 March 2025	-2,964	-361	-9,636	-10,927	-23,888
Long Term					
Balance at 1 April 2024	-7,989	-77	0	-1,482	-9,548
Additional/Reduction in Provisions made in 2024-25				-149	-149
Amounts used in 2024-25	432	77	0	0	509
Unused amounts reversed in 2024-25				734	734
Balance at 31 March 2025	-7,557	0	0	-897	-8,454
Total Provisions at 31 March 2025	-10,521	-361	-9,636	-11,824	-32,342

Insurance

There is uncertainty over the timing of when insurance claims will be settled due to the complexity of some claims. The short-term and long-term split is calculated using a percentage based on past claims settled. Included within the insurance provision is £600k for the Municipal Mutual Insurance (MMI) provision.

Post Employment

The provision relates to early retirements and redundancies and are individually insignificant.

Accumulated Absences

The provision relates to annual leave entitlement carried forward at 31 March 2025. It will not be discharged until a cash settlement is made or an employee takes their settlement, or the liability has ceased.

Note 26 - Amounts owed to the Council by debtors

31 March 2025	Short Term £000	Long Term £000	Total £000
Medway Council (transferred debtor)		26,674	26,674
Recoverable VAT	28,400		28,400
Trade Receivables	137,858		137,858
Payments in Advance	32,379		32,379
General Debtors	175,969	43,562	219,531
Total	374,606	70,237	444,843

31 March 2024	Short Term £000	Long Term £000	Total £000
Medway Council (transferred debtor)		27,784	27,784
Recoverable VAT	55,799		55,799
Trade Receivables	155,635		155,635
Payments in Advance	29,346		29,346
General Debtors	156,889	23,003	179,892
Total	397,669	50,787	448,456

Capital short term debtors amounting to £14.0m are included in the accounts at 31 March 2025 (£20.7m in 2023-24). These relate to grants and external funding towards capital expenditure incurred in 2024-25 which had not been received by 31 March 2025 along with loan repayments funded from capital falling due in 2024-25.

Note 27. Amounts owed by the Council to creditors

31 March 2025	Short Term £000	Long Term £000	Total £000
Receipts in Advance	101,961		101,961
Contract Liabilities	2,064		2,064
Deferred Income	8,906		8,906
General Creditors	334,000	533	334,532
Total	446,931	533	447,464

31 March 2024	Short Term £000	Long Term £000	Total £000
Receipts in Advance	79,908		79,908
Contract Liabilities	1,734		1,734
Deferred Income	7,062		7,062
General Creditors	353,089	34	353,123
Total	441,793	34	441,827

Capital creditors amounting to £31.9m are included in the accounts at 31 March 2024 (£24.2m in 2023-24).

Note 28. Cash and Cash Equivalents

Accounting Policy

Cash is represented by cash in hand/overdraft and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. They comprise call and business accounts.

In the Cash Flow Statement and Balance Sheet, 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.

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

	At 31 March 2025 £000	At 31 March 2024 £000
Bank current accounts	-40,297	-10,967
Call accounts (same day access funds)	142,979	142,511
Total Cash and Cash Equivalents	102,681	131,544

Note 29. Cash Flow - Operating Activities

The cash flows for operating activities include the following items:

	2024-25 £000	2023-24 £000
Interest received	-21,030	-20,507
Interest paid	51,605	54,912
Employee Costs	1,011,956	952,720
Income from Council Tax	-1,010,469	-939,432
Government Grants	-1,955,249	-1,857,983

	2024-25 £000	2023-24 £000
The Surplus or Deficit on the Provision of Services has been adjusted for the following non-cash movements:		
Movement in pension liability	-34,871	30,979
Carrying amount of non-current assets sold	-80,923	-99,274
Carrying amount of capital inventory old	-187	-162
Carrying amount of Financial Assets held at FVPL	3,056	3,958
Amortisation of fixed assets	-174	-1,351
Depreciation of fixed assets	-118,557	-110,436
Impairment and downward valuations	-5,037	-7,925
Increase/(decrease) debtors	-15,283	47,106
(Increase)/decrease creditors	2,696	21,350
Increase/(decrease) stock	-435	-6,173
Movement on investment properties	470	-7,165
REFCUS	-54,219	-36,801
Other non-cash items charged to the net surplus/deficit on the Provision of Services	5,864	-15,221
	-227,858	-181,115

	2024-25 £000	2023-24 £000
The Surplus or Deficit on the Provision of Services has been adjusted for the following items that are investing and financing activities		
Proceeds from the sale of property plant and equipment, investment property, and intangible assets	22,923	13,520
Capital grants applied	195,740	227,836
Payment of Collection Fund Deficit	0	8,096
	218,663	249,452

Note 30. Cash Flow Statement - Investing Activities

	2024-25 £000	2023-24 £000
Purchase of property, plant and equipment, investment property, and intangible assets	264,479	240,790
Purchase of short-term and long-term investments	2,147,683	2,770,890
Proceeds from sale of property, plant and equipment, investment property, and intangible assets	-21,723	-12,468
Proceeds from capital inventory	-243	-195
Proceeds from short-term and long-term investments	-2,129,972	-2,821,144
Other receipts from investing activities	-238,755	-233,914
Net cash flows from investing activities	21,469	-56,040

Note 31. Cash Flow Statement - Financing Activities

	2024-25 £000	2023-24 £000
Cash receipts of short- and long-term borrowing	0	0
Relating to finance leases and on-balance sheet PFI contracts	10,166	5,832
Repayments of short- and long-term borrowing	39,330	30,577
Net cash flows from financing activities	49,496	36,409

Note 32. Reconciliation of Liabilities arising from Financing Activities

	2024-25 1 April £000*	Financing cash flows £000	Non-cash changes: Acquisition £000	Non-cash changes: Other non- cash changes £000	2024-25 31 March £000
Long-term borrowings	-702,562			52,224	-650,338
Short-term borrowings	-78,369	39,330		-51,471	-90,510
• IFRIC 12	-1,849	165			-1,684
• Lease Liabilities	-29,154	3,780	-17,975	3,127	-42,222
• On balance sheet PFI liabilities	-207,170	10,045			-197,125
Total liabilities from financing activities	-1,019,104	53,320	-17,975	3,880	-981,879

*The opening position has been updated to reflect the impact of implementing IFRS 16, please refer to notes 19 - PFI and similar contracts & 21 - Leases for further information.

	2023-24 1 April £000	Financing cash flows £000	Non-cash changes: Acquisition £000	Non-cash changes: Other non- cash changes £000	2023-24 31 March £000
Long-term borrowings	-721,893			19,331	-702,562
Short-term borrowings	-90,156	30,577		-18,790	-78,369
• IFRIC 12	-2,003	157			-1,846
• Lease Liabilities	-406				-406
• On balance sheet PFI liabilities	-193,537	8,267			-185,270
Total liabilities from financing activities	-1,007,996	39,001	0	541	-968,454

Note 33. Trading Operations

The results of the various trading operations for 2024-25 are shown below prior to transfers to and from reserves.

Business unit/activity	Turnover £000	Expenditure £000	Surplus/ Deficit (-) 2024-25 £000	Surplus/ Deficit (-) 2023-24 £000
Kent County Supplies and Furniture Provision of educational and office supplies (from warehouse stock and by direct delivery) and furniture assembly and professional services	5,559	3,652	1,907	1,046
Brokerage Services Procurement and distribution of Services, including Laser energy buying group	14,571	10,642	3,929	3,448
Transport Services Provision of lease cars, minibuses, and lorries, plus vehicle maintenance and repairs	1	1	0	-7
Total surplus	20,131	14,295	5,836	4,487

Note 34. Audit Costs

In 2024-25 the following fees were paid relating to external audit and inspection:

	2024-25 £000	Restated 2023-24 £000
Fees payable to Grant Thornton UK LLP for external audit services carried out by the appointed auditor	488	456
Fees payable in respect of other services provided by the appointed auditor	15	15
	503	471

The 2024-25 £15k fee payable for other services relates to the Teachers' Pensions end of year certificate.

Note 35. Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the schools budget, as defined in the School Finance and Early Years (England) (No 2) Regulations 2022. The schools budget includes elements for a range of educational services provided on an authority-wide basis and for the individual schools budget (ISB), which is divided into a budget share for each maintained school.

These accounts have been produced in accordance with the Schools and Early Years Finance (England) Regulations 2020, which required local authorities to carry forward overspends of Dedicated School Grant (DSG). Further regulations which came into force on 29 November 2020 and mandated that any deficit must not be charged to the local authorities' revenue account but instead must be recorded in a separate account solely for the purposes of recording deficits relating to its schools' budget.

These regulations also mean that the use of funding from the revenue account to make good any deficit can only be made upon approval from the Secretary of State. This reflects the statutory requirement that a deficit must be carried forward to be funded from future DSG income.

As of 31 March 2025, cumulative DSG deficit is £97.5m. The statutory instrument, which prevents the deficit from being offset against useable reserves, expires on 31 March 2026. These accounts have been prepared on the basis the Government will find a solution towards dealing with the overspends before then as part of the Comprehensive Spending Review due in the summer of 2025.

The Authority entered the Department for Education's "Safety Valve" process in Summer 2022, which involves the Local Authority reforming its high needs systems and associated spending in return for additional funding to contribute to the historic deficit. This deficit is held in the DSG Adjustment Account in Note 23 on pages 86 to 94. A DSG Safety Valve earmarked reserve holds the net in-year surplus from 2022-23 that has arisen due to the additional DfE funding and KCC contribution.

Details of the deployment of DSG receivable for 2024-25 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2024-25 before academy and high needs recoupment			1,777,974
Academy and high needs figure recouped for 2024-25			-856,380
Total DSG after academy and high needs recoupment for 2024-25			921,594
Brought forward from 2023-24			36,263
Carry-forward to 2025-26 agreed in advance			0
Agreed initial budget distribution in 2024-25	316,703	641,154	957,857
In-year adjustments	13,774	-2,533	11,241
Final budgeted distribution for 2024-25	330,447	638,621	969,098
Less actual central expenditure	-339,629		-339,629
Less Actual ISB deployed to schools		-638,621	-638,621
Plus Local Council contribution for 2024-25	15,100		15,100
Carry Forward to 2024-25	5,948	0	5,948
Plus Carry-forward to 2025-26			36,263
DSG unusable reserve at the end of 2023-24			-103,430
Addition to DSG Safety Valve reserve at the end of 2024-25*			-30,315
Total of DSG unusable reserve at the end of 2024-25			-133,745
Net DSG position at the end of 2024-25			-97,483

*2024-25 in-year DSG Deficit after additional contributions from both the DfE and KCC contribution.

Details of the deployment of DSG receivable for 2023-24 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2023-24 before academy and high needs recoupment			1,623,773
Academy and high needs figure recouped for 2023-24			-791,762
Total DSG after academy and high needs recoupment for 2023-24			832,011
Brought forward from 2022-23			36,263
Carry-forward to 2024-25 agreed in advance			0
Agreed initial budget distribution in 2023-24	303,125	565,149	868,274
In-year adjustments	14,565	3,425	17,990
Final budgeted distribution for 2023-24	317,690	568,575	886,264
Less actual central expenditure	301,642		301,642
Less Actual ISB deployed to schools		568,575	568,575
Plus Local Council contribution for 2023-24	14,400		14,400
Carry Forward to 2023-24	30,448	0	30,448
Plus Carry-forward to 2024-25 agreed in advance			0
Carry-forward to 2024-25			36,263
DSG unusable reserve at the end of 2022-23			-97,616
Addition to DSG Safety Valve reserve at the end of 2023-24*			-5,815
Total of DSG unusable reserve at the end of 2023-24			-103,431
Net DSG position at the end of 2023-24			-67,168

Note 36. Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has significant influence over the general operations of the 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). Grants received from government departments are set out in Note 10 on expenditure and income analysed by nature.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Member's allowances paid in 2024-25 is shown in Note 7 on page 42. During 2024-25 works and services to the value of £1.312m (£1.346m in 2023-24) were commissioned from companies which five (nine in 2023-24) Members have had an interest in. Contracts were entered into in full compliance with the Council's standing orders.

Other Public Bodies (subject to common control by central government)

The Council has pooled budget arrangements for the provision of a range of services including drug and alcohol related services, registered nursing care contribution in care homes, and integrated care centres providing nursing, respite, and recuperative care to Older People.

Payments of Employers' Pension Contributions were made to the Pension Fund in respect of members of the Local Government Pension Scheme and to the Teachers Pension Agency in respect of teachers. The amounts of these payments are detailed in notes to the Consolidated Income and Expenditure Statement, Note 37 on pages 108 to 114 of these Accounts.

As administrator of the Kent Pension Fund, KCC has direct control of the Fund. Transactions between KCC Pension Fund and the Council in respect of income for pensions admin, investment monitoring and other services amounted to £7.082m and cash held by the Pension Fund on behalf of KCC is £7.445m.

Payments to other local authorities and health bodies, excluding precepts, totalled £88.3m. Receipts from other local authorities and health bodies totalled £98.6m. Details of the highest values with individual public bodies is shown in the table below.

Local authority or health body	Amount £000
Payments	
Kent Community Health NHS Foundation Trust	45,731
Maidstone & Tunbridge Wells NHS Trust	6,443
NHS Kent & Medway ICB	4,965
Wandsworth Borough Council	4,419
Tunbridge Wells Borough Council	1,732
Tonbridge & Malling Borough Council	1,567
Folkestone & Hythe District Council	1,530
Receipts	
NHS Kent & Medway ICB	30,633
Medway Council	5,749

Entities Controlled or Significantly Influenced by the Council

The Council has one active subsidiary company, Global Commercial Services Group Ltd. During the year the total values of payments made to and received from Global Commercial Services Group Ltd and its group companies were £88.6m and £4.5m respectively (£78.1m and £5.5m respectively in 2023-24).

Kent County Council also has an interest in the following companies:

	Payments made in 2024-25 £000
Active companies with less than or equal to 50% control	
Aylesham & District Community Workshop Trust	5
Trading Standards South East Ltd	26
Kent PFI Holdings Company 1 Ltd	12,496
TRICS Consortium Ltd	4
Produced in Kent (PINK) Ltd	45

The information on the above companies have been disclosed as either a Member or an officer of the Council sits on the company board as a representative of the Council.

Note 37. Pension Costs

Note 37a - Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2024-25, Kent County Council paid £73.0m (£57.8m in 2023-24), to the Teachers Pension Agency in respect of teachers' pension costs, which represented 28.7% (23.7% in 2023-24) of teachers' pensionable pay. The rate increase from 23.7% to 28.7% came into effect from 1 April 2024. In addition, Kent County Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2024-25 these amounted to £4.9m (£4.9m in 2023-24), representing 1.9% (2.0% in 2023-24) of pensionable pay.

Public Health staff employed by the Authority are members of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers and is a multi-employer defined benefit scheme. The Authority is not able to identify the underlying scheme assets and liabilities for the staff transferred. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2024-25 Kent County Council paid £0.06m (£0.07m in 2023-24), to the NHS Pension Scheme in respect of public health pension costs, which represented 14.4% (14.4% in 2023-24) of employees pensionable pay.

Note 37b. Defined Benefit Pension Scheme

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

The Council participates in one post-employment scheme:

- The Local Government Pension Scheme, administered locally by Kent County Council – this is a funded defined benefit career average revalued earnings 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.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.
- The Kent County Council Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Kent County Council Superannuation Fund Committee, a committee of Kent County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee and consist of the Director of Finance of Kent County Council and external Investment Fund managers (for details of investment fund managers see note 15d of the Pension Fund Accounts)
- The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity

investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when they are paid as pensions. However, the charge we are required to make against the Council Tax is based on the cash payable in the year, so the real cost is reversed out through the Movement in Reserves Statement.

Under the requirements of IAS19, the Council is required to show the movement in the net pensions deficit for the year. This can be analysed as follows:

Local Government Pension Scheme

Comprehensive Income and Expenditure Statement	2024-25 £000	2023-24 £000
Cost of Services:		
Current service cost	-69,538	-65,846
Past service costs	-1,747	-1,296
	-71,285	-67,142
Financing and Investment Income and Expenditure:		
Net interest expenses	11,489	10,054
(Gain)/loss from settlements	2,036	296
Administration expenses	-3,182	-2,954
Total Charged to the Surplus or Deficit on the Provision of Services	-60,942	-59,746
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement:		
Return on plan assets (excluding the amount included in the net interest expenses)	-65,077	-46,273
Actuarial gains and losses arising on changes in demographic assumptions	8,880	46,472
Actuarial gains and losses arising on changes in financial assumptions	472,152	19,067
Actuarial gains and losses arising on impact of asset ceiling	-460,155	-16,799
Experience loss/(gain) on defined benefit obligation	9,748	-10,621
Other	5,116	4,795
Total Charged to the Comprehensive Income and Expenditure	-29,336	-3,359
Total charged to Comprehensive Income and Expenditure Statement	-90,278	-57,197
Movement in Reserves statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	60,942	59,746
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	-95,813	-90,725
Total Movement in Reserves statement	-34,871	-30,979

Other Employees

Other employees of the County Council may participate in the Kent County Council Pension Fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme.

In 2024-25, Kent County Council paid an employer's contribution of £95.8m (£90.7m in 2023-24) into the Pension Fund, representing 22% (21% in 2023-24) of pensionable pay. The employer's contribution rate is determined by the Fund's actuary based on triennial actuarial valuations, and for 2024-25 was based on the review carried out as at 31 March 2022. Under Pension Fund Regulations the rates are set to meet 100% of the overall liabilities of the Fund.

Pension Assets and Liabilities in the Balance Sheet

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

Local Government Pension Scheme

	2024-25 £000	2023-24 £000
Present value of the defined benefit obligation	2,975,720	3,349,863
Fair value of plan assets	-3,453,559	-3,366,662
Sub total	-477,839	-16,799
Impact of asset ceiling	477,839	16,799
Present value of unfunded obligation	29,294	34,829
Net liability arising from defined benefit obligation	29,294	34,829

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

Local Government Pension Scheme

	2024-25 £000	2023-24 £000
Opening fair value of scheme assets	3,366,662	3,267,712
Interest on assets	177,022	168,576
Remeasurement gains/(losses)		
• Return on plan assets (excluding the amount included in the net interest expenses)		
• Other	-65,077	-46,273
Contributions from employer	100,929	95,520
Contributions from employees into the scheme	31,208	30,065
Benefits paid	-152,762	-141,128
Other	-4,423	-7,810
Closing fair value of scheme assets	3,453,559	3,666,662

The actual return on scheme assets in the year was £111,945k (2023-24: £122,303k).

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

Liabilities: Local Government Pension Scheme

	2024-25 £000	2023-24 £000
Opening balance at 1 April	3,384,692	3,330,161
Current service cost	69,538	65,846
Interest cost	164,648	158,522
Contribution from scheme participants	31,208	30,065
Remeasurement gains/(losses):		
• Actuarial gains and losses arising on changes in demographic assumptions	-8,880	-46,472
• Actuarial gains and losses arising on changes in financial assumptions	-472,152	-19,067
• Experience loss/(gain) on defined benefit obligation	-9,748	10,621
• Other	-5,116	-4,795
Past service costs	1,747	1,296
Benefits paid	-147,646	-136,333
Liabilities extinguished on settlements	-3,277	-5,152
Closing balance at 31 March	3,005,014	3,384,692

Local Government Pension Scheme assets comprised:

	2024-25 £000	2024-25 %	2023-24 £000	2023-24 %
Equities	1,966,606	56.9%	1,958,520	58.2%
Gilts	204,715	5.9%	246,677	7.3%
Other Bonds	513,387	14.9%	484,746	14.4%
Property	282,806	8.2%	302,056	9.0%
Cash	136,586	4.0%	53,610	1.6%
Absolute return fund	176,390	5.1%	170,108	5.1%
Infrastructure	173,069	5.0%	150,945	4.5%
Total assets	3,453,559	100%	3,366,662	100%

The percentages of the total Fund held in each asset class were as follows:

		2024-25 % Quoted	2024-25 % Unquoted	2023-24 % Quoted	2023-24 % Unquoted
Fixed Interest Government Securities	UK	0%		0%	
	Overseas				
Index Linked Government Securities	UK	6%		7%	
	Overseas				
Corporate Bonds	UK	4%		4%	
	Overseas	10%		11%	
Equities	UK	11%		16%	
	Overseas	42%		37%	
Property	All		8%		9%
Others	Absolute return portfolio	5%		5%	
	Private Equity		5%		5%
	Infrastructure		5%		4%
	Derivatives		0%		-2%
	Cash/Temporary Investments		4%		3%
Net Current Assets	Debtors		0%		1%
	Creditors		0%		0%
Total assets		78%	20%	80%	20%

The decrease in pension deficit during the year has arisen principally due to the technical decrease in the valuation of the liabilities. International Accounting standard IAS19 requires the liabilities to be valued using assumptions based on gilt and corporate bonds yields. Had these markets remained at their 2024 levels then the pensions deficit would have been £472,152k higher at £501,446k.

IAS19 does not have any impact on the actual level of employer contributions paid to the Kent County Council Fund. 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 total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2026 is £91,013.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The County Council Fund liability has been assessed by Barnett Waddingham.

The principal assumptions used by the actuary have been:

Local Government Pension Scheme

		2024-25 £000	2023-24 £000
Mortality assumptions:			
Longevity at 65 for current pensioners:	Men	20.7 years	20.8 years
	Women	23.3 years	23.3 years
Longevity at 65 for future pensioners:	Men	22.0 years	22.0 years
	Women	24.7 years	24.7 years
Rate of increase in Consumer Price Index		2.90%	2.95%
Rate of increase in salaries		3.90%	3.95%
Rate of increase in pensions		2.90%	2.95%
Rate for discounting scheme liabilities		5.80%	4.90%
Take-up option to convert annual pension into retirement lump sum		50%	50%

The estimation of the defined benefit obligation 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 remain constant. The assumptions 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.

Impact on the Defined Benefit Obligation in the Scheme	Increase in Assumption £000	Decrease in Assumption £000
Adjustment to discount rate (increase or decrease by 0.1%)	2,962,764	3,048,295
Adjustment to long-term salary increase (increase or decrease by 0.1%)	3,007,586	3,002,462
Adjustment to pension increase and deferred revaluation (increase or decrease by 0.1%)	3,046,914	2,964,098
Adjustment to mortality age rate assumption (increase or decrease in 1 year)	3,119,159	2,895,700

Highways ex Direct Works DLO Pension Fund

The Balance Sheet includes £0.7m to reflect the unfunded liability of the Highways (ex Direct Works DLO) Pensions Fund as calculated by the actuary in March 2025 in accordance with IAS19.

Commercial Services, Invicta Law Ltd, Cantium Business Solutions Ltd, and The Education People

The Balance Sheet includes the assets and liabilities for the wholly-owned subsidiaries of KCC. All entities have closed resolution body status which allows them to treat the pension as a defined contribution pension scheme with the Council keeping the assets and liabilities on its Balance Sheet.

Note 38. Financial Instruments

Accounting Policy

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement 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.

Financial assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are two main classes of financial assets measured at:

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

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 a form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the 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 Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the 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.

However, the Council has made a number of loans to start up companies at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (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 Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, 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 Comprehensive Income and Expenditure Statement 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 or losses that arise from the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its contractual financial assets held at amortised cost or fair value through other comprehensive income, either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligation. Credit risk plays a crucial factor 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.

For loans and investments, the loss allowance is equal to 12-month expected credit losses (ECLs) unless credit risk has increased significantly in which case it is equal to lifetime ECLs. For trade receivables without a significant financing component, the loss allowance is always equal to lifetime ECLs.

To calculate ECLs, a two-year delay in cash flows is assumed to arise in the event of default. For 12-month ECLs, only default events occurring in the next 12 months are considered.

Financial Assets Measured at Fair Value through Profit or Loss

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

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the financial assets are based on the following techniques:

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

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

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

Any gains or losses that arise from the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities

The Council's financial liabilities held during the year are measured at amortised cost and comprised of:

- long-term loans from the Public Works Loan Board and commercial lenders
- short-term loans from other local authorities
- overdraft with NatWest Bank
- finance leases on land and buildings
- Private Finance Initiative contracts detailed in Note 19
- trade payables for goods and services received.

Financial Assets

The financial assets held by the Council during the year are held under the following two classifications:

Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:

- cash
- bank current and deposit accounts
- fixed term deposits with the DMO
- fixed term deposits with banks and building societies

- treasury bills issued by the UK Government
- covered bonds issued by financial institutions and backed by a pool of assets
- loans to other local authorities
- trade receivables for goods and services delivered.

Fair value through profit and loss (all other financial assets) comprising:

- money market funds
- shares in unlisted companies
- unquoted equity investments relating to KCC wholly owned companies
- pooled equity, bond, and property investment funds

Categories of Financial Instruments

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

	31 March 2025 Long Term £000	31 March 2025 Short Term £000	31 March 2024 Long Term £000	31 March 2024 Short Term £000
Financial Assets				
Investments			201,763	128,912
• Fair value through profit or loss	205,018	132,979		
• Amortised cost	111,451	52,690	99,290	50,283
	316,469	185,669	301,053	179,195
Debtors			30,422	309,981
• Amortised cost	53,606	312,155		
• Amortised cost - Soft Loans	16,631	9,496	20,365	8,980
• Non financial assets		52,955		78,708
	70,237	374,606	50,787	397,669
Cash & Cash Equivalents				
Total	386,706	562,420	351,840	576,864

	31 March 2025 Long Term £000	31 March 2025 Short Term £000	31 March 2024 Long Term £000	31 March 2024 Short Term £000
Financial Liabilities				
Borrowing			702,562	78,369
• Amortised cost	650,338	90,510		
• Non-financial liabilities	230,288	20,587	178,549	9,207
	880,626	111,097	881,111	87,576
Creditors			34	354,823
• Amortised cost	533	336,064		
• Non-financial liabilities		110,867		86,970
	533	446,931	34	441,793
Cash & Cash Equivalents		40,297		10,967
Total	881,159	598,325	881,145	540,336

Financial Instruments Designated at Fair Value through Profit or Loss

For Money Market Funds, Bond, equity and property funds the fair value is calculated at Level 1 valuation techniques, as set out on page 119.

The shareholdings in our wholly owned subsidiaries and unquoted equity are not subject to credit risk and is therefore limited to the value of our investment. Fair value is calculated at Level 3 valuation techniques, as set out on page 119.

	2024-25 Surplus or Deficit on the Provision of Services £000	2024-25 Other Comprehensive Income and Expenditure £000	2023-24 Surplus or Deficit on the Provision of Services £000	2023-24 Other Comprehensive Income and Expenditure £000
Net gains/losses on:				
Financial assets measured at fair value through the profit or loss	-2,982		-474	
Financial assets measured at amortised cost	-	-	-	-
Financial assets measured at fair value through other comprehensive income				
Financial liabilities measured at amortised cost	-866	-866	-950	-950
Total net gain/losses	-3,932	-950	-1,424	-950
Interest revenue	8,410	-	10,726	-
Financial assets measured at amortised cost				
Financial Assets measured at fair value through profit or loss	15,418	-	15,101	-
Total interest revenue	23,828	0	25,827	0
Interest expenses	-31,275	-	-34,599	-
Fee income	-	-	-	-
Financial assets or financial liabilities that are not at fair value through profit or loss				
Trust and other fiduciary activities	-	-	-	-
Total fee income	0	0	0	0
Fee expense	-18,627	-	-18,822	-
Financial assets or financial liabilities that are not at fair value through profit or loss				
Trust and other fiduciary activities	0	-	0	-
Total fee expense	18,627	0	-18,822	0

Fair Value of Financial Assets

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the table below, including the valuation techniques used to measure them.

Recurring fair value measurements	Input Level in fair value hierarchy	Valuation technique used to measure fair value	As at 31 Mar 2025 £000	As at 31 Mar 2024 £000
Fair value through Profit and Loss:				
Money market funds	Level 1	Unadjusted quoted prices in active markets for identical shares	132,979	128,912
Equity Shares	Level 1	Unadjusted quoted prices in active markets for identical shares	0	0
Bond, equity, and property funds	Level 1	Unadjusted quoted prices in active markets for identical shares	177,535	174,554
Equity Funds	Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly	9,826	10,127
Unquoted Equity	Level 3	Company net assets multiplied by the percentage share capital owned	17,657	17,082
			337,997	330,675

Sensitivity of Fair Value Measurement using Significant Unobservable Inputs - Level 3

Significant changes in unobservable inputs could result in a significantly lower or higher fair value.

Reconciliation of Fair Value Measurements (using significant Unobservable Inputs) categorised within Level 3 of the Fair Value Hierarchy

The movements during the year of level 3 Unquoted Equity held at fair value, are analysed below:

	2024-25 £000	2023-24 £000
Opening balance	17,082	13,097
Transfers into Level 3		
Transfers out of Level 3		
Additions		
Derecognition		
Total gains or (loss) for the period:		
Included in Surplus or Deficit on the Provision of Services	575	3,985
Included in Other Comprehensive Income and Expenditure		
Closing Balance	17,657	17,082

The Fair Values of Financial Assets and Financial Liabilities that are not carried at Fair Value (but for which Fair Value Disclosures are required)

Except for the financial assets carried at fair value (described in the table on the previous page), all other financial liabilities and financial assets held by the Council as well as long-term debtors and creditors are carried in the Balance Sheet at amortised cost. The fair values calculated are as follows:

	31 March 2025 Carrying Amount £000	31 March 2025 Fair Value £000	31 March 2024 Carrying Amount £000	31 March 2024 Fair Value £000
Financial Liabilities				
Financial liabilities held at amortised cost				
PWLB loans	433,872	412,618	462,218	466,692
Long-term LOBO and Market Loans	306,976	300,230	318,714	339,068
Cash and cash equivalents	40,297	40,297	10,967	10,967
Other long-term loans				
PFI and finance lease liabilities	200,383	221,770	187,746	218,413
Total	981,528	974,915	979,645	1,035,140

The fair value of borrowings is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2025) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2025 Carrying Amount £000	31 March 2025 Fair Value £000	31 March 2024 Carrying Amount £000	31 March 2024 Fair Value £000
Financial Assets				
Financial assets held at amortised cost				
- long-term investments	111,451	116,093	99,290	97,948
- short-term investments	52,690	52,690	50,283	50,283
- cash and cash equivalents				
Amortised Cost - Soft Loans	16,631	7,724	20,365	11,640
Total	180,722	176,507	169,938	159,871

Long-term and short-term debtors and creditors carrying value is a fair approximation of their fair value.

Fair value hierarchy for financial assets and financial liabilities that are not carried at fair value

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Total £000
31 March 2025				
Recurring fair value measurements using: Financial Liabilities Financial liabilities held at amortised cost:				
• Long-term PWLB loans		412,618		412,618
• Long-term LOBO and Market Loans		300,230		300,230
PFI and finance lease liabilities			221,770	221,770
Total	0	712,848	221,770	934,618
Financial Assets Financial assets held at amortised cost:				
• Investments held at amortised cost	103,456	65,176	150	168,782
• Soft loans to third parties			7,724	7,724
Total	103,456	65,176	7,874	176,506

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Total £000
31 March 2024				
Recurring fair value measurements using: Financial Liabilities Financial liabilities held at amortised cost:				
• Long-term PWLB loans		466,692		466,692
• Long-term LOBO and Market Loans		339,068		339,068
PFI and finance lease liabilities			218,413	218,413
Total	0	805,760	218,413	1,024,173
Financial Assets Financial assets held at amortised cost:				
• Investments held at amortised cost	88,756	60,690	150	149,596
• Soft loans to third parties			11,640	11,640
Total	88,756	60,690	11,790	161,236

The fair value for financial liabilities and financial assets included in Level 2 and Level 3 in the table above have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2025 using the following methods and assumptions:

- PWLB loans have been valued by discounting the contractual cash flows over the whole life of the instrument at the available market rate for local authority loans
- LOBO loans have been increased by the value of the embedded options. Lender's options to increase the interest rates of the loans have been valued according to the proprietary model for Bermudan cancellable swaps. Borrower's options have been valued at zero on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- PFI and finance lease liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements)
- Soft loans have been valued by discounting the contractual payments at the market rate of interest for a similar loan

The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

Financial Assets	Financial Liabilities
• no early repayment or impairment is recognised	• no early repayment or impairment is recognised
• estimated ranges of interest rates at 31 March 2025 based on new lending rates for equivalent loans at that date	• estimated ranges of interest rates at 31 March 2025 based on new lending rates for equivalent loans at that date
• the fair value of short-term financial assets including trade receivables is assumed to approximate to the carrying amount. For trade receivables this equates to the invoiced or billed amount	• The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount

Note 39. Nature and Extent of Risks Arising from Financial Instruments

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2021.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council,
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments,
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measurables as interest rates and stock market movements.

Credit Risk: Treasury Investments

Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default; the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £20m is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in UK banks, building societies, and companies, a lower limit of £15m applies. The Council also sets limits on investments in certain sectors. No more than £300m in total can be invested for a period longer than one year.

The credit quality of the £103.3m of the Council's investments in covered bonds is enhanced as these bonds are collateralised by pools of residential mortgages. The collateral significantly reduces the likelihood of the Council suffering a credit loss on these investments.

The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating:

Credit Rating	31 Mar 2025 £000	31 Mar 2024 £000
AAA	237,520	217,668
AA-	33,228	31,138
A+	5,073	8,634
A	0	5,022
A-	0	0
Unrated Pooled Funds/Equity/Other Local Authorities		
Unrated Pooled Funds	198,857	190,600
Equity	27,209	27,209
Other Local Authorities		
Total Investments	501,887	480,271

All deposits outstanding as at 31 March 2025 met the Council's credit rating criteria on 31 March 2025.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by [three] or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent.

Collateral and Other Credit Enhancements

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral at 31 March 2025 was £1.5m.

Liquidity risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and at higher rates from banks. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council also has to manage the risk that it will not be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates.

Time to maturity	31 Mar 2025	31 Mar 2024
Years	£000	£000
Not over 1	32,225	29,330
Over 1 but not over 2	25,225	32,225
Over 2 but not over 5	24,674	41,674
Over 5 but not over 10	122,591	64,788
Over 10 but not over 20	136,949	212,976
Over 20 but not over 30	49,800	39,800
Over 30 but not over 40	140,600	160,600
Over 40	150,500	150,500
Uncertain date *	50,000	40,000
Total	732,563	771,893

* The Council has £90m of “Lender’s option, borrower’s option” (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. £50m of these LOBO loans have option dates in 2025-26. Due to current lower interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

Market risk

The Council is exposed to market risk both from its short-term cash investments as well as from its investments in pooled equity, bond and property funds. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The Council manages its investment risk through its treasury management strategy particularly by investing in a diversified range of pooled funds across a range of asset classes.

Interest Rate Risk

The Council is exposed to risks arising from movements in interest rates. 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 will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest

payable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in the Provision of Services. The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2025, £188.7m (2023: £254.4m) of net principal borrowed (i.e. borrowing net of investments) was exposed to fixed rates and £50m (2024: £40m) to variable rates.

If all interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	500
Increase in interest receivable on variable rate investments	1,958
Decrease in fair value of investments held at FVPL	-3,380
Impact on Provision of Services (surplus)	-922
Decrease in fair value of fixed rate investment assets	-1,026
Impact on Other Comprehensive Income and Expenditure	-1,026
Decrease in fair value of loans and investments at amortised cost*	-81,053

*No impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

The Council's investments will fluctuate in value as the result of changes in market prices. The Council has sought to mitigate the price risk through diversification in line with its treasury management strategy. The market prices of the Council's bond investments are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk. The value of the Council's investments in pooled funds are subject to the value of the underlying investments. The following table shows the impact on the value of the Council's investments of falls in property and equity prices however these would have no impact on the General Fund until the investments are sold.

	£000
5% fall in commercial property prices	-2,657
5% fall in equity prices	-4,201

Foreign Exchange Risk

The Council has no foreign currency investments and therefore is not directly exposed to the risk of adverse movements in exchange rates.

Note 40. Contingent Liabilities

Accounting Policy

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 an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. They are factored into the consideration of an adequate level of reserves.

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 Actuary's Department is currently undertaking a review to confirm whether such changes occurred in Local Government Pension Schemes. At this point it is not possible to estimate the potential impact, if any, on the Kent Pension Fund and thus the obligation and liability shown in the Council's accounts.

The following update has been provided by our actuary in June 2025:

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

Note 41. Subsidiary Undertakings

Accounting Policy

Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of wholly owned subsidiaries and jointly controlled entities. An assessment of the transactions between the Council and the subsidiaries and the jointly controlled entities is conducted each year.

The Council wholly owns Global Commercial Services Group Limited (GCSG). This is a Local Authority Trading Company (LATCo) and the group companies are consolidated as part of our Group Accounts. GCSG is the holding company for other trading companies as detailed in the Narrative section.

Subsidiary Undertakings

Kent County Council (KCC) and Thanet District Council (TDC) wished to bring forward the economic development and regeneration of the sites known as Eurokent and Manston Park. A Member Agreement was signed on 22 August 2008 and a joint arrangement vehicle was set up, the East Kent Opportunities LLP (EKO LLP), which was incorporated on 4 March 2008. KCC and TDC have 50:50 ownership, control and economic participation in the joint arrangement. KCC and TDC contributed 38 acres of land each to EKO LLP. The land was valued for stamp duty land tax (SDLT) at £5.5m (KCC contribution) and £4.5m (TDC contribution).

The powers used are the 'well-being powers' provided to local authorities in Part 1 of the Local Government Act 2000. In 2023-24, in the final, audited EKO LLP accounts, the net assets of the joint operation are £10.4m with an operating loss of -£0.1m.

Note 42. Events after the Balance Sheet Date

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.

One school on the balance sheet as at 31 March 2025 converted to academy status between 1 April and 1 June 2025. The net book value of this asset as at 31 March 2025 is £845k.

There have been no events since 31 March 2025, up to the date when these accounts were authorised, that require any adjustment to these accounts.

Note 43. Other Notes

Pension Fund

Once credited to the Pension Fund, monies may only be used to provide for the statutory determined pension and other payments attributable to staff covered by the Fund. The assets and liabilities of the Pension Fund are shown separately from those of Kent County Council, although the legal position is that they are all in the ownership of Kent County Council as the administering Council. Any actuarial surplus or deficit is apportioned to the constituent member bodies of the Fund. Details of the Fund are disclosed in the Pension Fund Accounts found on pages 142 to 172.

Group Accounts

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Please note that Note numbers with no 'G' refer to Kent County Council single entity accounts where notes are not materially different.

Group Accounts Introduction

The Code of Practice requires local authorities with interests in subsidiaries, associates and/or joint ventures to prepare group accounts in addition to their own single entity financial statements, unless their interest is not considered material.

The Group Accounts contain the core statements similar in presentation to the Council's single entity accounts but consolidating the figures of the Council with Global Commercial Services Group Ltd.

The following pages include:

- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Movement in Reserves Statement
- Group Cash Flow Statement
- Notes to the Group Accounts

Basis of Identification of the Group Boundary

Group accounts are prepared by aggregating the transactions and balances of the Council and all its material subsidiaries, associates and joint ventures.

In its preparation of these Group Accounts, the Council has considered its relationship with entities that fall into the following categories:

- Subsidiaries – where the Council exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group
- Joint Ventures – where the Council exercises joint control with one or more organisations. Where these are material they are included in the group and have been accounted for on an equity basis.
- No group relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

In accordance with this requirement, the Council has determined its Group relationships as follows:

Global Commercial Services Group (Holdco)		100% Subsidiary	Consolidated
Commercial Services Trading		100% Subsidiary	Consolidated
	CSG Global Education	100% Subsidiary	Consolidated
	Landscapes for Learning	100% Subsidiary	Consolidated
	Lifecycle Management Group	100% Subsidiary	Consolidated
	Prospects Payroll Ltd	100% Subsidiary	Consolidated
	Groupe WF Education	100% Subsidiary	Consolidated
	WF Education Group Holdings	100% Subsidiary	Consolidated
	WF Education Group	100% Subsidiary	Consolidated
	Kent Waste Management	Joint Venture	Consolidated
	UK Teach	Joint Venture	Consolidated
Commercial Services Kent		100% Subsidiary	Consolidated
	Bowerhouse II Solar	Consolidated	Consolidated
	PeopleTech Services	Consolidated	Consolidated
	Hampshire and Kent CS	Consolidated	Consolidated
	Luton and Kent CS	Consolidated	Consolidated
	Surrey and Kent CS	Consolidated	Consolidated
	Dudley and Kent CS	Consolidated	Consolidated
	Dorset and Kent CS	Consolidated	Consolidated
	Halton and Kent CS	Consolidated	Consolidated
	Hackney and Kent CS	Consolidated	Consolidated
Gen2 Property		100% Subsidiary	Consolidated
Invicta Law		100% Subsidiary	Consolidated
Cantium Business Solutions		100% Subsidiary	Consolidated
EDSECO		100% Subsidiary	Consolidated

Basis of the Preparation of Group Financial Statements

The Group Accounts have been prepared using the group accounts requirements of the Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's group accounts to the extent that they are material to users of the financial statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

Subsidiaries have been consolidated by:

- adding like items of assets, liabilities, reserves, income and expenses together on a line by line basis to those of other group members in the financial statements; and
- eliminating intra-group balances and transactions in full.

Joint Ventures have been consolidated using the equity method by:

- adjusting the investment originally recognised at cost for the company's post-acquisition change in its share of the net assets of the investee,
- including the company's share of profits and losses in its Comprehensive Income and Expenditure Statement.

Commercial entities

Global Commercial Services Group Ltd (formerly Kent Holdco Ltd) was incorporated on 19 December '18. It is a company limited by shares and wholly owned by Kent County Council. The principal activity of the company is that of a holding company and it was established as part of a move to a group structure giving Kent County Council a single point of contact with a streamlined management and executive function.

On 1 October '19 the shareholding for Kent County Trading Ltd (KCTL), Gen2 Property Ltd, Cantium Business Solutions Ltd and the guarantor for EDSECO Ltd were transferred from Kent County Council to Global Commercial Services Group Ltd. At this time KCTL (another holding company) existed with Commercial Services Trading Ltd and Commercial Services Kent Ltd sitting beneath it. To consolidate the groups KCTL was dissolved on 2 January '24. This leaves GCS Group Ltd as the only holding company with all subsidiaries sitting under it.

Over time additional companies have been acquired or set up sitting under CSTL or CSKL. They are a mixture of wholly owned companies and joint ventures owned 50% by CSTL or CSKL and a partner organisation.

There are two joint ventures sitting under CSTL, these are UK Tech Ltd and Kent Waste Ltd, these were both established in '24. The other companies are all wholly owned and were acquired between '20 and '25 (the WF Education group being the last of these in February '25).

There are seven recruitment joint ventures sitting under CSKL, these were established between November '18 (Hampshire) and the most recent in November '24 (Hackney). Bowerhouse II Solar was purchased in March '22 and PeopleTech Services in June '24.

Group Accounting Policies

The accounting policies used in the preparation of the Group Accounts are the same as for the single entity accounts of Kent County Council as set out in the notes relating to specific financial statement lines and the general accounting policies can be found at Note 2 to the Core Accounts.

IFRS16

Kent County Council adopted IFRS16 leases and accordingly for consolidation of the group entities accounting policy for leases has been amended to reflect the same policy.

Group Comprehensive Income and Expenditure Statement

The following statement shows the accounting cost in the year of providing the Group's services in accordance with generally accepted accounting practices.

Year Ended 31 March 2025

Directorate/Department	Notes	Budget £000	Outturn £000	Variance £000
Adult Social Care & Health including Public Health	ASCH	926,996	-309,131	617,866
Children, Young People & Education	CYPE	1,722,603	-1,320,017	402,586
Growth, Environment & Transport	GET	334,632	-72,124	262,508
Chief Executive's Department	CED	24,525	-21,043	3,482
Deputy Chief Executive's Department	DCED	126,972	-11,067	115,906
Non-Attributable Costs including Corporately Held Budgets	NAC	17,273	-12,096	5,177
Groups – Global Commercial Services		132,720	-36,214	96,506
Group Cost of Services		3,285,721	-1,781,690	1,504,031
Other Operating Income and Expenditure	12			60,669
Net Surplus on Trading Accounts	G2			-17,407
Financing and Investment Income and Expenditure	13			17,722
Taxation and Non-Specific Grant Income	14			-1,598,429
(Surplus) or Deficit on Provision of Services				-33,414
Share of (surplus)/Deficit of associate or joint venture				-651
Taxation of Group Entities	G3			1,181
Group (Surplus)/Deficit	G2			-32,884
(Surplus)/deficit arising on revaluation of non-current assets				-92,159
Remeasurement of the net defined benefit liability				29,336
(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income				-866
Other Comprehensive Income and Expenditure				-63,689
Total Comprehensive Income and Expenditure				-96,573

Year Ended 31 March 2024

Directorate/Department	Notes	Budget £000	Outturn £000	Variance £000
Adult Social Care & Health including Public Health	ASCH	861,586	-290,820	570,766
Children, Young People & Education	CYPE	1,577,345	-1,203,925	373,420
Growth, Environment & Transport	GET	309,726	-69,207	240,519
Chief Executive's Department	CED	37,143	-33,449	3,694
Deputy Chief Executive's Department	DCED	106,120	-9,038	97,082
Non-Attributable Costs including Corporately Held Budgets	NAC	17,084	-14,041	3,043
Groups – Global Commercial Services		131,465	-51,596	79,869
Group Cost of Services		3,040,469	-1,682,077	1,368,392
Other Operating Income and Expenditure	12			89,800
Net Surplus on Trading Accounts	G2			-9,788
Financing and Investment Income and Expenditure	13			28,097
Taxation and Non-Specific Grant Income	14			-1,521,511
(Surplus) or Deficit on Provision of Services				-45,010
Share of (surplus)/Deficit of associate or joint venture				-751
Taxation of Group Entities	G3			425
Group (Surplus)/Deficit	G2			-45,336
(Surplus)/deficit arising on revaluation of non-current assets				21,446
Remeasurement of the net defined benefit liability				3,359
(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income				-950
Other Comprehensive Income and Expenditure				23,855
Total Comprehensive Income and Expenditure				-21,481

Group Movement in Reserves Statement

The following statement shows the movement in the year on the different reserves held by the Group, analysed into usable reserves and other reserves.

Year Ending 31 March 2024

	General Fund and Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Profit and Loss Reserve	Total Usable Reserves	Unusable Reserves	Total Group Reserves
Balance at 31 March 2023 carried forward	-452,480	-39,226	-102,204	-8,459	-602,369	-2,377,052	-2,979,421
Movements in reserves during 2023-24							
Total Comprehensive Expenditure & Income	-137,876			92,540	-45,336	23,855	-21,481
Adjustments between Group Accounts and Kent County Council Accounts	93,379			-93,379			
Net increase/decrease before Transfers	-44,497			-839			
Adjustments between accounting and funding basis under regulations – Note 12	66,327	-5,008	-61,448		-129	129	0
Net increase/decrease before transfers to/from Earmarked Reserves	21,830	-5,008	-61,448	-839	-45,466	23,984	-21,481
Transfers between Usable and Unusable Reserves	14,400				14,400	-14,400	0
Transfers to/from Earmarked Reserves)							
Increase/decrease (movement) in Year	36,230	-5,008	-61,448	-839	-31,065	9,584	-21,481
Balance at 31 March 2024 carried forward	-416,250	-44,234	-163,652	-9,299	-633,434	-2,367,468	-3,000,902

Year Ending 31 March 2025

	General Fund and Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Profit and Loss Reserve	Total Usable Reserves	Unusable Reserves	Total Group Reserves
Balance at 31 March 2024 carried forward	-416,250	-44,234	-163,652	-9,299	-633,434	-2,367,468	-3,000,902
Adjustments on transition to new accounting arrangements for leases	3,738				3,738	13,401	17,139
Transitional adjustments between accounting and funding basis	-4,249				-4,249	4,249	0
Adjusted balance at 1 April 2024	-416,761	-44,234	-163,652	-9,299	-633,945	-2,349,818	-2,983,763
Movements in reserves during 2024-25							
Total Comprehensive Expenditure & Income	-143,274			110,391	-32,884	-63,689	-96,813
Adjustments between Group Accounts and Kent County Council Accounts	111,002	638		-111,002	638	399	239
Net increase/decrease before Transfers	-32,272			-611			
Adjustments between accounting and funding basis under regulations – Note 12	56,368	3,921	-11,349	-240	48,700	-49,180	-480
Net increase/decrease before transfers to/from Earmarked Reserves	24,095	4,559	-11,349	-851	16,454	-113,268	-96,814
Transfers between Usable and Unusable Reserves							
Transfers to/from Earmarked Reserves)							
Increase/decrease (movement) in Year	24,095	4,559	-11,349	-851	-16,454	-113,268	-96,814
Balance at 31 March 2025 carried forward	-392,666	-39,675	-175,001	-10,150	-617,491	-2,463,086	-3,080,576

Group Balance Sheet

The Balance sheet shows the value of the assets and liabilities recognised by the group at 31 March 2025. The net assets of the Group are matched by Group reserves.

	Notes	31 March 2025 £000	£000	31 March 2024 £000
Property Plant & Equipment	16	3,806,499		3,710,351
Right of Use Asset		49,896		0
Heritage Assets	20	8,725		8,546
Net Investment in finance sublease		6,261		0
Investment Property	17	43,317		43,168
Intangible assets		10,033		9,876
Investments in associates and joint ventures		847		0
Long-term investments	G8	300,546		286,345
Long-term debtors	G4	58,138		50,787
Deferred tax asset		43		0
Total long-term assets			4,284,305	4,109,073
Inventories		7,447		7,258
Assets held for sale (<1yr)		692		1,614
Short-term debtors	G4	391,360		411,446
Short-term investments	G8	42,690		40,183
Cash and Cash equivalents	G6	160,603		158,595
Current tax asset	G4	239		24
Total Current Assets			603,031	619,120
Temporary borrowing	G8	-90,510		-78,369
Short-term Lease Liability	38/G8	-23,092		-9,207
Short-term provisions	25	-24,545		-26,905
Creditors	G5	-479,125		-469,810
Current tax liability	G5	-654		-408
Cash and Cash equivalents	G6	-40,297		-10,967
Total Current liabilities			-658,223	-595,666
Creditors due after one year	G5	-14,488		-14,377
Provisions	25	-8,825		-9,788
Long-term borrowing	G8	-650,338		-705,532
Long-term Lease Liabilities		-47,136		0
Other Long-Term Liabilities	G8/37	-243,252		-243,325
Deferred tax liability		-747		-533
Capital Grants Receipts in Advance	15	-183,746		-158,068
Long-Term Liabilities			-1,148,532	-1,131,623
Net Assets/(Liabilities)			3,080,582	3,000,904
Usable Reserves	G7/22		-617,492	-633,432
Unusable Reserves	23		-2,463,090	-2,367,472
Total Reserves			-3,080,582	-3,000,904

Group Cash Flow Statement

The cash flow statement shows the changes to cash and cash equivalents of the Group during the reporting period.

	Notes	2024-25 £000	2023-24 £000
Net (Surplus) or deficit on the provision of services		-33,414	-45,010
Adjustments to net surplus or deficit on the provision of services for non-cash movements	G9	-230,326	-184,636
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	G9	218,667	249,456
Taxation		1,031	364
Net cash flows from operating activities		-44,042	20,174
Investing Activities	G10	21,793	-48,374
Financing Activities	G11	53,073	36,562
Net increase (-) or decrease in cash and cash equivalents		30,824	8,362
Cash and cash equivalents at the beginning of the reporting period		151,128	155,990
Cash and cash equivalents at the end of the reporting period	G6	120,304	147,628

The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

Note G1 - Critical Judgements

All the critical judgements and estimation uncertainties disclosed in the Council's single entity accounts is materially applicable to the group entity. The critical judgements can be found in Note 4 on page 30 and estimation uncertainties can be found in Note 5 on pages 31 to 32 of the single entity accounts.

Use of unaudited accounts for Group Accounts consolidation

The company accounts used for the Group Accounts consolidation is based on their unaudited draft accounts. This is due to the statutory timetable for completing local authority accounts means that company audited accounts would not be available and it is not unusual practice for unaudited accounts to be used. Consideration has been given to whether the audited accounts would be materially different, and the conclusion is that the risk is low.

Consideration of IFRS 15 - Revenue from Contracts with Customers

The subsidiary companies compile their accounts based on FRS102 which is similar to International Financial Reporting Standards (IFRS) but not all of the latest IFRS standards have been adopted into FRS102. To understand the differences in the accounting policies between Kent County Council and the individual companies a questionnaire was issued.

No issues were identified in relation to IFRS 15. The companies recognise revenue from contracts in accordance with the underlying contract and this will be either be overtime or at a point in time which is not dissimilar to IFRS 15 requirements.

Elimination of Income and Expenditure

Income and expenditure between Kent County Council and the subsidiary companies is eliminated through a matching process on transaction by transaction basis. This applies to all transactions except those between Schools and the subsidiary companies where the balances provided by the subsidiary companies is used for the elimination.

A transaction by transaction matching process for schools is not possible as only schools balances are consolidated in the Council's single entity accounts. The risk of material unmatched items is assessed to be low.

Supporting the Comprehensive Income and Expenditure Statement

Note G2 - Reconciliation of Group CIES

The income and expenses of the Council's subsidiary companies are consolidated in the Statement on a line by line basis.

	2024-25 £000	2023-24 £000
(Surplus) or deficit per single entity Comprehensive Income and Expenditure Statement	-32,667	-48,536
Adjustment removing fair value gain/loss included in the single entity accounts as part of Group Accounts consolidation.	394	4,039
(Surplus) or deficit attributable to subsidiaries	-111,002	-839
Total Group (Surplus) or Deficit	-143,274	-45,336

The consolidation adjustment to the 'Net Surplus on trading accounts' is due the following:

	2024-25 £000	2023-24 £000
Net Surplus on Trading accounts per single entity Comprehensive Income and Expenditure Statement	-5,835	-4,487
KCS and Laser expenditure with Subsidiaries	-12,038	-11,773
KCS and Laser income generated through sales to Subsidiaries	466	6,472
	-17,407	-9,788

Note G3 - Tax Expenses of Group Entities

The taxation figure included in the Group Comprehensive Income and Expenditure Statement represents:

	2024-25 £000	2023-24 £000
Tax in respect of the current year	1,171	914
Adjustment in respect of prior years	-78	-271
Deferred tax in respect of the current year	152	-208
Deferred tax on actuarial loss/(gain) for the year	-64	0
Impact of the change in tax rates recognised in the Comprehensive Income and Expenditure Statement	0	-10
Total Taxation Expenses	1,181	425

Supporting the Balance Sheet

Note G4 - Debtors

The table provides details of amounts owed to the Group at the end of the year. Debtors included within the Group Accounts exclude any amounts owed within the Group.

	Short Term Debtors 31 March 2025 £000	Short Term Debtors 31 March 2024 £000	Long Term Debtors 31 March 2025 £000	Long Term Debtors 31 March 2024 £000	Total Debtors 31 March 2025 £000	Total Debtors 31 March 2024 £000
Medway Council	0	0	26,674	27,784	26,674	27,784
Recoverable VAT	29,020	55,979	0	0	29,020	55,979
Trade Receivables	143,508	166,028	0	0	143,508	166,028
Payments in Advance	39,187	34,708	0	0	39,187	34,708
General Debtors	179,645	154,731	31,463	23,003	223,207	177,734
	391,360	411,446	58,138	50,787	461,597	462,233

Note G5 - Creditors

The table provides details of amounts owed by the Group to creditors at the end of the year. Creditors included within the Group Accounts exclude any amounts owed within the Group.

	Short Term Creditors 31 March 2025 £000	Short Term Creditors 31 March 2024 £000	Long Term Creditors 31 March 2025 £000	Long Term Creditors 31 March 2024 £000	Total Creditors 31 March 2025 £000	Total Creditors 31 March 2024 £000
Receipts in Advance	104,388	82,403	0	0	104,388	82,403
VAT Payable	3,058	3,271	0	0	3,058	3,271
Contract Liabilities	7,273	7,981	0	0	7,273	7,981
Other HMRC Liabilities	2,216	2,031	0	0	2,216	2,031
Deferred Income	16,047	15,444	13,955	14,343	30,002	29,787
General Creditors	346,796	359,088	533	34	347,329	359,122
	479,779	470,218	14,488	14,377	494,267	484,595

Note G6 - Cash & Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements.

	31 March 2025 £000	31 March 2024 £000
Single Entity Cash and Bank balances	-40,297	-10,967
Subsidiary cash and bank balances	17,624	16,084
Short term deposits with the Money Market	142,979	142,511
Total Group Cash and Cash Equivalents	120,306	151,128

Note G7 - Reserves

Movements on the Group reserves are detailed in the Group Movement in Reserve Statement on page 126. The reserves of the subsidiaries include:

	2023-24 Usable Reserves Retained Earnings £000		2024-25 Usable Reserves Retained Earnings £000
Adjustment as a result of implementation of IFRS16 Leases			-250
Balance at 1 April 2023	-8,458	Balance at 1 April 2024	-9,547
Profit/(Loss) for the year	-3,939		-6,111
Adjustment for Prior Year Acquisition			8
Share of surplus/(deficit) of associate or joint venture	0		0
Dividends paid/declared	3,100		5,500
Balance at 31 March 2024	-9,297	Balance at 31 March 2025	-10,150

The disclosure note description relating to associate and joint venture has been amended to reflect the same description as in the Group Comprehensive Income and Expenditure Statement on pages 130 & 131.

Note G8 - Financial Instruments

Categories of Financial Instruments

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

Financial Assets

	31 March 2025 Long term £000	31 March 2025 Short term £000	31 March 2024 Long term £000	31 March 2024 Short term £000
Investments:				
- Fair value through profit or loss	189,942	132,979	187,055	128,912
- Amortised cost	111,451	52,690	99,290	53,783
	301,393	185,669	286,345	182,695
Debtors:				
- Amortised cost	41,507	313,657	30,422	311,779
- Amortised cost - Soft Loans	16,631	9,496	20,365	8,980
- Non-financial assets		68,207		90,687
	58,138	391,360	50,787	411,446
Cash & Cash Equivalents		17,624		16,084
Total	359,531	594,653	337,132	610,225

Financial Liabilities

	31 March 2025 Long term £000	31 March 2025 Short term £000	31 March 2024 Long term £000	31 March 2024 Short term £000
Borrowing				
- Amortised cost	653,308	90,510	705,532	78,369
- Non-financial liabilities	230,288	23,092	178,549	9,207
	883,596	113,602	884,081	87,576
Creditors				
- Amortised cost	533	354,069	34	367,069
- Non-financial assets	13,955	125,709	14,343	103,149
	14,488	479,778	14,377	470,218
Cash & Cash Equivalents		40,297		10,967
Total	898,084	633,677	898,458	568,761

Supporting the Cash Flow

Note G9 Cash Flow - Group Operating Activities

The cash flows for operating activities include the following items:

	2024-25 £000	2023-24 £000
Interest received	-22,141	-20,866
Interest paid	52,263	55,224
Employee Costs	1,120,290	1,060,336
Income from Council Tax	-1,010,469	-939,432
Government Grants	-1,955,249	-1,857,983

The Surplus or Deficit on the Provision of Services has been adjusted for the following non-cash movements:	2024-25 £000	2023-24 £000
Movement in pension liability	34,871	30,979
Carrying amount of non-current assets sold	-80,940	-99,289
Carrying amount of Capital Inventory sold	-187	-162
Carrying amount of Financial Assets held at FVPL	3,056	3,958
Amortisation of fixed assets	-1,579	-2,652
Depreciation of fixed assets	-119,727	-111,549
Depreciation of right of use assets	-536	0
Impairment and downward valuations	-5,037	-7,925
Income from shares in group undertakings	0	0
Increase/(decrease) debtors	-19,749	46,359
(Increase)/decrease creditors	12,121	23,841
Increase/(decrease) stock	-1,497	-1,849
Change in provisions	-109	-51
Movement on investment properties	470	-7,165
REFCUS	-54,219	-36,801
Other non-cash items charged to the net surplus/deficit on the Provision of Services	-10	-22,330
Taxation	0	0
Negative Goodwill	949	0
IFRS16 back to back leases initial profit recognition	1,796	0
	-230,327	-184,636

The Surplus or Deficit on the Provision of Services has been adjusted for the following items that are investing and financing activities:	2024-25 £000	2023-24 £000
Proceeds from the sale of property plant and equipment, investment property, and intangible assets	22,927	13,524
Other adjustments for items included in the net Surplus or Deficit on the provision of service that are investing or financing activities:		
Capital grants applied	195,740	227,836
Payment of Collection Fund Deficit	0	8,096
	218,667	249,456

Note G10 - Group Cash Flow Statement - Investing Activities

	2024-25 £000	2023-24 £000
Purchase of property, plant and equipment, investment property, and intangible assets	266,483	242,742
Purchase of short-term and long-term investments	2,146,632	2,774,912
Proceeds from capital inventory	-243	-195
Other payments for investing activities	0	0
Proceeds from sale of property, plant and equipment, investment property, and intangible assets	-21,727	-12,472
Proceeds from short-term and long-term investments	-2,129,972	-2,818,943
Other receipts from investing activities	-239,380	-234,418
Net cash flows from investing activities	21,793	-48,374

Note G13 - Group Cash Flow Statement - Financing Activities

	2024-25 £000	2023-24 £000
Cash receipts of short- and long-term borrowing	0	-1,000
Other receipts from financing activities	-2,554	0
Relating to finance leases and on-balance sheet PFI contracts	12,967	5,835
Repayments of short- and long-term borrowing	39,560	30,577
Other payments from financing activities	3,100	0
Net cash flows from financing activities	53,073	35,412

Pension Fund Accounts

The following financial statement are included in the Kent Pension Fund's Annual Report and Accounts 2024-25 available from the Fund's website at www.kentpensionfund.co.uk

Fund account for the year ended 31 March

	Notes	2024-25	2023-24
Dealings with members, employers and other directly involved in the Fund			
Contributions	7	352,490	321,214
Transfers in from other pension funds	8	24,781	12,280
Benefits	9	-332,551	-303,175
Payments to and on account of leavers	10	-16,129	-15,424
Net additions from dealing with members		28,590	14,895
Management expenses	11	-40,123	-34,788
Net withdrawals including fund management expenses		-11,533	-19,893
Returns on investments			
Investment Income	13	175,791	157,148
Taxes on Income		-228	-371
Profit and loss on disposal of investments and changes in the market value of investments	15a	125,972	157,715
Net return on investments		301,535	314,492
Net increase in the net assets available for benefits during the year		290,002	294,599
Opening net assets of the scheme		8,142,551	7,847,952
Closing net assets of the scheme		8,432,552	8,142,551

Net Assets Statement as at 31 March

	Notes	2024-25	2023-24
Investment assets		8,430,079	8,144,656
Investment liabilities		-781	-3,800
Net investment assets	15	8,429,298	8,140,856
Current assets	21	39,602	34,778
Current liabilities	22	-36,348	-33,083
Net assets available to fund benefits at period end		8,432,552	8,142,551

Notes to the Pension Fund Accounts

1. Description of the Fund

General

The Kent Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Kent County Council (KCC) for the purpose of providing pensions and other benefits for the pensionable employees of KCC, Medway Council, the district and borough councils in Kent and a number of other employers within the county area. The Fund is a reporting entity and KCC as the Administering Authority is required to include the Fund's accounts as a note in its Report and Accounts. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The LGPS is a contributory defined benefit pension scheme.

The Scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

The Fund is overseen by the Kent Pension Fund Committee (the Scheme Manager). The Local Pension Board assists the Scheme Manager to ensure the effective and efficient governance and administration of the Scheme.

Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join or remain in the Scheme or to make personal arrangements outside the Scheme. Employers in the Fund include Scheduled Bodies which are local authorities and similar entities whose staff are automatically entitled to be members of the Scheme; and Admission Bodies which participate in the Fund by virtue of an admission agreement made between the Administering Authority and the relevant body. Admission bodies include voluntary, charitable and similar entities or private contractors undertaking a local authority function following a specific business transfer to the private sector.

There are 272 employers actively participating in the Fund and the profile of members is as detailed below:

	Kent County Council 31-Mar-25	Kent County Council 31-Mar-24	Other Employers 31-Mar-25	Other Employers 31-Mar-24	Total 31-Mar-25	Total 31-Mar-24
Contributors	21,870	22,005	33,843	33,286	55,713	55,291
Pensioners	26,548	25,252	25,988	25,156	52,536	50,408
Deferred Pensioners	34,033	24,495	37,647	26,150	71,680	50,645
Total	82,451	71,752	97,478	84,592	179,929	156,344

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March

2024. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. Employers' contribution rates consist of a primary rate (representing the rate required to meet the cost of future accrual of benefits) and a secondary rate, which is an adjustment to the primary rate for employer specific circumstances (e.g. to allow for deficit recovery). Currently, employers' primary contribution rates range from 15.7% to 36.4% of pensionable pay.

Benefits

Pension benefits under the LGPS are based on the following:

	Service pre April 2008	Membership from 1 April 2008 to 31 March 2014	Membership from 1 April 2014
Pension	1/80 x final pensionable salary	1/60 x final pensionable salary	1/49 (or 1/98 if opted for 50/50 section) x career average revalued salary
Lump Sum	Automatic lump sum of 3/80 x final pensionable salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There is a range of other benefits provided under the Scheme including early retirement, ill health pensions and death benefits. For more details, please refer to the Kent Pension Fund website: www.kentpensionfund.co.uk.

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2024-25 financial year and its position at 31 March 2025.

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 which is based upon International Financial Reporting Standards, as amended for the UK public sector. The accounts are prepared on a going concern basis. Adoption of IFRS 26 which came to effect in April 2024, is not expected to have a material impact on the pension fund accounts.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS)19 basis is disclosed at note 20 of these accounts.

Going concern

The Statement of Accounts has been prepared on a going concern basis. The vast majority of employers in the pension scheme are scheduled bodies that have secure public sector funding, and therefore there should be no doubt in their ability to continue to make their pension contributions. Following the latest actuarial valuation and schedule of employer contribution prepayments, the Pension Fund has reviewed its cashflow forecast and is confident in its ability to meet its ongoing obligations to pay pensions from its cash balance for at least 12 months from the date of signing the accounts. In the event that investments need to be sold, 82% of the Fund's investments can be converted into cash within 3 months.

3. Summary of significant accounting policies

Fund Account - revenue recognition

a) Contribution income

"Normal contributions, both from the members and from the employers, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate. Employers' deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the Fund Actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset."

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in 'transfers in'. Bulk transfers are accounted for in accordance with the terms of the transfer agreement.

c) Investment income

Dividends, distributions, interest, and stock lending income on securities have been accounted for on an accruals basis and where appropriate from the date quoted as ex-dividend (XD). Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year. Where the Fund's investments are held in income accumulating funds that do not distribute income the accumulated income on such investments is reflected in the unit market price at the end of the year and is included in the realised and unrealised gains and losses during the year. Direct property related income mainly comprises of rental income which is recognised when it becomes due. Rental income is adjusted for provision for rent invoiced but collection of which is assessed as doubtful.

Fund Account - expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the year end. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities providing the payment has been approved.

e) Taxation

The Fund has been accepted by the HM Revenue and Customs as a registered pension scheme in accordance with paragraph 1(1) of Schedule 36 to the Finance Act 2004 and, as such, qualifies for exemption from UK income tax on interest received and from capital gains tax on proceeds of investments sold. Tax is therefore only applicable to dividend income from equity investments. Income arising from overseas investments is subject to deduction of withholding tax unless exemption is permitted by and obtained from the country of origin. Investment income is shown gross of tax, and any recoverable tax at the end of the year is included in accrued investment income.

By virtue of KCC being the administering authority, VAT input tax is recoverable on all Fund activities including investment and property expenses.

f) Management expenses

All expenses are accounted for on an accruals basis. Costs relating to KCC staff involved in the administration, governance and oversight of the Fund, and overheads incurred by KCC and recharged to the Fund at the end of the year. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. Fees incurred include fees directly paid to fund managers as well as fees deducted from the funds by pooled fund managers which is grossed up to increase the income from these investments.

Net Assets Statement

g) Financial assets

Financial assets other than cash and debtors are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. Any purchase or sale of securities is recognised upon trade and any unsettled transactions at the year-end are recorded as amounts receivable for sales and amounts payable for purchases. From the trade date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 and IFRS 9. For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

The values of investments as shown in the Net Assets Statement have been determined as follows:

- Quoted investments are stated at market value based on the closing bid price quoted on the relevant stock exchange on the final day of the accounting period.
- Fixed income securities (bonds) are recorded at net market value based on their current yields
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager
- Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers. The valuation standards followed by the managers are in accordance with the industry guidelines and the constituent management agreements. Such investments may not always be valued based on year end valuation as information may not be available, and therefore will be valued based on the latest

valuation provided by the managers adjusted for cash flow and foreign exchange rate movements to the year end.

- Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, the change in market value also includes income which is reinvested in the fund.

- Debtors / receivables being short duration receivables with no stated interest rate are measured at original invoice amount. Debtors are adjusted for provision made for doubtful debts relating to rent income.

h) Freehold and Leasehold Properties

The freehold and leasehold properties were valued at open market prices in accordance with the valuation standards laid down by the Royal Institution of Chartered Surveyors. The last valuation was undertaken by Colliers International, as at 31 December 2023. The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm's length terms. The results of the valuation have then been indexed in line with the MSCI Monthly Index movement to 31 March 2024. The indexation is carried out by DTZ, who are managers of the Fund's direct property portfolio.

i) Derivatives

The Fund uses derivative instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. At the reporting date the Fund only held forward currency contracts. The future value of the forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract. Under the European Market Infrastructure Regulations, the Fund's forward currency contracts are required to be covered by margin cash. These amounts are included in cash or cash equivalents held by the Fund and reflected in a corresponding margin cash liability under investment liabilities.

j) Foreign currency transactions

Assets and liabilities in foreign currency are translated into sterling at spot market exchange rates ruling at the year-end. All foreign currency transactions including income are translated into sterling at spot market exchange rates ruling at the transaction date. All realised currency exchange gains or losses are included in change in market value of assets.

k) Cash and cash equivalents

Cash comprises cash at bank and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value. Cash and cash equivalents managed by fund managers and cash equivalents managed by KCC are included in investments. All other cash is included in current assets.

l) Financial liabilities

The Fund recognises financial liabilities relating to investments at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund. Other financial liabilities classed as amortised cost are carried at amortised cost i.e. the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

m) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary and the methodology used is in line with accepted guidelines and in accordance with IAS 19. As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20).

n) Contingent assets and liabilities

A contingent asset/liability arises where an event has taken place that gives the Fund a possible right/obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Fund. Contingent assets/liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an inflow/outflow of resources will be required, or the amount of the right/obligation cannot be measured reliably. Contingent assets/liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

o) Pooling expenses

The Fund is member of the ACCESS pool, a group of 11 LGPS Administering Authorities who, as part of a Government initiative, have agreed to pool their investments to achieve cost and scale benefits. Pooling costs included in the Fund's accounts reflect the Fund's proportion of the cost of the governance arrangements of the pool.

p) Additional voluntary contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in note 23.

q) Prior period adjustments, changes in accounting policies and errors

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimates do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by accounting practice or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Fund's financial position or 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.

4. Critical judgements in applying accounting policy

The Fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants with rental periods. The Fund has determined that these contracts all constitute operating lease arrangements rather than financed leased assets under the requirements set by IFRS 16. The Fund has assessed that the properties remain under the Fund's control and do not convey a right to ownership and that the Fund retains the significant risks and rewards associated with ownership of the properties. As a result, the properties are retained on the net asset statement at fair value.

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

Item	Uncertainties	Effect if actual results differ from assumption
Actuarial present value of promised retirement benefits (Note 20)	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 Fund with expert advice about assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £104m. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approx. £7m, and a one year increase to the life expectancy assumptions would increase the value of the liabilities by approx. £253m.
Private equity and infrastructure 3 investments (Note 17)	Valuation of unquoted private equity and infrastructure investments is highly subjective and inherently based on forward looking estimates and judgements involving many factors. They are valued by the investment managers using guidelines set out in the British Venture Capital Association.	The total private equity and infrastructure, which are level 3 investments, on the financial statements are £814m. Potential change in valuation due to changes in these factors is estimated in Note 17.
Freehold and leasehold property and pooled property funds (Note 17)	Valuation techniques are used to determine the fair values of directly held property and pooled property funds. 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 effect of 10% variations in the factors supporting the valuation would be an increase or decrease in the value of directly held property and property pooled funds of £70m on a fair value of £704m. Details of potential factors affecting the valuation are in Note 17.

6. Events after the reporting date

There have been no events since 31 March 2025, up to the date when these accounts were authorised, that require or do not require any adjustment to these accounts.

7. Contributions receivable

	2024-25 £000	2023-24 £000
By category		
Employees' contributions	76,820	71,244
Employers' contributions		
-normal contributions	250,048	231,833
-deficit recovery contributions	20,138	13,852

-augmentation contributions	5,485	4,284
Total Employers' contributions	275,671	249,969
Total contributions receivable	352,490	321,214
By type of employer		
Kent County Council	123,564	116,271
Scheduled bodies	205,491	186,945
Admission bodies	23,436	17,998
	352,490	321,214

8. Transfers in from other pension funds

	2024-25	2023-24
By category	£000	£000
Individual	24,781	12,280
Group	0	0
	24,781	12,280

9. Benefits payable

	2024-25	2023-24
By Category	£000	£000
Pensions	276,634	254,015
Retirement commutation and lump sum benefits	47,587	42,833
Death benefits	8,330	6,327
	332,551	303,175
By type of employer		
Kent County Council	146,244	133,038
Scheduled bodies	165,802	151,361
Admission bodies	20,505	18,777
	332,551	303,175

10. Payments to and on account of leavers

	2024-25	2023-24
	£000	£000
Group transfers	0	0
Individual transfers	14,536	13,747
Payments/refunds for members joining state scheme	3	1
Refunds of contributions	1,591	1,676
	16,129	15,424

11. Management expenses

		2024-25	2023-24
	Notes	£000	£000
Administration costs		5,841	5,258
Governance and oversight costs		1,297	1,660
Investment management expenses	12	32,615	27,641
Audit fees		141	96

Pooling expenses		229	133
		40,123	34,788

12. Investment management expenses

	Notes	2024-25 £000	2023-24 £000
Investment managers fees	12a	29,817	27,419
Transaction costs		2,741	163
Custody fees		57	59
Total		32,615	27,641

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled fund investments.

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. These indirect costs are not separately provided to the Fund.

12a. Investment management fees

	2024-25 £000	2023-24 £000
Bonds	4,688	4,054
Equities	14,411	13,356
Private equity / infrastructure	7,855	6,906
Property	2,863	3,103
Total	29,817	27,419

13. Summary of income from investments

	Notes	2024-25 £000	2024-25 %	2023-24 £000	2023-24 %
Bonds		16,798	9.6	17,862	11.4
Equities		14,411	8.2	10,356	6.6
Pooled investments		100,522	57.2	97,933	62.3
Private equity / infrastructure		15,459	8.8	9,941	6.3
Property	14	13,045	7.4	11,556	7.4
Pooled property investments		11,257	6.4	5,518	3.5
Cash and cash equivalents		4,183	2.4	3,884	2.5
Stock lending and miscellaneous		115	0.1	98	0.1
Total before taxes		175,791	100.0	157,148	100.0

14. Property income and expenditure

	2024-25 £000	2023-24 £000
Rental income from investment properties	21,855	27,026
Provision for doubtful debts	-4,282	-5,811
Direct operating expenses	-4,528	-9,659
Net operating income from property	13,045	11,556

15. Investments

	Market Value as at 31 March 25 £000	Market Value as at 31 March 24 £000
Investment assets		
Bonds	415,195	400,903
Equities	0	406,065
Pooled investments		
Fixed income	856,819	792,897
Equities	4,892,344	4,390,583
Absolute return	430,001	410,961
Private equity/infrastructure funds	814,417	763,399
Property	473,188	461,774
Pooled property investments	231,081	265,421
Derivatives-forward currency contracts	369	375
Investment cash and cash equivalents	306,353	240,140
Investment income due	10,314	9,585
Amounts receivable for sales	0	1,247
Margin cash	0	1,307
Total investment assets	8,430,079	8,144,656
Investment liabilities		
Amounts payable for purchases	0	-2,444
Margin cash liability	-688	0
Derivatives-forward currency contracts	-94	-1,355
Total investment liabilities	-781	-3,800
Net investment assets	8,429,298	8,140,856

Investment income due (debtors) includes a sum of £6.0m (2023-24 £8.3m) for rents and service charges payable by tenants of properties owned by the Pension Fund of which there is a high likelihood that a significant portion will not be fully recovered. A provision of £4.3m (2023-24 £5.8m) has therefore been made for doubtful rent debts.

15a. Reconciliation of movements in investments and derivatives

	Market Value as at 31 March 24 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Market Value as at 31 March 25 £000
Bonds	400,903	137,994	-122,757	-946	415,195
Equities	406,065	490,063	-944,550	48,422	0
Pooled investments	5,594,441	1,193,488	-630,510	21,745	6,179,163
Private equity/infrastructure	763,399	69,795	-54,596	35,820	814,417
Property	461,774	4,000	-1,359	8,773	473,188
Pooled property investments	265,421	67,221	-108,848	7,287	231,081
	7,892,002	1,962,562	-1,862,620	121,099	8,113,044
Derivative contracts					
- Forward currency contracts	-981	2,528,269	-2,530,849	3,836	275
	7,891,022	4,490,830	-4,393,469	124,935	8,113,319
Other investment balances					
- Investment cash and cash equivalents	240,140	8,405	-20,080	1,037	306,353
- Amounts receivable for sales	1,247				0
- Amounts payable for purchases	-2,444				0
- Margin cash	1,307				-688
- Investment income due	9,585				10,314
Net investment assets	8,140,856	4,499,235	-4,393,469	125,972	8,429,298

	Market Value as at 31 March 23 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Market Value as at 31 March 24 £000
Bonds	356,101	99,347	-62,739	8,195	400,903
Equities	363,714	106,315	-107,103	43,139	406,065
Pooled investments	5,596,724	85,998	-179,148	90,867	5,594,441
Private equity/infrastructure	614,963	152,637	-43,045	38,844	763,399
Property	501,584	0	-19,766	-20,044	461,774
Pooled property investments	280,305	31,525	-35,052	-11,357	265,421
	7,713,391	475,821	-446,853	149,643	7,892,002
Derivative contracts					
- Forward currency contracts	5,153	2,807,373	-2,820,084	6,577	-981
	7,718,544	3,283,194	-3,266,937	156,220	7,891,022
Other investment balances					
- Investment cash and cash equivalents	127,035	167,933		1,495	240,140
- Cash pending issue of units					
- Amounts receivable for sales	0				1,247
- Amounts payable for purchases	-2,169				-2,444
- Margin cash asset	-5,010				1,307
- Investment income due	9,669*				9,585
Net investment assets	7,848,069	3,451,127	-3,266,937	157,715	8,140,856

15b. Analysis of derivative contracts

Objectives and policy for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the investment manager.

Open forward currency contracts

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant portion of the Fund's fixed income portfolio managed by Goldman Sachs Asset Management is invested in overseas securities. To reduce the volatility associated with fluctuating currency rates, the investment manager hedges the overseas exposure of the portfolio.

Settlement	Currency bought	Local value £000	Currency sold	Local value £000	Asset value £000	Liability value £000
Up to one month	GBP	26	USD	-33	0	0
Up to one month	GBP	47	USD	-61	0	0
Up to one month	GBP	64,991	EUR	-77,192	365	0
Up to one month	GBP	515	EUR	-612	3	0
Up to three months	GBP	128,231	USD	-165,623	0	-93
Up to three months	GBP	484	USD	-626	0	-1
Up to three months	USD	591	GBP	-457	1	0
					369	-94
Net forward currency contracts at 31 March 2025						275
Prior year comparative						
Open forward currency contracts at 31 March 2024					375	-1,355
Net forward currency contracts at 31 March 2024						-980

15c. Property holdings

	Year ending 31 March 25 £000	Year ending 31 March 24 £000
Opening balance	461,774	501,584
Additions	4,000	0
Disposals	-1,359	-19,766
Net increase in market value	8,773	-20,044
Closing balance	473,188	461,774

There are no restrictions on the realisability of the property or the remittance of income or proceeds on disposal and the Fund is not under any contractual obligation to purchase, construct or develop these properties, other than to the extent reported in note 26.

The future minimum lease payments receivable by the Fund are as follows:

	Year ending 31 March 25 £000	Year ending 31 March 24 £000
Within one year	17,023	16,658
Between one and five years	47,626	42,615
Later than five years	32,131	30,512
	96,779	89,785

The above disclosures have been reduced by a credit loss allowance of 0.35% per annum reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This has been based on the Fund's own historic experience but also information on similar properties received from the Fund's property letting agents. The income has also been reduced to take into account the possibility of tenants taking advantage of break clauses in their non cancellable operating lease contracts to terminate tenancies.

15d. Investments analysed by fund manager

	Market Value as at 31 March 2025 £000	Market Value as at 31 March 2025 %	Market Value as at 31 March 2024 £000	Market Value as at 31 March 2024 %
Investments managed in the ACCESS Pool				
Baillie Gifford	985,230	11.7	1,204,259	14.8
M&G	669,267	7.9	593,948	7.3
Ruffer	186,826	2.2	180,143	2.2
Schroders	1,426,143	16.9	1,721,968	21.2
Columbia Threadneedle	207,610	2.5	0	0
Robeco	840,382	10.0	0	0
	4,315,457	51.2	3,700,318	45.5
Investments managed outside the ACCESS Pool				
CQS	280,612	3.3	257,039	3.2
DTZ	603,240	7.2	527,294	6.5
Fidelity	45,819	0.5	135,589	1.7
Goldman Sachs	438,513	5.2	417,890	5.1
HarbourVest	317,719	3.8	308,604	3.8
Impax	65,479	0.8	74,660	0.9
Insight	853,325	10.1	962,656	11.8
Kames	26,755	0.3	27,943	0.3
Kent County Council investment team	129,368	1.5	37,430	0.5
M&G	332,277	3.9	318,162	3.9
Partners Group	422,218	5.0	376,066	4.6
Pyrford	243,174	2.9	230,817	2.8
Sarasin	920	0.0	425,462	5.2
Schroders	277,915	3.3	259,889	3.2
YFM	74,480	0.9	78,729	1.0
Link Fund Solutions	2,025	0.0	2,308	0.0
	4,113,840	48.8	4,440,538	54.5
Total	8,429,298	100	8,140,856	100

15e. Single investments exceeding 5% of net assets available for benefits

Investments	31 March 2025 £000	31 March 2025 % of net assets
WS ACCESS Global Equity Core Fund	985,230	11.7
WS ACCESS UK Equity Fund	932,397	11.0
LDI Solutions Plus ICAV Active (Insight)	696,433	8.2
WS ACCESS Global Dividend Fund	669,267	7.9
WS ACCESS Global Stars Fund	639,354	7.6
WS ACCESS Global Active Value Fund	493,746	5.8

Investments	31 March 2024 £000	31 March 2024 % of net assets
WS ACCESS Global Equity Core Fund	1,204,259	14.8
WS ACCESS UK Equity Fund	1,246,127	15.3
LDI Solutions Plus ICAV Active (Insight)	793,963	9.8
WS ACCESS Global Dividend Fund	593,948	7.3
WS ACCESS Global Active Value Fund	475,841	5.9

15f. Stock lending

The Custodians undertake a programme of stock lending to approved UK counterparties against non-cash collateral mainly comprising of Sovereigns and Treasury Bonds. The programme lends directly held global equities and bonds to approved borrowers against a collateral of Government and Supranational fixed interest securities of developed countries, which is marked to market on a daily basis. Securities on loan are included at market value in net assets on the basis that they will be returned to the Fund at the end of the loan term. Net income from securities lending received from the custodian is shown as income from investments in the Fund Account.

The amount of securities on loan at year end, analysed by asset class and a description of the collateral is set out in the table below:

31 March 2025

Loan Type	Market Value £000	Collateral Value £000	Collateral type
Equities	0	0	Treasury Notes and other Government debt
Bonds	30,538	32,836	Treasury Notes and other Government debt
	30,538	32,836	

31 March 2024

Loan Type	Market Value £000	Collateral Value £000	Collateral type
Equities	7,288	7,543	Treasury Notes and other Government debt
Bonds	33,754	34,934	Treasury Notes and other Government debt
	41,042	42,478	

16. Financial instruments

16a. Classification of financial instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and Net Assets Statement heading.

	31 Mar 25 Fair value through profit and loss £000	31 Mar 25 Assets at amortised cost £000	31 Mar 25 Financial liabilities at amortised cost £000	31 Mar 24 Fair value through profit and loss £000	31 Mar 24 Assets at amortised cost Restated £000	31 Mar 24 Financial liabilities at amortised cost Restated £000
Financial assets						
Bonds	415,195			400,903		
Equities	0			406,065		
Pooled investments	6,179,163			5,594,441		
Property pooled investments	231,081			265,421		
Private equity/infrastructure	814,417			763,399		
Derivative contracts	369			375		
Cash & cash equivalents	299,099	20,480		230,973	15,587	
Other investment balances		10,314			12,139	
Debtors/ receivables		4,472			5,272	
	7,939,324	35,267	0	7,661,577	32,999	0
Financial Liabilities						
Derivative contracts	-94			-1,355		
Other investment balances			-688			-2,444
Creditors			-13,516			-11,524
	-94	0	-14,204	-1,355	0	-13,968
Total	7,939,230	35,267	-14,204	7,660,222	32,999	-13,968

16b. Net gains and losses on financial instruments

Financial assets	31 March 2025 £000	31 March 2024 £000
Fair value through profit and loss	116,037	177,025
Assets at amortised cost	1,163	734
Total	117,200	177,760

17. Valuation of assets and liabilities carried at fair value

The basis of the valuation of each class of investment asset is set out in the following table. There has been no change in the valuation techniques used during the year. All assets are carried at and have been valued using fair value techniques.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation provided
Quoted equities	1	Bid market price on last day of accounting period	Not required	Not required
Quoted bonds	1	Market value on last day of accounting period	Not required	Not required
Quoted pooled investments	1	Net asset value/bid prices on last day of accounting period	Net asset values	Not required
Cash and cash equivalents	1	Carrying value is deemed to be fair value due to short term nature of these instruments	Not required	Not required
Unquoted pooled investments	2	Net asset value/bid prices on last day of accounting period	Net asset values	Not required
Private equity and infrastructure funds	3	Fair values as per international private equity and venture capital guidelines (2022)	Valuation of underlying investment/assets/companies/EBITDA multiples	Estimation techniques used in valuations, changes in market conditions, industry specific conditions
Pooled property	3	Net asset value/bid prices on last day of accounting period	Net asset values	Asset values can vary based on two key sensitivities: significant changes in yield movement and estimated rental value movement.
Direct property	3	Independent valuation by Colliers using RICS valuation standards	Market values of similar properties, existing lease terms estimated rental growth, estimated vacancies	Asset values can vary based on two key sensitivities: significant changes in yield movement and estimated rental value movement.
Quoted funds in administration	3	Net asset value/bid prices on last day of accounting period	Net asset values /or if the fund holds illiquid assets, valuation of underlying investment/assets/companies/EBITDA multiples	If the fund holds illiquid assets, estimation techniques used in valuations, changes in market conditions, industry specific conditions
Forward exchange contracts	2	Market forward exchange rates on the last day of accounting period	Wide range of deals executed in the currency markets, exchange rate risk	Not required

Bespoke fund for equity protection programme assets	2	Net asset value of Fund based on valuation of underlying assets with quoted prices for bond holdings and market prices for derivatives	Wide range of deals executed in the bond holdings but limited comparable transactions for specialist equity derivatives	Valuation of derivatives is affected by the equity and foreign exchange market conditions
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Note: Quoted fund in administration refers to the UK equities Fund managed by Link Fund Solutions. Bespoke fund for equity protection programme assets is managed by Insight.

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above, are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2025.

	Assessed valuation range (+/-)	Value as at 31 March 2025 £000	Value on increase £000	Value on decrease £000
Private equity	23.4%	392,200	483,974	300,425
Infrastructure	12.6%	422,218	475,417	369,018
Direct and pooled property	8.9%	704,268	766,948	641,588
Other level 3 investments	23.4%	2,025	2,499	1,551
Total		1,520,711	1,728,839	1,312,583

	Assessed valuation range (+/-)	Value as at 31 March 2024 £000	Value on increase £000	Value on decrease £000
Private equity	23.7%	387,333	479,131	295,535
Infrastructure	11.7%	376,066	420,065	332,066
Direct and pooled property	9.0%	727,195	792,642	661,747
Other level 3 investments	23.7%	2,308	2,855	1,761
Total		1,492,901	1,694,693	1,291,109

17a. Fair Value Hierarchy

Level 1

Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Investments include quoted equities, quoted fixed interest securities, quoted index linked securities and quoted unit trusts.

Level 2

Assets and liabilities at Level 2 are those where quoted market prices are not available or where valuation techniques are used to determine fair value. These techniques use inputs that are based significantly on observable market data. Investments include derivatives, direct property investments, property unit trusts and investments in Link pooled funds for ACCESS.

Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data and are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. They include private equity and infrastructure investments the values of which are

based on valuations provided by the general partners to the funds in which the Pension Fund has invested. Assurances over the valuation are gained from the independent audit of the accounts. These assets also include investments in quoted funds that were in administration as at 31 March 2024 and are invested in illiquid underlying assets.

These valuations are prepared by the fund managers in accordance with generally accepted accounting principles and the requirements of the law where these companies are incorporated. Valuations are usually undertaken periodically by the fund managers, who provide a detailed breakdown of the valuations of underlying assets as well as a reconciliation of movements in fair values. Cash flow adjustments are used to roll forward the valuations where the latest valuation information is not available at the time of reporting. The following table provides an analysis of the assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Values at 31 March 2025				
Financial assets at fair value through profit and loss				
Bonds	415,195			415,195
Equities	0			0
Pooled investments	586,567	5,590,571	2,025	6,179,163
Pooled property investments			231,081	231,081
Private equity and infrastructure			814,417	814,417
Derivatives		369		369
Cash deposits	306,353			306,353
Other investment balances	10,314			10,314
Non- Financial assets at fair value through profit and loss				
Property			473,188	473,188
Financial liabilities at fair value through profit and loss				
Derivatives		-94		-94
Other investment liabilities	-688			-688
Net investment assets	1,317,741	5,590,846	1,520,711	8,429,298

	Quoted market price Level 1 Restated £000	Using observable inputs Level 2 Restated £000	With significant unobservable inputs Level 3 Restated £000	Total Restated £000
Values at 31 March 2024				
Financial assets at fair value through profit and loss				
Bonds	400,903			400,903
Equities	406,065			406,065
Pooled investments	565,365	5,026,768	2,308	5,594,441
Pooled property investments			265,421	265,421
Private equity and infrastructure			763,399	763,399
Derivatives		375		375
Cash deposits	240,140			240,140
Other investment balances	12,139			12,139
Non- Financial assets at fair value through profit and loss				
Property			461,774	461,774
Financial liabilities at fair value through profit and loss				
Derivatives		-1,355		-1,355
Other investment liabilities	-2,444			-2,444
Net investment assets	1,622,167	5,025,788	1,492,901	8,140,856

17b. Reconciliation of fair value measurements within level 3

	Private equity £000	Infrastructure £000	Direct and pooled property	Other £000	Total £000
Market value 1 April 2024	387,333	376,066	727,195	2,308	1,492,901
Transfers into level 3					0
Transfers out of level 3					0
Purchases during the year	50,941	18,854	71,221	0	141,017
Sales during the year	-49,683	-4,914	-110,207	0	-164,804
Unrealised gains/ losses	-29,148	31,625	483	-283	2,678
Realised gains/losses	32,756	586	15,577	0	48,919
Market value 31 March 2025	392,200	422,218	704,268	2,025	1,520,711

	Private equity £000	Infrastructure £000	Direct and pooled property	Other £000	Total £000
Market value 1 April 2023	341,800	273,163	781,889	2,803	1,399,655
Transfers into level 3					0
Transfers out of level 3					0
Purchases during the year	69,615	83,023	31,525	0	184,162
Sales during the year	-41,292	-1,753	-54,818	-12,148	-110,011
Unrealised gains/ losses	-8,783	20,809	-30,909	0	-18,883
Realised gains/losses	25,994	824	-492	11,653	37,979
Market value 31 March 2024	387,333	376,066	727,195	2,308	1,492,901

18. Nature and extent of risks arising from financial instruments

Risk and risk management

The Fund's primary long-term risk is that the value of its assets will fall short that of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Kent Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risks, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The Fund is exposed to security and derivative price risks. This arises from investments held by the Fund for which the future price is uncertain. All security investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The possible loss from shares sold short is unlimited. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments, and their activity is monitored by the Council to ensure it is within limits specified in the Fund's investment strategy.

Other price risk - sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Council has determined that the following movements in market price risk are reasonably possible for the 2024-25 reporting period.

Asset Type	Potential Market Movements (+/-)
UK Equities	15.6
Overseas equities	15.9
Emerging market equities	18.0
Global pooled equities inc UK	15.9
Bonds	8.0
Property	8.9
Infrastructure	12.6

Private equity	23.4
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The potential price changes disclosed above are based on predicted volatilities calculated by our fund managers. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is shown below):

Asset Type	Value as at 31 March 25 £000	Percentage change %	Value on increase £000	Value on decrease £000
Cash and cash equivalents	306,353	0.0	306,353	306,353
Investment portfolio assets:				
UK equities	0	15.5	0	0
Overseas equities	0	15.9	0	0
Pooled emerging market equities	408,638	18.0	482,192	335,083
Global pooled equities inc UK	4,913,707	15.9	5,694,986	4,132,427
Bonds incl bond funds	1,272,014	8.0	1,373,775	1,170,253
Property pooled funds	231,081	8.9	251,647	210,515
Private equity	392,200	23.4	483,974	300,425
Infrastructure funds	422,218	12.6	475,417	369,018
Derivative assets	369	0.0	369	369
Total	7,946,577		9,068,713	6,824,442

The Fund has an equities downside protection programme to protect the Fund from falls and cap the returns within a given range and is designed to manage the risks associated with global equity investments and help achieve the Fund's required rate of return.

Asset Type	Value as at 31 March 24 £000	Percentage change %	Value on increase £000	Value on decrease £000
Cash and cash equivalents	240,140	0.0	240,140	240,140
Investment portfolio assets:				
UK equities	38,058	15.3	43,881	32,235
Overseas equities	368,006	15.4	424,679	311,333
Pooled emerging market equities	0	0.0	0	0
Global pooled equities inc UK	4,801,544	15.4	5,540,981	4,062,106
Bonds inc bond funds	1,193,801	7.4	1,282,142	1,105,460
Property pooled funds	265,421	9.0	289,309	241,533
Private equity	387,333	23.7	479,131	295,535
Infrastructure funds	376,066	11.7	420,065	332,066
Derivative assets	375	0.0	375	375
Total	7,670,743		8,720,704	6,620,783

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant

benchmarks. The Fund's direct exposures to interest rate movements as at 31 March 2025 and 31 March 2024 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	31 March 25 £000s	31 March 24 £000s
Cash and cash equivalents	306,353	240,140
Cash balances	13,227	6,421
Bonds		
- Directly held securities	415,195	400,903
- Pooled funds	856,819	792,897
Total	1,591,593	1,440,361

Interest rate risk - sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A one percent movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment advisor has advised that long-term average rates are expected to move less than one percent from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- one percent change in interest rates:

Asset type	Carrying amount as at 31 March 25 £000	Change in year in the net assets available to pay benefits +1% £000	Change in year in the net assets available to pay benefits +1% £000
Cash and cash equivalents	306,353	0	0
Cash balances	13,227	0	0
Bonds			
- Directly held securities	415,195	-17,231	17,231
- Pooled funds	856,819	-15,018	15,018
Total change in assets available	1,591,593	-32,249	32,249

Asset type	Carrying amount as at 31 March 24 £000	Change in year in the net assets available to pay benefits +1% £000	Change in year in the net assets available to pay benefits +1% £000
Cash and cash equivalents	240,140	0	0
Cash balances	6,421	0	0
Bonds			
- Directly held securities	400,903	-15,555	15,555
- Pooled funds	792,897	-12,344	12,344
Total change in assets available	1,440,361	-27,899	27,899

Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits. The analysis demonstrates that a 100 bps increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value and

vice versa. Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect interest income received on those balances.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Through their investment managers, the Fund holds both monetary and non-monetary assets denominated in currencies other than GBP, the functional currency of the Fund. Most of these assets are not hedged for currency risk and the Fund is exposed to currency risk on these financial instruments. However, a significant proportion of the investments managed by Goldman Sachs Asset Management and all investments in the CQS Fund are hedged for currency risk through forward currency contracts. The Fund's currency rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the range of exposure to current fluctuations. The following table summarises the Fund's currency exposure excluding the hedged investments as at 31 March 2025 and 2024:

Currency exposure - asset type	Asset value as at 31 March 25 £000	Asset value as at 31 March 24 £000
Overseas equities	0	368,006
Overseas pooled funds	4,686,215	3,829,079
Overseas bonds	0	0
Overseas private equity, infrastructure and property funds	739,937	684,669
Non GBP cash	13,435	6,758
Total overseas assets	5,439,587	4,888,513

Currency risk - sensitivity analysis

Following analysis of historical data and expected currency movement during the financial year, in consultation with the fund's investment advisors, the Fund has determined that the following movements in the values of financial assets denominated in foreign currency are reasonably possible for the 2024-25 reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. A relevant strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Asset value as at 31 March 25 £000	Change to net assets available to pay benefits +5.5% £000	Change to net assets available to pay benefits -5.5% £000
Overseas equities	0	0	0
Overseas pooled funds	4,686,215	4,943,957	4,428,473
Overseas bonds	0	0	0
Overseas private equity, infrastructure and property funds	739,937	780,634	699,240
Non GBP cash	13,435	14,174	12,696
Total change in assets available	5,439,587	5,738,764	5,140,410

Currency exposure - asset type	Asset value as at 31 March 24 £000	Change to net assets available to pay benefits +5.4%	Change to net assets available to pay benefits -5.4%
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		£000	£000
Overseas equities	368,006	387,879	348,134
Overseas pooled funds	3,829,079	4,035,849	3,622,309
Overseas bonds	0	0	0
Overseas private equity, infrastructure and property funds	684,669	721,642	647,697
Non GBP cash	6,758	7,123	6,393
Total change in assets available	4,888,513	5,152,493	4,624,533

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment of a receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties. Derivative contracts are also covered by margins which provide collateral against risk of default by the counterparties.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Fund's credit criteria. The Fund has also set limits as to the maximum amount that may be placed with any one financial institution. The Fund's cash was held with the following institutions:

	Rating	Balance as at 31 March 25 £000	Balance as at 31 March 24 £000
Money market funds			
Northern Trust Sterling Fund	AAAm	187	18,372
SSGA Liquidity Fund	AAAm	0	0
Blackrock ICS	AAAm	11,361	41
Blackrock USD Government Liquidity Fund	AAAm	64	8
Aberdeen Sterling Liquidity Fund	AAAm	10,766	5
Goldman Sachs Liquid Reserve Government Fund	AAAm	11,425	6,478
Aviva Investors Sterling Liquidity Fund	AAAm	49,777	7,889
Federated (PR) Short-term GBP Prime Fund	AAAm	0	0
Deutsche Managed Sterling Fund	AAAm	2,311	2,330
HSBC Global Liquidity Fund	AAAm	0	0
LGIM Liquidity Fund	AAAm	53,457	25,315
Insight Sterling Liquidity Fund	AAAm	156,893	168,694
		296,241	229,132
Bank deposit accounts			
NatWest SIBA	A+	1,631	1,841
		1,631	1,841

Bank current accounts			
NatWest current account	A-	50	50
NatWest current account - Euro	A+	11,922	134
NatWest current account - USD	A+	28	9
Northern Trust - current accounts	AA-	7,470	12,802
Barclays - DTZ client monies account	A+	2,237	2,592
		21,707	15,587
Total cash and cash equivalents		319,579	246,560

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments. The Council has immediate access to the Fund's money market fund and current account holdings.

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2025 are due within one year.

Refinancing risk

The key risk is that the Fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

19. Funding arrangements

In line with Local Government Pension Scheme (Administration) Regulations 2013 (as amended), the Fund is required to obtain an actuary's funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022.

The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund and ensure that sufficient funds are available to meet all the benefits as they fall due for payment
- To ensure employer contribution rates are as stable as possible
- To minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so

At the 2022 valuation a maximum deficit recovery period of 11 years (2019 - 14 years) is used for all employers. Shorter recovery periods have been used where affordable. This will provide a buffer for future adverse experience and reduce the interest cost paid by employers. For Transferee Admission Bodies the deficit recovery period is set equal to the future working life of current employees or the remaining contract period, whichever is the shorter.

In the 2022 triennial valuation, the smoothed value of the Fund's assets at the valuation date was £7,555m and the liabilities were £7,374m. The assets therefore, represented 102% (2019 - 98%) of the Fund's accrued liabilities, allowing for future pay increases.

The primary contribution rate for the average employer, including payments to target full funding has increased from 18.4% to 20.5% of pensionable salaries after the latest valuation. Secondary rates however differ from employer to employer depending upon their funding position and agreed deficit recovery period. The funding level for the Fund as a percentage has increased (due to good investment returns and employer contributions) although this has been partly offset by the changes in the financial assumptions used to calculate the liabilities.

The actuarial valuation has been undertaken on the projected unit method. At individual employer level the projected unit funding method has been used where there is an expectation that new employees will be admitted to the Fund. The attained age method has been used for employers who do not allow new entrants. These methods assess the costs of benefits accruing to existing members during the remaining working lifetime, allowing for future salary increases. The resulting contribution rate is adjusted to allow for any differences in the value of accrued liabilities and the market value of assets.

The 2022 actuarial assumptions were as follows:

Valuation of Assets:	Assets have been valued at a 6 month smoothed market rate
Rate of return on investments (discount rate)	4.5% p.a.
Rate of general pay increases:	
Long term	3.9% p.a.
Short Term	n/a
Assumed pension increases	2.9% p.a.

20. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, every year the Fund's actuary undertakes a valuation of the Fund's liabilities on an IAS 19 basis, using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

Actuarial present value of promised retirement benefits	31 March 25 £m	31 March 24 £m
Present value of promised retirement benefits	-7,057.8	-7,923.6
Fair value of scheme assets at bid value	8,424.9	8,134.2
Net asset	1,367.1	210.6

The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. Based on the latest valuation, the fair value of net assets of the Fund represents 103% of the actuarial valuation of the promised retirement benefits. Future liabilities will be funded from future contributions from employers.

The liability above being calculated on an IAS 19 basis and differs from the results of the 2022 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects a market rate.

Assumptions used:	% p.a.
Salary increase rate	3.90%
Inflation/Pensions increase rate	2.90%
Discount rate	4.90%

In December 2018 the Court of Appeal passed the McCloud judgement, which relates to age discrimination in relation to judges and firefighters pensions. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases and legislation is now being drafted to bring forward these changes. Updated Regulations are to be consulted on in 2023 with the earliest effective date expected to be October 2023. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. For the 2022 valuation, as instructed by the Department of Levelling Up, Housing and Communities (DLUHC), our actuaries have assumed that the legislation will bring forward the changes as currently proposed, and have valued the benefits in line with this. This exercise has estimated the additional costs to be approximately 0.7% of the Fund's liabilities and these have been included in the total liabilities of the Fund at the 2022 valuation.

21. Current assets

	31 March 25 £000	31 March 24 £000
Debtors		
- Contributions due - employees	5,118	5,391
- Contributions due - employers	16,785	17,694
	21,903	23,085
Sundry debtors	4,472	5,272
Total debtors	26,375	28,357
Cash	13,227	6,421
Total current assets	39,602	34,778

22. Current liabilities

	31 March 25 £000	31 March 24 £000
Creditors		
- Benefits payable	22,832	21,559
- Sundry creditors	13,516	11,524
Total current liabilities	36,348	33,083

23. Additional voluntary contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 4(2)(b) of the LGPS (Management and Investment of Funds) Regulations 2009, these AVC contributions are not included within the Pension Fund Accounts. These contributions are paid to the AVC provider directly by the employer and are invested separately from the Pension Fund, with either Utmost Life, Prudential Assurance Company or Standard Life Assurance Company. These amounts are included within the disclosure note figures below.

	Prudential 2024-25 £000	Prudential 2023-24 £000	Standard Life 2024-25 £000	Standard Life 2023-24 £000	Utmost Life 2024-25 £000	Utmost Life 2023-24 £000

Value at 1 April	12,895	10,054	1,918	1,914	282	277
Value at 31 March	14,445	12,895	2,422	1,918	245	282
Contributions paid	1,561	3,303	595	318	0	0

24. Related party transactions

The Fund is required to disclose material transactions with related parties, not disclosed elsewhere, in a note to the financial statements. During the year each member of the Kent Pension Fund Committee is required to declare their interests at each meeting. None of the members of the Committee or senior officers undertook any material transactions with the Fund.

	2024-25 £000	2023-24 £000
KCC is the largest single employer of members of the Fund and during the year contributed:	93,395	88,527
A list of all contributing employers and amount of contributions received is included in the Fund's annual report available on the pension fund website		
Charges from KCC to the Fund in respect of pension administration, governance arrangements, investment monitoring, legal and other services.	7,082	6,497
Year end balance due to KCC arising out of transactions between Kent County Council and the Fund	-7,445	-6,252

The year end credit balance due to KCC mainly comprises of recharges and of VAT payable to KCC.

Key management personnel

The key management personnel of the Fund for 2024-25 are the Interim Corporate Director Finance as well as the Head of Pensions and Treasury. The Interim Corporate Director Finance charges a proportion of their time to the Kent Pension Fund as part of the County Council's charge for the administration of the Fund. Full details of the salary of Interim Corporate Director Finance can be found in the main accounts of Kent County Council.

Total costs charged to the Fund, including amounts recharged by the Interim Corporate Director Finance, in respect of key management are shown below.

	31 March 25 £000	31 March 24 £000
Salary	125	118
Allowances	12	12
Other	27	16
Employer's pension contributions	17	27
Total	181	173

25. Contingent liabilities

The Fund 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.

The Department for Work and Pensions (DWP) published an announcement on 5 June 2025 noting the plan to introduce new legislation in response to the ruling. The legislation will allow affected pension schemes to retrospectively obtain written actuarial confirmation that historic changes to scheme rules met the required standards. The new legislation is hoped to provide clarity to affected schemes. No further information has been provided at this time.

The Fund still awaits further information but at this time are hopeful there will be no impact on the scheme.

26. Contractual commitments

Outstanding capital commitments (investments) as at 31 March 2025 totalled £260m (31 March 2024: £309m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over the life of each fund.

27. Contingent assets

30 admitted body employers in the Fund hold insurance bonds and 11 hold guarantees with their Employing Authority to guard against the possibility of being unable to meet their pension obligations. These bonds and guarantees are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

Independent Auditor's Report to the Members of Kent County Council

To follow

Independent auditor's report to the members of Kent County Council on the pension fund financial statements of Kent Pension Fund

To follow

Glossary of terms

Agency - The provision of services by one local authority, on behalf of and reimbursed by the responsible local authority or central government.

Budget - A statement defining the Council's policy over a specified period and expressed in financial or other terms.

Capital expenditure - Expenditure on the provision and improvement of permanent assets such as land, buildings, and roads.

Capital receipts - Money obtained on the sale of a capital asset.

Derivatives - A derivative is a contract that derives its value from the performance of an underlying entity. Common derivatives include forwards, futures, options, and swaps.

Employee expenditure - The salaries and wages of employees together with national insurance, superannuation, and all other pay-related allowances. Training expenses and professional fees are also included.

Fair value - The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Page 31 of the accounts provides clarification of level 2 and 3 inputs.

Government grants - Part of the cost of local government's services is paid for by central government from its own tax income. These grants are of two main types. Some (specific grants and supplementary grants) are for particular services such as Highways and Transportation. Others are in aid of local services generally.

Intangible Assets - Capital spend on items such as software licences and patents.

Local Authority Accounting Panel - The Local Authority Accounting Panel issues LAAP Bulletins to assist practitioners with the application of the requirements of the Code of Practice on Local Authority Accounting, Service Reporting Code of Practice, and the Prudential Code.

Long-term debtors - Amounts due to Kent County Council where payment is to be made over a period of time in excess of one year.

Minimum Revenue Provision - The amount that the Council is required to charge to the revenue account each year to provide for the repayment of debt.

Net operating expenditure - This comprises all expenditure minus all income, other than the precept and transfers from reserves.

Non-Delegated - Spend on Education Services which is not delegated to schools.

Precept - The levying of a rate by one authority which is collected by another. Kent County Council precepts upon the district council's collection funds for its income but some bodies, e.g. the Environment Agency, precept upon Kent County Council.

Public Works Loans Board - A Government controlled agency that provides a source of borrowing for public authorities.

Related party transaction - A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party irrespective of whether a charge is made.

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

Revenue expenditure funded from capital under statute (Refcus) - Refcus includes expenditure that has been treated as capital expenditure but does not lead to the acquisition by the Council of a tangible asset.

Specific grants - See 'government grants'.

Support service costs - The 'overhead' cost to Service Directorates of support services, such as architects, accountants, and solicitors.

Unusable reserves - Those reserves that the Council is not able to utilise to provide a service.

Usable capital receipts - The proportion of the proceeds arising from the sale of fixed assets that can be used to finance capital expenditure.

Further information on the accounts can be obtained from the Chief Accountant (please call 03000 41 41 41).

This publication can be made available in alternative formats and can be explained in a range of languages. Please call 03000 41 41 41 or Text Relay 18001 03000 41 41 41.