Tunbridge Wells Borough Council

Draft Annual Financial Report for 2024/25

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Narrative Report

1. About Tunbridge Wells

The borough of Tunbridge Wells is set in the High Weald of Kent, around 70% of which is designated as an area of outstanding natural beauty. Of the estimated 115,300 residents, around 55% live in the town of Royal Tunbridge Wells with 45% living in the larger towns of Cranbrook, Paddock Wood and Southborough and the surrounding villages. The borough is bordered by the districts and boroughs of Sevenoaks, Maidstone and Tonbridge and Malling to the north, Ashford to the east, and to the south it borders Wealden and Rother in East Sussex.

2. About the Council

Councillors are democratically accountable to the residents of their ward. The Council is comprised of 39 Councillors, representing 14 wards, with one-third elected three years in four. The political composition of the Council is as follows:

Liberal Democrat	22
Conservative	7
Labour	5
Tunbridge Wells Alliance	4
Independent	1
Total	**39**

Tunbridge Wells Borough Council operates under executive arrangements, also known as the ‘Leader and Cabinet’ model. The Full Council elects the Leader and the Leader appoints their Cabinet from amongst the members of the Council.

The Cabinet’s two Advisory Boards give back-bench members and the public an opportunity to influence and give advice on decisions to be made by Cabinet. Each Advisory Board will give initial consideration and make recommendations on matters within their respective terms of reference.

3. The Statement of Accounts

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25. There have been no material changes to the presentation of the Accounts for 2024/25.

In addition to the Narrative Report the Statement of Accounts consists of the following:

The Annual Governance Statement

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

The Statement of Responsibilities

This sets out the general responsibilities of both the Council, and of the Director of Finance, Policy and Development, in making proper financial arrangements and in maintaining financial records. The Statement is signed when the Accounts are authorised for audit and again following the audit of the Accounts.

The Independent Auditor's Report

The Council's independent external auditors provide an independent opinion on whether the financial statements present a 'true and fair view' of the financial position of the Council as at the Balance Sheet date and on its income and expenditure for the year.

The Core Financial Statements

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

- The Comprehensive Income and Expenditure Statement – this statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations, and 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.

- The Movement in Reserves Statement – this shows the movement from the start of the year to the end, on the different reserves held by the Council, analysed into 'Usable Reserves' (those that can be applied to fund expenditure or reduce local taxation) and other 'Unusable Reserves'. It 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) line shows the statutory General Fund Balance movements in the year following adjustments.

- The Balance Sheet – this shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first grouping is of usable reserves, those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (such as the Capital Receipts Reserve being restricted to fund capital expenditure or to repay debt). The second grouping of reserves is those that the Council is not able to use to provide services. This group includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

- The Cash Flow Statement – this 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 from the recipients of the services provided by the Council. Investing activities represent the amount to which cash outflows have been made for resources which are intended to contribute towards the Council’s future service delivery. Cash flows arising from financing activity are useful in predicting claims on future cash flows by providers of capital (borrowing) to the Council.

Notes to the Financial Statements

The notes present information about the basis of preparation of the financial statements and the specific accounting policies used, for example, the method of depreciation used, policies in respect of provisions and reserves and accounting for pension costs. The notes also disclose information required by the Code that is not presented elsewhere in the financial statements. They also provide information that is not provided elsewhere in the financial statements, but is relevant to understanding them.

The Collection Fund Statement

The Collection Fund is an agent’s statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities of Council Tax, and distribution to local authorities and the Government of Non-Domestic Rates.

4. Service Performance

The Council uses a range of indicators to measure the performance of its strategic objectives (Corporate Priorities) and the day to day running of services (Council Business). Corporate Priority Project performance is assessed through a broad set of criteria including whether the project is still on time, on budget, delivered to the appropriate quality levels and whether there is appropriate resource available to deliver it. These criteria are measured monthly using a ‘traffic light’ system, and those that are on target are given a green status.

A range of indicators are used to measure Council Business, varying from financial indicators that are used to assess performance on key income streams such as off-street parking, to usage targets, which measure levels of attendance at key discretionary services such as the Assembly Hall Theatre. Targets for these indicators are discussed with Directors and Heads of Service and are set before the start of each new financial year.

4.1 Corporate Priorities

The Council reports and monitors progress on its projects monthly at the Council's Leadership Team and quarterly to Cabinet using a standard project management methodology of reporting.

At the start of 2024/25 the Council was continuing to progress its interim corporate plan, 'Building a Better Borough'.

The Council set itself five priorities:

- Safeguarding Finances
- Vibrant and Safer Towns and Villages
- Carbon Reduction
- Affordable Housing
- Digital Access and Transparency

Twenty-eight projects supporting the five priorities were developed under the plan.

By year end, the initiative was largely complete with 75% of the total identified deliverables across the twenty-eight projects now completed. Nine further projects are on track to be completed fully by early 2025/26. Of the five remaining projects, two are to be completed during 2026 and three are progressing but with no firm completion date.

The status of each project under their respective priority heading is detailed in the following tables.

Safeguarding Finances

Project	Status
Repurpose Town Hall	To be completed by early 2025/26
Develop a Car Parking Strategy	Progressing but no firm completion date
Produce a Savings Plan	Complete
Produce a People Strategy	Complete

Vibrant and Safer Towns and Villages

Project	Status
Build Independent Farmers Market	To be completed by early 2025/26

5 Year Plan engagement	To be completed by early 2025/26
Volunteers Picnic Convention	Complete
Install CCTV in Great Hall, Crescent Road and Torrington Car Parks	Progressing but no firm completion date
Publish Economic Development Strategy	Complete
Install Additional EEV chargers in Car Parks	Progressing but no firm completion date
Develop Tourism Across the Borough	Complete
UKSPF Fund Distribution	To be completed by early 2025/26
Rural England Prosperity Fund	To be completed by early 2025/26
Develop a Business Pack to Support New Business Portal	Complete

Carbon Reduction

Project	**Status**
Develop a Pesticide and Herbicide Policy	Complete
Renew our Biodiversity Action Plan	To be completed by early 2025/26
Review Resources to Deliver 2030 Net Zero Commitments	Complete
Collaborate and Consult on Borough Emissions Strategy	To be completed by early 2025/26
Expand TWBC Climate Web Site	Complete
Deliver Salix Carbon Reduction Schemes at Weald Centre and North Farm Depot	Complete

Affordable Housing

Project	**Status**
Use Existing Council Land and Assets to Deliver Affordable Housing	To be completed by early 2025/26
Make Modifications and Adopt the Local Plan	To be completed by early 2025/26 (subject to Planning Inspector - see update below)
Develop Empty Property Strategy and Policy	Complete
Progress the RTW Town Centre Development Plan	To be completed during 2026

Digital Access and Transparency

Project	Status
Carry Out Residents Survey Borough Wide	Complete
Review and Develop a TWBC Communications Plan	Complete
Develop a Digital Transformation Plan	To be completed during 2026

Other projects

Project	Status
Governance Review	Complete

In order to track projects through to completion, the projects that are to be completed in early 2025 will be subject to ongoing Portfolio Holder reporting. The six remaining projects with longer, or no dates, will be covered and reported in the forthcoming TWBC Operational Plan.

During 2024/25 the Council has continued work on its Local Plan. The Planning Inspector, following the Examination Hearings, raised a number of matters that needed resolution before the Local Plan could be adopted. A proposed response to the Planning Inspector's Initial Findings was agreed by Full Council and then consulted on in January 2024 to April 2024. Stage 3 Hearings were held in June/July/November 2024. The Inspector agreed to the Main Modifications (MM) which were consulted on from 17 March 2025 to 30 April 2025. Officers will review the representations made to the MM consultation and submit these to the Inspector to inform his final report.

In February 2025, the Council adopted a new Strategic Plan for the period 2024-32.The Strategic Plan sets out an ambition for the Borough of Tunbridge Wells to be:

> *'A place where all generations can live healthy and fulfilling lives in vibrant and connected communities'*

The ambition is supported by four priorities:

Priority	Description
Climate Action	We will continue our work to create a cleaner, green and carbon zero future for our Borough. Climate change is real, and the clock is ticking: we have our role to play alongside national government and must all act locally if we are to win the fight globally.
Sustainable Development	We want the right types of homes in the right places with the right infrastructure, jobs and local businesses, whilst protecting our nature and heritage. Our Borough needs more homes, and we must build them in a way that doesn’t compromise future generations.
Vibrant Economy	We want to support our urban and rural economies to thrive, creating local jobs in our local communities.
Community Wellbeing	We will continue to look after the vulnerable and to support our urban and rural communities to flourish and fulfil their potential to be caring, healthy, connected and inclusive.

Contributing to these priorities are 12 strategic projects:

- We will review outdoor sports facilities for grass-roots clubs across the borough to improve and develop provision.
- We will introduce a new farmers’ market, independently run in Royal Tunbridge Wells selling high quality, locally produced items.
- We will work with partners to design and deliver four improved walking and cycling routes:
    - Southborough to High Brooms walking and cycling route.
    - A26 between Grosvenor Road, Tunbridge Wells and the boundary with Tonbridge and Malling Borough Council cycling route.
    - Royal Tunbridge Wells cross town centre cycling route.
    - Langton Green through Rusthall to Royal Tunbridge Wells town centre cycling route.
- We will work with our leisure service provider to modernise and improve our existing three leisure centres in Cranbrook, Paddock Wood and Royal Tunbridge Wells.
- We will create youth hubs across the Borough for 12-17 year olds providing activities chosen by young people.
- We will deliver a modern crematorium with more appropriate, comfortable and energy-saving facilities.
- We will invest in and revitalise Royal Victoria Place to make it a better destination for shopping and leisure.
- We will examine how best to ensure the delivery of new affordable housing across the Borough.
- We will enable the delivery of a community centre in Cranbrook.
- We will deliver a solar energy project on the Royal Victoria Place car park.

- We will continue to pursue proposals to provide a new football hub and facilities at Hawkenbury, replacing pitches at Bayham West, Colebrook and Culverden.
- We will plant a tree for every resident - 116,000 over 10 years.

Work to scope out and progress these projects was underway by year end 2024/25 and the first quarterly reports on progress will be taken to Cabinet in September 2025.

4.2 Council Business

The performance indicators for Council business are refreshed annually to ensure they remain up-to-date and relevant for the authority. The Council currently reports on 16 performance indicators that have quarterly target measures. The historic percentages of indicators performing to target are:

Year	On Target
2019/20	73%
2020/21	57%
2021/22	69%
2022/23	75%
2023/24	80%
2024/25	87%

The reversal in the reduction in performance levels has continued, leaving them now exceeding pre-pandemic levels. Those which remain are mainly due to continued pressure on the service teams due to continuing staff shortages.

4.3 Performance Conclusion

In 2024/25 the Council's performance indicators show continued improvement despite the ongoing challenges presented by both the Council's staff retention and recruitment issues, and inflationary pressures.

5. Financial Performance

The table below sets out the net revenue expenditure for 2024/25 compared to budget:

	Approved Budget	Actual	Variance
	£000	**£000**	**£000**
Chief Executive	209	220	11
Total Chief Executive	**209**	**220**	**11**
Director Finance, Policy and Development	168	167	(1)
Finance, Procurement & Parking	(1,238)	(3,111)	(1,873)
Mid Kent Client Services	2,402	2,509	107
Economic Development	696	1,856	1,160
Planning	1,411	1,704	293
Policy & Governance	1,489	1,522	33
Total Finance, Policy and Development	**4,928**	**4,647**	**(281)**
Director of Change & Communities	153	152	(1)
Human Resources, Customer Service and Culture	2,784	2,662	(122)
Housing, Health and Environment	6,621	6,363	(258)
Facilities and Community Hubs	1,633	1,511	(122)
Digital Services and Communications	966	829	(137)
Total Change & Communities	**12,157**	**11,517**	**(640)**
Total Cost of Services	**17,294**	**16,384**	**(910)**
Parish Council Precepts	3,657	3,657	0
Interest and Investment Income	(2,057)	(3,181)	(1,124)
Interest Payable	10	10	0
Capital Expenditure from Revenue	3,395	3,395	0
Minimum Revenue Provision	365	539	174
Transfer to (from) Earmarked Reserves	(3,499)	(430)	3,069
Net Expenditure	**19,165**	**20,374**	**1,209**
Government and General Grants	(2,610)	(2,800)	(190)
Business Rates from Collection Fund	(2,888)	(3,907)	(1,019)
Council Tax from Collection Fund	(13,667)	(13,667)	0
Balance Transferred (to) from General Fund	**0**	**0**	**0**

It should be noted that the services expenditure figures above are shown purely on a funding basis and therefore exclude adjustments between accounting and funding bases, as set out in Note 9 to the Statement of Accounts.

The Directorate Cost of Services actual outturn shows an underspend to the budget of £910,000.

Within the Cost of Services, there are some significant positive and negative variances worthy of note. Those effecting income are:

- On street parking income was £1,045,000 above budget for the year. This was mainly due to the continuation of Public Realm 2 enforcement. The Council has an agreement with Kent County Council, Kent's Highways Authority, to provide their "Being in a Bus Lane" enforcement services until 30 September 2025, whereupon they will take back responsibility. The income, net of any costs associated with the scheme, has been transferred to the On Street Parking reserve. It can only be used for certain highways related schemes and has been transferred to the reserve so that it can be allocated to a compliant purpose.
- Assembly Hall Theatre income was £463,000 above budget and £227,000 above last year's outturn. Costs have been controlled, with savings made on staffing costs from vacancies, and the total subsidy cost for the theatre was £89,000 under budget.
- Off street parking income was £343,000 above budget and £160,000 above the outturn for last year. This is due to an increase in both daily parking and season ticket income.
- Planning income was £539,000 under budget, a reduction of £218,000 compared to the previous year. Whilst minor applications are up, the reduction in income is due to the reduction in the number of larger applications received. This is believed to be a result of the current economic climate, changes in interest rates and a result of the Local Plan waiting to be adopted. There are, however, some large schemes in the pipeline and there remains a lot of interest in Tunbridge Wells so it is hoped this impact is temporary.
- RVP Shopping Centre income was £621,000 under budget. Following the Council's purchase of the long leasehold of the shopping centre it receives rental receipts from tenants of the centre. The budget for 2024/25 assumed an increase in rent and reduction in service charges resulting from the halo effect of Primark opening. Whilst this is still anticipated, it is now unlikely that benefits will accrue until Winter 2025/26. Footfall has been increasing since the Council took control of RVP, with major businesses choosing to invest in the town centre.

Those affecting costs are:

- Savings of £923,000 on staff costs mainly due to vacant posts during the year.
- Utilities costs were £359,000 underspent compared to budget for the year, which was due to a reduction in costs for gas and electricity. Energy costs increased following Russia's invasion of Ukraine in 2022 and the Council reflected this with increased budgets for 2023/24 and 2024/25. Costs have now stabilised and, whilst still volatile, have started to come back down which is reflected in the actual outturn.
- Building maintenance and repairs costs were £305,000 overspent for the year. This is due to an increase in both prices, exacerbated by construction industry inflation, and in

the works required across the property portfolio. Additional works include expenditure required to meet compliance requirements, particularly on operational assets such as the leisure centres and theatre, net zero requirements and responsive repairs due to vandalism.

Interest and investment income was £1,124,000 above budget of which £1,099,000 was for investment interest. The Council has been able to obtain higher rates than expected on its investments, with an average interest rate of 5.16% achieved, and has had more money available to invest, as a result of the surpluses to budget explained in this narrative report. The remaining £25,000 over achievement was from small improvements to budget from other sources of interest.

Net transfers from earmarked reserves of £430,000, were made during the year. A sum of £3,395,000, was transferred from earmarked reserves to fund the capital programme for the year, including £2,888,000 from the Capital and Revenue Initiatives reserve. A sum of £1,746,000 was transferred into the reserve to fund future year's capital programme, of which £1,124,000 was the surplus to budget from investment interest. A sum of £1,128,000 was transferred into the On Street Parking reserve which will be allocated to highways related schemes. The remaining net £91,000 transfer to reserves was to fund revenue initiatives in the future.

Business Rates from the Collection Fund were greater than budgeted by £1,019,000. The surplus to budget comprises a combination of business rates growth since the inception of the business rates retention scheme in 2013/14 and the release of provisions on appeals. The Council is prudent and does not rely on any surpluses when setting the budget.

6. Capital Expenditure

The Council's Capital Programme was approved at the Cabinet meeting of 21 March 2024. A gross budget of £14,452,000 was approved which, in net terms, after allowing for specific funding, meant the amount to be met from the sale of assets or from the Capital and Revenue Initiative Reserve was £8,084,000. The table below shows how this changed during the year from additional approvals, deletions and reductions, and from spend being rescheduled to and from the next financial year.

	Gross Expenditure	Income and Funding	Net Expenditure
	£000	£000	£000
Original Approved Gross Capital Programme	14,452	(6,368)	8,084
Approvals Added or Increased	12,084	(7,935)	4,149
Approvals Deleted or Reduced	(5,745)	2,960	(2,785)
Deferred to 2025/26	(11,211)	5,335	(5,876)

Brought Forward from 2025/26	33	0	33
Actual Expenditure 2024/25	**9,613**	**(6,008)**	**3,605**

The largest schemes in 2024/25 were the Affordable Housing Grants (£1,390,000), Disabled Facilities Grants (£1,213,000), Town Hall Conversion (£1,053,000), and the Royal Victoria Place (£1,012,000).

Approvals added or increased include projects that were rescheduled from 2023/24 to 2024/25 (£7,815,000), new schemes including the Local Authority Housing Fund Round 2 (£445,000) and Local Authority Housing Fund Round 3 (£420,000) and variations to existing schemes within the year, including the UK Shared Prosperity Fund (£333,000).

Projects deferred to 2025/26 include a number of projects that are yet to commence or that were started in 2024/25 but will continue next year. These include the Royal Victoria Place shopping centre (£2,848,000), Disabled Facilities Grants (£2,256,000) and the RVP Car Park Refurbishment (£1,000,000).

The Council used a total of £210,000 from the sale of assets and continues to review its asset base and to obtain the best price in the market when sale is appropriate.

7. Treasury Management and Pensions

7.1 Investments

As at 31 March 2025 the Council had £49.3 million of investments and bank balances, which is broken down into a long term investment of £5 million, short term investments of £42.8 million and £1.5 million of bank account balances.

The Council achieved an investment return of 5.16% during the year which equated to investment income of £3,100,000.

7.2 Borrowing

The Council holds no external borrowing. With reserves largely committed it may be necessary to enter into external borrowing in order to fund new capital schemes in the future.

7.3 Cash Flow Summary

The table below summarises the inflows and outflows of cash and cash equivalents:

2023/24		2024/25
£000		**£000**
(94,775)	Cash Inflows (Income)	(101,393)

92,400	Cash Outflows (Expenditure)	98,707
(2,375)	**Net Cashflows from Operating Activities**	**(2,686)**
11,796	**Net Cashflows from Investing Activities**	**2,776**
786	**Net Cashflows from Financing Activities**	**(422)**
10,207	**Net (increase) / decrease in cash and cash equivalents**	**(332)**

7.4 Pensions

The Council is a member of the Local Government Pension Scheme which is administered on behalf of the Council by Kent County Council. The opening pension net liability as at 1 April 2024 was £1.568 million.

The change in the pension fund deficit over the year is dependent on asset returns, discount rates linked to corporate bond yields and market expectations of inflation. When taken together these have resulted in an accounting surplus as at 31 March 2025, of £13.717 million. Accounting standards state that if an employer has an accounting surplus, it should only be recognised to the extent that it is able to recover the surplus either through reduced contributions in the future, or through refunds. The present value of such economic benefits is referred to as the asset ceiling and reflects the portion of the pension scheme surplus that is not considered to be an economic benefit available to the employer. The asset ceiling has been recognised in the financial statements, the impact of which is a net pension liability, as at 31 March 2025, of £0.524 million.

The most recent triennial review of the value of the fund to determine the Council's pension contribution for the period from 1 April 2023 to 31 March 2026, was carried out as at 31 March 2022.

8. The Balance Sheet

The Balance Sheet gives details of what the Council owns in the way of assets such as property, plant and equipment, what the Council has invested, and the amounts owed to and by the Council. The table below shows the Council's Net Assets to be £165.2 million as at 31 March 2025 (£157.5 million as at 31 March 2024). The net assets of the Council are matched by the reserves held by the Council.

31 March 2024		31 March 2025
£000		**£000**
132,219	Property, Plant and Equipment	136,554
3,744	Heritage Assets	3,824
740	Investment Property	615

11,071	Other Long-Term Assets	5,868
36,672	Short Term Investments	42,790
1,201	Cash and Cash Equivalents	1,533
8,064	Money Owed to the Council	6,291
(25,592)	Money Owed by the Council	(25,006)
(10,597)	Long Term Liabilities	(7,262)
157,522	**Net Assets**	**165,207**
26,789	Usable Reserves	27,386
130,733	Unusable Reserves	137,821
157,522	**Total Reserves**	**165,207**

9. Future Plans

9.1 Revenue Budget for 2025/26

The table below summarises budgeted net expenditure on services for 2025/26 compared to 2024/25 and shows how this is funded from government grants and council tax.

This shows that the budget for 2025/26, was balanced and there is no requirement to make a withdrawal from reserves.

	Budget 2024/25	Budget 2025/26	Budget Change
	£000	£000	£000
Chief Executive	209	213	4
Finance, Policy and Development	4,591	5,066	475
Change and Communities	12,087	11,831	(256)
Net Expenditure on Services	**16,887**	**17,110**	**223**
Net Interest Receivable	(2,057)	(2,049)	8
Capital Charges	325	235	(90)
Net Expenditure by Council	**15,155**	**15,296**	**141**
General Grants and Non-Domestic Rates	(5,145)	(4,919)	226

Council Tax	(10,010)	(10,377)	(367)
Income from Grants and Council Tax	**(15,155)**	**(15,296)**	**(141)**
Net contribution to/(withdrawal from) reserves	**0**	**0**	**0**

The table below shows the main variances in planned services expenditure from 2024/25 to 2025/26.

Reason for Major Variances	
Employee Costs	921
Additional Premises Maintenance Costs	200
Additional Contracts Costs	185
Other small increases/decreases in income and expenditure	(183)
Increase in Sales, Fees and Charges income	(900)
Decrease in Interest Receivable	8
Decrease in Minimum Revenue Provision	(90)
Difference in Net Expenditure	**141**
Decrease in Government Grants	226
Council Tax Increase	(367)
Difference in Income From Grants and Council Tax	**(141)**
Difference in Net Withdrawal from/(contribution to) Earmarked Reserves	**0**

Beyond 2025/26 the Council intends to keep to its commitment to balance the revenue budget without the use of reserves. Its projections assume that the increase in the basic amount of Council Tax will be 2.95% per year and that fees and charges will rise by an average of 3% each year.

9.2 Capital Programme 2025/26 to 2027/28

At their meeting of 6 February 2025 Cabinet approved a new capital programme covering the years 2025/26 to 2027/28. This was subsequently amended by deferrals from and to 2024/25 and by some additions and deletions to be approved at the meeting of 26 June 2025. The adjusted capital programme is summarised below:

	Reserves	Borrowing	Govt. Grants	Other Grants & Contribs.	Total
	£000	£000	£000	£000	£000
2025/26					
RVP Car Park Refurbishment	6,146	2,333	0	0	8,479
Disabled Facilities Grants	0	0	3,869	142	4,011
Local Authority Housing Fund Round 3	0	0	1,730	1,710	3,440
Royal Victoria Place	1,738	1,110	0	0	2,848
Great Hall Car Park	0	850	0	0	850
Benhall Mill Depot	756	0	0	0	756
Dowding House	630	0	45	0	675
Temporary Accommodation Improvements	570	0	0	0	570
The Amelia Scott	324	0	0	0	324
Other schemes	1,843	0	345	764	2,952
Total	**12,007**	**4,293**	**5,989**	**2,616**	**24,905**
2026/27 to 2027/28					
Disabled Facilities Grants	0	0	2,500	0	2,500
Other schemes	4,423	0	0	4	4,427
Total	**4,423**	**0**	**2,500**	**4**	**6,927**
Total Programme	**16,430**	**4,293**	**8,489**	**2,620**	**31,832**

10. Economic Climate

The UK economic outlook for 2025 is rather uncertain due to both macro factors such as tariffs and domestic factors such as increases to employers' National Insurance contributions. UK GDP data for Quarter 1 2025, published on 15 May 2025, showed that the economy grew by 0.7 per cent. The Office for National Statistics (ONS) said this was due to growth in the service sector and high production. However, this data does not include the rise in employers' National Insurance which for the Council will cost an extra £342,000 whereas the compensation grant will only be £98,000. The Office for Budget Responsibility (OBR) and the International Monetary Fund (IMF) had both downgraded the UK's growth forecast for this year.

The Bank of England (BoE) forecasts that UK inflation, measured by the Consumer Prices Index (CPI), will rise to 3.7 per cent by September 2025, driven by higher energy prices, before gradually falling back towards the 2 per cent target by the end of 2027.

At its meeting in May 2025 the BoE cut interest rates to 4.25 per cent, the lowest level since May 2023. Markets are currently forecasting a further two or three 0.25 percentage point cuts before the end of the year.

The UK jobs market is currently facing a mix of trends. The unemployment rate is at 4.4 per cent, an increase of 114,000 from the previous year and vacancies have decreased by 26,000 to 781,000 in January-March 2025, marking the 33rd consecutive quarterly decline. However, average weekly earnings (including bonuses) continue to rise, with a real wage increase of around 2 per cent.

The local economic climate is rather better than the national situation. The unemployment rate for Tunbridge Wells stood at 2.9 per cent for March 2025, the third lowest in Kent. The Gross Disposable Household Income (GDHI) per head of population for Tunbridge Wells was £29,087, the second highest in Kent and along with other West Kent Councils was above the average for the South-East of £24,623. The 2024 weekly full-time resident-based earnings for Tunbridge Wells were £839.60 which is above the average for Kent of £751.80.

The Council set a budget for 2024/25 without the use of reserves, the first time since the pandemic. This reflects the work to manage the impact of the pandemic and to rebalance the cost of services with the funds available. Councils were once again subject to a single-year government settlement and the centralised control of Council Tax and many fees and charges has continued.

The Council undertook a financial benchmarking exercise between the council's nearest statistical and geographical neighbours using the Revenue Account returns for 2024/25. Overall Unit costs based on net current expenditure for TWBC increased by 1.2 per cent and the ranking within the comparator group improved from 9th to 12th of the sixteen councils. This information helps to confirm the benefit of the Council's use of partnership working and efficient service delivery which has resulted in the Council having one of the lowest unit costs per resident of all the councils in the comparator group. This is reassuring for residents but makes the identification of further savings very difficult given the already lean operating base.

The 2023-26 economic development strategy sets out how the Council aims to support sustainable economic development and create an environment which attracts new investment and enables businesses to flourish.

The main modification consultation on the emerging local plan closed on 30 April 2025. The responses will go to the Inspector for review, with the intention of adopting the new local plan towards the end of 2025.

In October 2023 the Council decided to help stimulate the town centre economy by purchasing the Long Leasehold Interest of the Royal Victoria Place (RVP) shopping centre. This intervention has been well received by existing tenants, the public and businesses. Footfall has been increasing ever since the Council took control and occupancy levels are now over 85 per cent. Major businesses are now choosing to invest in the town centre including Primark (due to open in Winter 2025), Nandos (opened February 2025) and this follows Søstrene Grene which opened in June 2024. The Council is currently undertaking a public engagement exercise on the next steps for part of the RVP site which could include new retail, leisure, restaurants and residential uses.

The Council remains on a sound financial footing with no long-term debt, setting a balanced budget for 2025/26 (without the use of reserves) and a track record of publishing audited Statement of Accounts. However, the emerging Government funding review, higher contract procurement costs and uncertainty around Local Government Reorganisation creates a volatile financial future for the Council.

11. Financial Outlook, Risks and Reserves Position

The Council has achieved a small underspend to budget in 2024/25 and balanced its budget for 2025/26 without needing to use reserves. It is able to fund its capital programme for 2025/26 without the need for additional borrowing. There are financial risks associated with the ownership of the Royal Victoria Place shopping centre and the council has ambition to redevelop parts of the centre to enhance the retail and entertainment offering. As with any significant property development, there may be unforeseen issues that arise, but the Council has contracted experienced and respected Asset and Property Managers, along with Design Consultants to reimagine the asset and reframe the shopping experience. Any future investment proposals will be carefully assessed for the financial implications to the Council and move through the Constitutional approval channels.

Labour shortages affecting the economy generally and limited budgets to be able to compete in the market, has meant the Council has been operating with high levels of job vacancies, especially where professionally qualified staff are necessary. Whilst this has generated significant budget savings, it is impacting Officers ability to deliver services. Officers have worked tirelessly to ensure that residents do still receive their services and to the standard they expect, but it is unsustainable. A Workforce Plan (People Strategy) has been developed and a pay review has been undertaken to try to address these issues to ensure the Council can retain and recruit the staff it needs. The pressure in the labour market does seem to be easing too.

There are many other factors, completely outside of the control of the Council that could have a bearing on future budgets, including the Government's Review of Relative Needs and Resourcing ("Fair Funding Review"). This review is due to be completed later in 2025/26 and will permanently update the methodology used to distribute central government funds to councils, including a reset of business rates growth. This is unlikely to be positive for the Council as funding distribution reviews tend to result in funding being reallocated from areas like Tunbridge Wells to other parts of the country.

The Council is currently forecasting a budget deficit of around £2,000,000 for 2026/27, as rising contractual costs of services and lack of Government support for additional costs such as the National Insurance increase, continue to exert pressure. The council has already embarked upon a process to close this budget gap and is making good progress, anticipating being able to deliver a balanced budget, without recourse to reserves, again in 2026/27. This Council has a long history of managing its revenue and costs to balance its budget, as evidenced throughout the last 5 years, where it has consistently managed to fund its revenue costs without recourse to reserves, despite the turbulence around it.

Work has commenced on delivering the new Strategic Plan 2024-32, following the change of political control to Liberal Democrat, on the 5 May 2024. These plans will need to be costed and included in future budgets and forecasts as they emerge, with the necessary financing in train before commencement.

The economy is still fragile and there are many factors, outside of the control of the Council, which may impact upon the 2025/26 financial position, but the Council is well versed in managing expenditure very tightly and responding to the changing environment. In addition, whilst the earmarked reserves have been allocated for particular projects or contingencies, not all have been contractually committed. There is £7.74 million, including the balance in the General Fund, that could be reallocated to support the core activities of the Council should it be needed.

An aspect of the budget which has been a concern, is the funding of the Council's ambitions to become carbon Net-Zero by 2030. The Council has been successful in securing some Government grant funding for de-carbonisation projects and any surpluses from the on-street enforcement through the centre of Tunbridge Wells, may be spent on decarbonisation initiatives. In addition, electric vehicle chargers will shortly be installed into 5 of the Council's car parks, again using Government Grant funding. The corporate roadmap is still being developed which will need to be fully costed and financed, but projects are now underway to support the ambition.

The Council has £27.4 million of usable reserves; £4.4 million in its General Fund, £2.2 million in Capital Receipts, £4.3 million in Capital Grants and Contributions and a further £16.5 million in Earmarked reserves. This is an increase of £0.6 million since 2023/24, which reflects the fact that a number of the projects on the capital programme have been deferred. It does, however, give the Council flexibility to review any of those projects on the capital programme that have not yet been contractually committed and repurpose the funding should that become necessary for any reason. The levels of reserves are healthy for the size of the Council and are being used responsibly to manage financial risk going forward.

12. Local Government Reorganisation (LGR)

The English Devolution White Paper (published on 16 December 2024) set out the Government's vision for simpler local government structures.

On the 5 February 2025, Government informed Kent that it had not been selected for their Priority Devolution Program. Instead, they were invited to develop a proposal for unitary local government. This would bring together Kent County Council and the District Councils into new unitary councils to deliver "Local Government Reorganisation" by 1 April 2028. Kent made their submission in March, setting out their proposals and should receive a response from Government in November 2025.

The reorganisation target date of April 2028 is affecting the Council's decision making on procuring contracts, partnership working, capital investment, recruitment of staff and strategic and financial planning. Existing contracts may be extended or new contracts shorter, further partnership working with adjacent Councils is being considered, completion times of capital projects and longer term funding implications now have a bearing on the capital program, staff to manage the implications of LGR will need to be recruited and planning now has a focus to April 2028.

However, no significant planning can be undertaken until the Government response is received in November, when the implications will become clearer.

Annual Governance Statement

Scope of Responsibility

For Tunbridge Wells Borough Council our governance framework comprises the policies, plans, processes, culture, and values we have in place to ensure that we define and deliver our intended results. This is our 'system of internal control'. To deliver good governance, we must achieve our results while also acting in the public interest.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: 'Good Governance in Local Government'. We must conduct a review, at least once a year, of the effectiveness of our system of internal control and report our findings in an annual governance statement. We must prepare the statement in line with proper practices and report it to a committee of Councillors. This is our Annual Governance Statement for 2024/25 which meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1) which requires an authority to conduct a review of the effectiveness of its system of internal control and prepare an annual governance statement.

Context and our ambitions

Tunbridge Wells Borough Council key strategic priorities are set out within its Strategic Plan 2024-32 (approved by Full Council in February 2025). The overarching ambition is:

> *'A place where all generations can live healthy and fulfilling lives in vibrant and connected communities'*

The ambition is supported by four priorities:

- Climate Action
- Sustainable Development
- Vibrant Economy
- Community Well-being

In the plan 'Making it Happen' identifies the projects and activities that will be undertaken by the Council to contribute towards the achievement of the priorities.

This new Strategic Plan replaced the 2022-24 TWBC Plan (approved on 1 March 2023) which had five priorities 'Focus on Five' as follows:

- Safeguarding finances
- Vibrant and safer towns and villages
- Carbon reduction
- Genuinely affordable housing and social rental housing
- Digital access, transparency and local democracy

The Governance Framework

We design our governance to ensure that we take a fitting and proportionate approach to managing risk while ensuring we deliver our results. These arrangements cannot remove risks but rather provide a reasonable degree of assurance of our effectiveness.

The governance framework has been in place at Tunbridge Wells Borough Council during the year ended 31 March 2025 and up to the date of approval of the Financial Report.

We also have specific parts within the framework, including:

- The committees, boards and panels we have set up to ensure democratic engagement and accountability is central to our decision-making;
- Our arrangements for the oversight and scrutiny of decisions and policy development by councillors;
- Delegations through our constitution which document the roles and responsibilities of executive and non-executive councillors and our statutory (and other senior) officers;
- Our risk management arrangements that help us mitigate threats and make the most of opportunities which present themselves;
- Our performance, safeguarding and accountability arrangements that help us analyse and act on performance information as a means of improving services and delivering better results for our residents;
- A good and independent Internal Audit service and working in full conformance with the Public Sector Internal Audit Standards;
- Independent oversight and challenge provided by our External Auditors, Government Inspectorates and the Local Government Ombudsman;
- Our procedure rules and internal management of:
    - Financial management and control
    - Commissioning and procurement
    - Information governance and data security
    - Health and safety
    - Complaints handling
    - Whistleblowing and Anti-fraud and corruption

Review of Effectiveness

We have a statutory responsibility for conducting, at least yearly, a review of the effectiveness of our governance arrangements. That review should ensure we have a sound system of governance which supports our continuous improvement in how we work. As part of this review, we consider a combination of economy, efficiency and effectiveness.

We have a continuous review approach. We consider decisions taken and considered by the Council and its committees, the Management Board, the Statutory Officer's Group, the work of the Audit & Governance Committee, internal auditors, service managers and work undertaken by external auditors and inspectorates. This Annual Governance Statement draws on that work and presents a conclusion in relation to our governance arrangements.

Behave lawfully, with integrity and in the public interest and demonstrating this through our conduct and behaviour

The Council has adopted a Code of Corporate Governance prepared in line with the principles outlined in the 2016 edition of the CIPFA/SOLACE: 'Delivering Good Governance in Local Government' and the May 2025 addendum. We recognise the need to update this Code, but it remains consistent with the 2016 principles. The Council has also adopted codes of conduct for members and officers. We have provided training on the various codes supplemented with written guidance and member briefings. Officers and members must declare interests that may impact on the Council's decision-making. In those circumstances where Members or Officers have a financial or other significant interest they withdraw from decision-making. The Monitoring Officer holds these interests on a register subject to regular review. We also publish the register of Member Interests on the Council's website.

The Monitoring Officer and the Audit & Governance Committee keep the Council's Constitution under review. Changes come through the Constitutional Review Working Party (CRWP) and the working party have met when required. The most recent concerning the consequential changes from the Governance Review and changes to Planning, Licensing and other minor changes. These reports were considered by the Audit & Governance Committee in March 2024 and approved by Full Council in April 2024.

All members and officers are under a duty to ensure that they comply with the relevant laws, regulations, internal policies and procedures, and that spending is lawful. Means are in place to ensure compliance including a scheme of delegation, authorisations, and an active Internal Audit service. We preserve awareness through regular briefings and information posted on the intranet as well as a comprehensive induction programme for councillors and staff.

The Council keeps a Confidential Reporting Code (also known as a Whistle-Blowing Charter) attached to the Council's Constitution. The Council wants all its officers and members to be part of the drive towards exemplary standards in public life. The policy aims to promote a culture of honesty and openness, and to reassure anyone who worries about their position if they speak up. The Code includes a promise from senior officers to treat seriously claims made in good faith. It promises to look into claims and report results to the complainant. The Code also states no one will suffer any disciplinary action from a complaint made in good faith.

The Council's Standards Arrangements assign the works of the Standards Committee to the Audit & Governance Committee. This Committee helps the Council in assuring its overall governance. The Committee includes independent members who have been effective in providing challenge on various governance issues. The Audit & Governance Committee have produced annual reports which provide further details of their work.

Ensuring openness and comprehensive stakeholder engagement

The Council has a good record of being transparent about spending public money. For many years the Council has made public, details of senior officers' salaries within the published Statement of Accounts. As part of the annual audit the public can seek further information on the various vouchers which support our figures.

The Council also publishes on its transparency page of the website, the allowances and expenses paid to every member of the Council.

The Council has been at the forefront of making it even easier to see where it spends taxpayers' money. We hope that such wide publication of information will turn the tide on the number of freedom of information requests from the media and activists which continue to demand significant administration time.

Defining outcomes in terms of sustainable economic, social and environmental benefits

In March 2023 the Council agreed an Interim TWBC Plan, setting out our corporate commitments to staff and elected members. The Plan adopts a balanced scorecard approach and encapsulates all priorities for the community, residents and customers, staff and providing value for money.

The Council integrates its approach to strategic, financial and service planning. We developed the TWBC Plan in parallel with the Medium-Term Financial Strategy update and the Asset Management Plan. The Cabinet (and other committees of the Council) receive quarterly reports on the progress made against the TWBC Plan as well as performance on key performance measures, finances, and governance. The Council's management team considers various metrics on performance, finance, customer care and sickness absence each quarter.

Determining the interventions necessary to optimise the achievement of intended outcomes

The Council's Constitution sets out how the Council works. It outlines how we take decisions and the procedures we follow to ensure that these are efficient, transparent and accountable to local people. We continually review the Constitution to ensure its effectiveness. The most recent version of the Council's Constitution is on the Council's website at:

http://www.tunbridgewells.gov.uk/council/councillors-and-meetings/how-the-council-works/council-constitution

Under the Constitution, the whole Council controls our budget and policy framework.

The Council's Cabinet is responsible for shaping and ensuring the delivery of the Council's day-to-day services within the boundaries of the TWBC Plan and Budget. We publish a Forward Plan of Key Decisions to enable their consideration by other elected members, stakeholders and the public. Cabinet meets regularly in public. Further details of individual Cabinet members and Cabinet as a whole (including links to agendas and minutes) is on our website:

http://www.tunbridgewells.gov.uk/council/councillors-and-meetings/how-the-council-works

The Council's Overview and Scrutiny work falls to its Overview and Scrutiny Committee. The committee undertakes special policy reviews, and through 'call-in' challenges the decisions made by Cabinet.

Further details of the membership and work of this committee can be found on the website:

https://democracy.tunbridgewells.gov.uk/mgCommitteeDetails.aspx?ID=359

Our Governance arrangements now include two Cabinet Advisory Boards (previously there were three) whose role is to help inform Cabinet key decisions and to help develop the policy recommended to Council. Full details of the governance review arrangements are on our website.

Developing the entity's capacity, including the capability of its leadership and the individuals within it

The Council seeks to identify and fulfil the learning and development needs of members and officers. We identify officer training needs through the annual process and continuing management oversight. We have a corporate training budget and training calendar to meet identified development needs. Our approach to learning and development has been improved with the appointment of a dedicated L&D Manager and upskilling staff to use new technologies.

The new member induction process has been improved with the addition of a dedicated portal which reflects feedback from the corporate peer challenge. The weekly all member briefings on dedicated service topics that started during the pandemic have continued as these have proved popular with members and are recorded for other members to access later.

Managing risks and performance through control and strong public financial management

The Council has a Risk Management Strategy providing a comprehensive approach for identifying, evaluating and managing risk. The strategy sets out the role of members and identifies the Chief Executive as responsible for leading the Council's risk management with specific responsibilities falling to risk owners.

Cabinet and senior managers regularly review the strategic risks and developed action plans to manage those risks. The Strategic Risk Register focuses on those areas which present the greatest risk to the Council not achieving its objectives and Strategic Plan.

The Risk Register is subject to periodic reviews by the Council's Management Board, with risk owners invited to attend the Audit and Governance Committee throughout the year.

We recognised the opportunity to improve our performance management processes by renewing our approach to service planning. This will help us to ensure consistency and shared focus in pursuing the Council's Strategic Objectives and tracking progress towards their delivery.

In March 2025 following a process facilitated by Zurich Resilience Solutions a new Strategic Risk Register was adopted replacing the November 2022 Strategic Risk Register. There is merit in maintaining a strategic risk register which accords with the principles of good risk management and this has proved to be an effective tool for responding to and recovering from the pandemic.

Implementing good practices in transparency, reporting and audit to deliver effective accountability

Internal Audit Opinion

The Head of Internal Audit will present the annual report and opinion to the Audit and Governance Committee in July 2025. The specific extract of the report which includes the opinion reads:

> The Internal Audit function for the Council is delivered through the Mid Kent Audit Partnership, a 4-way shared service with Maidstone, Ashford, Swale and Tunbridge Wells. The Audit Partnership provides internal audit, consultancy, and advisory support to the Council, and deliver a programme of work (an audit plan) each year. The plan is agreed and monitored through the Audit and Governance Committee.
>
> The Internal Audit team continue to report positive levels of engagement across the Council when undertaking their work. Managers and Heads of Service are actively involved in scoping audit work and display a good understanding of internal control and risk management as part of that process.
>
> A key source of assurance over the internal control environment for the Council is derived from the Head of Audit Annual Opinion. The Head of Audit Partnership gave the following conclusion for 2024/25 and no matters of serious concerns were highlighted:
>
> Following a period of reduced capacity of the internal audit team due to significant staff changes and shortages, a partially successful recruitment has led to a period of greater stability within the team over the year. Overall progress on the planned

programme of work delivered by internal audit has continued to improve with a greater number of audits completed in both 2023/24 and this trend has continued into 2024/25. In addition to the results of the internal audit work concluded during the year, additional sources of assurance have also been included to form the opinion. A summary of where it has been possible to place reliance on the work of other assurance providers is presented in the annual internal audit report. Utilising all these forms of assurance I am able to draw a positive conclusion as to the adequacy and effectiveness of Tunbridge Wells Borough Council's risk management, control and governance processes. In my opinion, Tunbridge Wells Borough Council has adequate and effective management, control and governance processes in place to manage the achievement of their objectives.

Future appointment of external auditors

In December 2021 Full Council agreed to opt into the Local Government Association set up sector-led body (PSAA) for appointing external auditors. PSAA completed the procurement process, and a report was agreed by the Audit & Governance Committee in March 2023 setting out the new arrangements. The outcome was the award of another 5 year contract with Grant Thornton starting from 2023/24.

Other review and assurance

The Council has various other review and assurance sources which, between them, contribute to the overall effectiveness of the Council's control environment. These include:

- The Council, Cabinet and committees advised by the Council's Management Board;
- Corporate Asset issues come before a Property Asset Oversight Panel (PAOP) to ensure the Council adopts a comprehensive approach to buying, maintaining, reviewing and disposing of corporate property and assets;
- Following acquisition of the Long Leasehold Interest of the Royal Victoria Place shopping centre in October 2023 a single purpose cross-party Investment Advisory Panel (IAP) was established;
- Human Resources oversees the Council's overall approach to effective people management, including regular appraisals and providing relevant training and development. A new People Strategy 2024-27 was adopted in February 2024.
- A standardised approach to project management with extra resources put into key projects to ensure satisfactory management and delivery to time, cost and quality;
- The Council works with Maidstone and Swale councils to look at opportunities for partnership working but has an open attitude to working with anyone that can improve value for money. In this partnership, services undergo external review, satisfaction surveys and benchmarking, plus examining service processes to assess value for money.

In January 2024 the Council was the subject of a Corporate Peer Challenge undertaken by the Local Government Association. The final report with comments from Cabinet was approved in October 2024 with a follow-up planned for June 2025.

Issues Raised in Previous Annual Governance Statement

The 2023/24 AGS raised as a significant issue the change in political administration following the May 2024 all out elections, the Council moved from no-overall control to one party having overall control. Details of the election results have been published on to the council's website (updated for May 2025 by-elections).

https://democracy.tunbridgewells.gov.uk/documents/s77253/Appointments%20to%20Committees%20To%20Follow.pdf

This risk has been managed through extensive training and support arranged through the Local Government Association for Political Change Control. This has been supplemented through the continued use of other consultants to build understanding and trust between the Leader of the Council and the Chief Executive and across the wider Leadership Team.

Significant governance issues

The publication of the White Paper on English Devolution published on 16 December 2024 sets out the Government's intention to abolish all county and district councils and to be replaced with unitary councils. The situation remains fluid and the council has set up a dedicated web page:

tunbridgewells.gov.uk/news/2025/february/devolution-priority-programme

The Council held an extra ordinary Full Council meeting in February 2025 to consider the White Paper and agreed to set up a cross-party working group and separately agreed to commence a Community Governance Review to potentially create a town council(s) for the unparished parts of the borough.

Assurance conclusion

Our approach to good governance incorporates the publication in May 2025 of the CIPFA 'Delivering Good Governance in Local Government Framework' addendum. The council believes that good governance: ensures it takes decisions for the good of its residents, in a fair, equitable and open way. It also demands standards of behaviour that support good decision-making, collective and individual integrity, openness and honesty. It is the foundation for the delivery of good quality services that meet all local people's needs. It is fundamental to showing public money is well spent. Without good governance councils will struggle to improve services.

From the review, assessment and continuing monitoring work undertaken and supported by the work of Internal Audit, we have decided that, overall, key systems work soundly with no fundamental control weaknesses.

We can confirm, to the best of our knowledge and belief, having made proper enquiries, that this statement provides an accurate and fair view.

There is a commitment to monitor implementation of issues raised within the AGS as part of the next annual review.

Signed:

Cllr Ben Chapelard

Leader of the Council

William Benson

Chief Executive

On behalf of Tunbridge Wells Borough Council

Statement of Responsibilities

Statement of Responsibilities for the Statement of Accounts

The Borough 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 Director of Finance, Policy and Development.
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- approve the Statement of Accounts

The Responsibilities of the Director of Finance, Policy and Development

The Director of Finance, Policy and Development 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).

In preparing this Statement of Accounts the Director of Finance, Policy and Development has:

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

The Director of Finance, Policy and Development has also:

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

By signing the Statement of Accounts, the Director of Finance, Policy and Development is stating that the accounts present a true and fair view of the financial position of the authority as at 31 March 2025 and its expenditure and income for the year ended 31 March 2025.

Signed:

L M Colyer FCPFA

Director of Finance, Policy and Development (s151 Officer)

13 June 2025

Independent Auditor's Report to the Members of Tunbridge Wells Borough Council

Report on the Audit of the Financial Statements

To be added following audit

Financial Statements

Comprehensive Income and Expenditure Statement

2023/24	2023/24	2023/24	Note		2024/25	2024/25	2024/25
Expend	Income	Net			Expend	Income	Net
£000	£000	£000			£000	£000	£000
196	(18)	178		Chief Executive	224	(8)	216
46,048	(38,075)	7,973		Finance, Policy and Development	44,946	(39,473)	5,473
32,914	(17,113)	15,801		Change and Communities	30,804	(15,067)	15,737
79,158	**(55,206)**	**23,952**		**Cost of Services**	**75,974**	**(54,548)**	**21,426**
		(38)		(Gain)/Loss on Disposal of Non-Current Assets			(687)
		3,367		Parish Council Precepts			3,657
		107	21	Pension Administration Expenses			115
		3,436		**Other Operating Expenditure**			**3,085**
		290	16	Interest Payable			10
		(3,435)	16	Interest and Investment Income			(3,181)
		179	21	Pensions Interest Expense and Income			6
		(2,966)		**Financing and Investment Income and Expenditure**			**(3,165)**

		(12,931)	8	Council Tax income			(13,568)
		(4,931)	8	Business Rates income			(5,166)
		(2,487)	19	Government Grants and Contributions			(2,801)
		(2,372)	19	Capital Grants and Contributions			(3,817)
		(22)	19	Donated Assets			(3)
		(22,743)		**Taxation and Non-Specific Grant Income**			**(25,355)**
		1,679		**(Surplus) or Deficit on Provision of Services**			**(4,009)**
		(3,282)	10	(Surplus) on revaluation of non-current assets			(3,625)
		4,576	10	Impairment losses on non-current assets charged to Revaluation Reserve			179
		(2,965)	21	Re-measurement of defined benefit liability			(230)
		(1,671)		**Other Comprehensive Income and Expenditure**			**(3,676)**
		8		**Total Comprehensive Income and Expenditure**			**(7,685)**

Movement in Reserves Statement

Movement in Reserves 2024/25

	General Fund Balance	Capital Grants Unapplied Account	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Balance as at 31 March 2024	**21,309**	**4,480**	**1,000**	**26,789**	**130,733**	**157,522**
Surplus or (deficit) on provision of services (accounting basis)	4,009	0	0	**4,009**	0	**4,009**
Other Comprehensive Expenditure and Income	0	0	0	**0**	**3,676**	**3,676**
Total Other Comprehensive Expenditure and Income	**4,009**	**0**	**0**	**4,009**	**3,676**	**7,685**
Adjustments between accounting and funding basis under regulation	(4,439)	(223)	1,250	**(3,412)**	**3,412**	**0**
Net Increase / (Decrease) in Year	**(430)**	**(223)**	**1,250**	**597**	**7,088**	**7,685**
Balance as at 31 March 2025	**20,879**	**4,257**	**2,250**	**27,386**	**137,821**	**165,207**

Movement in Reserves 2023/24

	General Fund Balance	Capital Grants Unapplied Account	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Balance as at 31 March 2023	**24,217**	**3,550**	**1,031**	**28,798**	**128,732**	**157,530**
Surplus or (deficit) on provision of services (accounting basis)	(1,679)	0	0	**(1,679)**	0	**(1,679)**
Other Comprehensive Expenditure and Income	0	0	0	**0**	**1,671**	**1,671**
Total Other Comprehensive Expenditure and Income	**(1,679)**	**0**	**0**	**(1,679)**	**1,671**	**(8)**
Adjustments between accounting and funding basis under regulation	(1,229)	930	(31)	**(330)**	**330**	**0**
Net Increase / (Decrease) in Year	**(2,908)**	**930**	**(31)**	**(2,009)**	**2,001**	**(8)**
Balance as at 31 March 2024	**21,309**	**4,480**	**1,000**	**26,789**	**130,733**	**157,522**

The Balance Sheet

31 March 2024	Note		31 March 2025
£000			**£000**
132,219	12	Property, Plant and Equipment	136,554
3,744	13	Heritage Assets	3,824
740	14	Investment Property	615
887	11	Intangible Assets	735
10,000	16	Long Term Investments	5,000
184	17	Long Term Debtors	133
147,774		**Long Term Assets**	**146,861**
36,672	16	Short Term Investments	42,790
55		Inventories	42
8,009	17	Short Term Debtors	5,889
1,201	16	Cash and Cash Equivalents	1,533
0	15	Assets Held for Sale	360
45,937		**Current Assets**	**50,614**
(19,415)	18	Short Term Creditors	(19,158)
(4,855)	18	Short Term Provisions	(3,424)
(1,322)	19	Capital Grants Receipts in Advance	(2,424)
(25,592)		**Current Liabilities**	**(25,006)**
(829)	18	Long Term Creditors	(917)
(1,568)	21	Long Term Pension Liability	(524)
(8,200)	19	Capital Grants Receipts in Advance	(5,821)
(10,597)		**Long Term Liabilities**	**(7,262)**
157,522		**Net Assets**	**165,207**

31 March 2024	Note		31 March 2025
£000			**£000**
26,789	10	**Usable Reserves**	**27,386**
130,733	10	**Unusable Reserves**	**137,821**
157,522		**Total Reserves**	**165,207**

I certify that the statement of accounts gives a true and fair view of the financial position of the Council as at 31 March 2025 and its income and expenditure for the year ended 31 March 2025.

L M Colyer FCPFA

Director of Finance, Policy and Development (s151 Officer)

13 June 2025

The Cash Flow Statement

2023/24		2024/25
£000		**£000**
(32,702)	Taxation	(33,713)
(28,503)	Grants	(31,834)
(21,508)	Sale of goods and rendering of services	(25,241)
(3,332)	Interest received	(3,063)
(8,730)	Other receipts from operating activities	(7,542)
(94,775)	**Cash inflows generated from operating activities**	**(101,393)**
14,719	Employees	15,956
23,099	Housing Benefit paid out	21,169
20,270	National Non-Domestic Rates tariff and levies	22,156
3,668	Precepts paid	3,980
26,665	Cash paid to suppliers of goods and services	31,288
0	Interest paid	10
3,979	Other payments for operating activities	4,148
92,400	**Cash outflows generated from operating activities**	**98,707**
(2,375)	**Net cash flows from operating activities**	**(2,686)**
11,856	Purchase of property, plant and equipment, investment property and intangible assets	5,775
311,000	Purchase of short-term and long-term investments	283,000
(76)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,460)
(307,933)	Proceeds from sale of short-term and long-term investments	(282,000)
(3,051)	Grants and contributions to non-current assets	(2,539)
11,796	**Net cashflows from investing activities**	**2,776**
0	Repayments of borrowings and leasing liabilities	38
84	Changes in Council Tax balances held for preceptors	199
702	Changes in Business Rates balances held for Central Government	(659)

786	**Net cashflows from financing activities**	**(422)**
10,207	**Net (increase) / decrease in cash and cash equivalents**	**(332)**

11,408	Cash and Cash Equivalents as at 1 April	1,201
1,201	Cash and Cash Equivalents as at 31 March	1,533
10,207	**Net (increase) / decrease in cash and cash equivalents**	**(332)**

Notes to the Financial Statements

1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates to the tax payer how the funding available to the Council (government grants, rents, Council tax, and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by Councils in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's Directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	Net Expenditure Chargeable to General Fund Balances	**Adjustments between Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
2024/25	**£000**	**£000**	**£000**
Chief Executive	220	(4)	216
Finance, Policy and Development	4,647	826	5,473
Change and Communities	11,517	4,220	15,737
Net Cost of Services	**16,384**	**5,042**	**21,426**
Other Operating Expenditure	7,592	(4,507)	3,085
Financing and Investment Income	(3,171)	6	(3,165)
Taxation and Non-Specific Grant Income	(20,375)	(4,980)	(25,355)
(Surplus) or Deficit	**430**	**(4,439)**	**(4,009)**
Opening General Fund Balance at 1 April 2024	(21,309)		
(Surplus) or Deficit on General Fund	430		
Closing General Fund Balance at 31 March 2025	**(20,879)**		

	Net Expenditure Chargeable to General Fund Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
2023/24	**£000**	**£000**	**£000**
Chief Executive	180	(2)	178
Finance, Policy and Development	1,751	6,222	7,973
Change and Communities	10,961	4,840	15,801
Net Cost of Services	**12,892**	**11,060**	**23,952**
Other Operating Expenditure	14,202	(10,766)	3,436
Financing and Investment Income	(4,368)	1,402	(2,966)
Taxation and Non-Specific Grant Income	(19,818)	(2,925)	(22,743)
(Surplus) or Deficit	**2,908**	**(1,229)**	**1,679**
Opening General Fund Balance at 1 April 2023	(24,217)		
(Surplus) or Deficit on General Fund	2,908		
Closing General Fund Balance at 31 March 2024	**(21,309)**		

2. Note to the Expenditure and Funding Analysis

This note details the main adjustments from Net Expenditure Chargeable to the General Fund Balance to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Adjustments
2024/25	**£000**	**£000**	**£000**	**£000**
Chief Executive	0	(4)	0	(4)
Finance, Policy and Development	1,604	(756)	(22)	826

Change and Communities	4,414	(175)	(19)	4,220
Net Cost of Services	**6,018**	**(935)**	**(41)**	**5,042**
Other Operating Expenditure	(4,083)	115	(539)	(4,507)
Financing and Investment Income	0	6	0	6
Taxation and Non-Specific Grant Income	(3,820)	0	(1,160)	(4,980)
Difference between General Fund Surplus / Deficit and CIES Surplus / Deficit	**(1,885)**	**(814)**	**(1,740)**	**(4,439)**

	Adjustments for Capital Purposes	**Net Change for Pensions Adjustments**	**Other Differences**	**Total Adjustments**
2023/24	**£000**	**£000**	**£000**	**£000**
Chief Executive	0	(2)	0	(2)
Finance, Policy and Development	6,928	(760)	54	6,222
Change and Communities	4,946	(83)	(23)	4,840
Net Cost of Services	**11,874**	**(845)**	**31**	**11,060**
Other Operating Expenditure	(10,638)	107	(235)	(10,766)
Financing and Investment Income	0	179	1,223	1,402
Taxation and Non-Specific Grant Income	(2,393)	0	(532)	(2,925)
Difference between General Fund Surplus / Deficit and CIES Surplus / Deficit	**(1,157)**	**(559)**	**487**	**(1,229)**

The total adjustments are also shown in the General Fund adjustments between accounting and funding basis in Note 9.

3. Accounting Policies

3.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its position at the year end of 31 March 2025. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015, in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, supported by International Financial Reporting Standards (IFRS).

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

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

3.2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services of the provision of goods, is recognised when 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, and where the amounts are significant, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received, including service provided by employees, are recorded as expenditure when the services are received, rather than when the 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 income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.

3.3 Cash and Cash Equivalents

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

The Council does not operate a cash overdraft on its bank account.

3.4 Charges to Revenue for Non-Current Assets

The Surplus or Deficit on the Provision of Services is debited or credited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.
- Any revenue costs which are met from capital resources as Revenue Expenditure Financed from Capital under Statute.

The Council is not required to raise Council Tax to fund these charges, and they are therefore reversed through an appropriation from the Capital Adjustment Account to the General Fund. However, the Council is required to make an annual contribution from revenue to the Capital Adjustment Account, towards the reduction in its overall borrowing requirement. This is termed as the Minimum Revenue Provision (MRP).

Depreciation, revaluation and impairment losses, and amortisation 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.

3.5 Council Tax and Non-Domestic (Business) Rates

Revenue relating to Council Tax and Business Rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions. Revenue is recognised when it is probable that the economic benefits of the transaction will flow to the Council and the amount of revenue can be measured reliably.

The Council Tax and Business Rates income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year, which consists of:

- The Council's Council Tax precept and Business Rate share from the Collection Fund, i.e. the amount billed for the year, and
- The Council's share of the actual Council Tax and Business Rate surplus or deficit on the Collection Fund at the end of the current year, adjusted for the Council's share of the surplus or deficit on the fund at the preceding year end that has not been distributed or recovered in the current year.

The latter is not required by regulation to be credited to the General Fund and so is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement on the General Fund balance.

The Council as billing authority recognises a creditor in its balance sheet for cash collected from taxpayers and businesses on behalf of major preceptors but not yet paid to them, or a debtor for cash paid to major preceptors.

3.6 Contingent Assets

A contingent asset is a possible asset that arises from a past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. Typically a contingent asset is related to a legal action by the authority, whose outcome is uncertain when the balance sheet is compiled.

Contingent assets are not recognised in the balance sheet, but their existence is recorded in a note to the accounting statements.

3.7 Contingent Liabilities

A contingent liability is a possible obligation that arises from a past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. Typically a contingent liability is related to a legal action against the authority, whose outcome is uncertain when the balance sheet is compiled.

Contingent liabilities are not recognised in the balance sheet, but their existence is recorded in a note to the accounting statements.

3.8 Employee Benefits

Under the Code employee benefits are accounted for when the Council is committed to pay an employee. Employee benefits are split into three categories:

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, non-monetary benefits 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 earned by employees but not taken before the year end that employees can carry forward into the next financial year. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account so that holiday entitlements 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 the appropriate service line in the Comprehensive Income and Expenditure Statement.

Post-Employment Benefits

The majority of employees of the Council are members of the Local Government Pension Scheme, administered by Kent County Council for local authorities within Kent. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. The Council therefore accounts for this scheme as a defined benefit plan.

The liabilities of the Kent County Council pension scheme attributable to this 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 earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate specified by the actuaries, based on the indicative rate of return on high quality corporate bonds.

The Council includes the assets of the Kent County Council Pension Fund attributable to this Council 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
- Target return portfolio – current bid price

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 service for which the employees worked.
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. Past service costs include the cost of curtailments, which are normally linked to an event giving rise to a post-employment benefit.
  - Net interest on the defined liability – the change to the net pension liability that arises from the passage of time during the year. This is debited to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.
- Remeasurements comprising:
  - The return on plan assets – excluding amounts in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial

valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
    - Effect of the Asset Ceiling – the limitation in the Council's ability to realise pensions assets through reductions in future employer's contributions as a result of a minimum funding requirement.

- Contributions paid to Kent County Council Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

Statutory provisions require the Council to charge the General Fund balance with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. 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 the amounts payable to the fund 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 contributions paid rather than as benefits are earned by the employee.

3.9 Events After the Reporting Period

Events after the Balance Sheet reporting period are those events, both favourable and unfavourable, that occur between the end of the financial year 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 amended 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 such a category of events would have a material effect, disclosure is made in the notes of the nature of events and their estimated financial effect.

Any event taking place after the accounts are authorised for issue is not reflected in the Statement of Accounts.

3.10 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Account 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.

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 cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (where reference is made to profit or loss, as per the standards, for Local Authorities this means Income and Expenditure), and
- Fair value through other comprehensive income

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, where the cash flows do not take the form of a basic instrument.

Financial Assets Measured at Amortised Cost

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

Any gains or losses that arise on the de-recognition 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 financial assets held at amortised cost, either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) 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 obligations. Credit risk plays a crucial part in assessing loses. 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.

Financial assets measured at fair value through other comprehensive income

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

Financial assets measured at fair value through profit or loss

Financial assets that are measured at fair value through profit and loss (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 Measurement of Financial Assets

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

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

The inputs to the measurement techniques are categorised, within the fair value hierarchy, in accordance with the following three levels:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 – fair value is calculated from inputs other than those quoted prices, that are observable for the asset or liability.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market date such as cash flow forecasts or estimated creditworthiness.

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

All financial instruments are categorised in accordance with the hierarchy in Note 16.

3.11 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments and the grants or contributions will be received.

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income and expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

3.12 Heritage Assets

Tangible heritage assets have historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

Expenditure on the acquisition, creation or enhancement of heritage assets is capitalised on an accruals basis. Expenditure that secures but does not add to an asset's value is charged to the Comprehensive Income and Expenditure Account as an expense when it is incurred. The estimated values of donations of assets are also capitalised as they occur, with the corresponding value of the donation being recognised in the "Taxation and Non-Specific Grant Income" section of the Comprehensive Income and Expenditure Statement. As this notional income is not a legal credit to the General Fund, a corresponding transfer is made from the General Fund to the Capital Adjustment Account.

The value of assets based on insurance values, which are reviewed and amended on an annual basis, any change being debited or credited to the Revaluation Reserve, to the extent to which there is a balance in the reserve for the particular asset. In the event that there is no balance in the Revaluation Reserve, a reduction is charged to the relevant service heading as an impairment in the Comprehensive Income and Expenditure Statement. A corresponding transfer is made, however, from the Capital Adjustment Account to the General Fund, as such impairments are not a legal charge on the General Fund. An annual review is also made for impairments caused by theft or physical or economic damage. Any such impairments are accounted for in the same way as those to items of property, plant and equipment.

Disposals of heritage assets are accounted for in the same way as those of items of property, plant and equipment.

3.13 Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is written down over its useful life, as estimated by the ICT Shared Service Manager, to the appropriate line in the Comprehensive Income and Expenditure Statement. No intangible assets are recorded with indefinite lives. An asset is tested for impairment whenever there is an indication that the asset might be impaired, and any losses are posted to the appropriate line in the Income and Expenditure Statement.

The calculated amounts for amortisation and impairment are charged to the Cost of Services in the Comprehensive Income and Expenditure Account, but they are not legal charges against the General Fund. A transfer is therefore made from the Capital Adjustment Account to the General Fund to reverse the impact.

3.14 Inventories

Where the values are significant to an operation, inventories are included in the Balance Sheet at the lower of cost and net realisable value.

3.15 Investment Property

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

Investment properties are initially measured at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Investment properties are subject to revaluation on an annual basis and are not depreciated. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rental income received in relation to investment properties is credited to the Financing and Investment Income line and results 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 the Capital Receipts Reserve.

3.16 Leases

IFRS 16 must be adopted by Local Authorities by 1 April 2024 and replaces IAS 17 and IFRIC 4, introducing a single lessee accounting model for all leases, rather than distinguishing between operating and finance leases.

The Council as Lessee

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

Initial Measurement

At the commencement date (1 April 2024), the Council will recognise on its Balance Sheet, a lease liability with a corresponding right-of-use asset as at the commencement date, for any leases where it is the Lessee.

The lease liability shall be measured at the present value, assessed by applying the Council's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined, of the lease payments not paid at that date. The lease liability will include any fixed or variable payments due to be paid under the lease and any costs associated with residual value guarantees. It will also consider the exercise price of any purchase option, if it is likely to be exercised, or any penalties for termination, if this is likely.

The Council will determine the lease term as the non-cancellable period of a lease, together with both:

a. periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option
b. periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option

The cost of the right-of-use asset will be the amount of the initial measurement of the lease liability, along with any lease payments made at or before the commencement date, plus initial direct costs and any dismantling, removal or restoration costs incurred less any lease incentives received.

A contract will only be reconsidered if the terms and conditions of the contract are changed.

Subsequent Measurement

After the commencement date, the Council will measure the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is charged on the Right-of-Use-Assets over the lower of the remaining lease term or the remaining useful life of the asset as at the date of adoption, on a straight line basis. Depreciation is charged to the Statement of Comprehensive Income and Expenditure.

After the commencement date, the lease liability will be increased to reflect the interest on the lease liability but reduced by the lease payments made. Any modifications to leases or reassessments of the likelihood of exercising purchase options or terminations, will also need to be reflected.

The authority considers the cost model to be reasonable except for:

- Assets held under non-commercial leases (see Peppercorn Leases below)
- Leases where rent reviews do not necessarily reflect market conditions
- Leases with terms of substantial periods (which the Council will deem to be five years) that do not have any provision for rent reviews
- Leases where rent reviews will be after substantial periods of time (again after five years)

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

Lease Expenditure

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

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

Low value and short lease exemption

Authorities can elect not to apply lease accounting provisions to leases where the underlying lease is of low value, even if the impact would be material. This Council will use this exemption in transition and going forward.

IFRS 16 does not define “low value” explicitly but provides guidance that the threshold should be based on the value of the underlying asset when purchased new, not its current value. The Council will adopt a threshold of £10,000 for a new asset.

Authorities can also elect to adopt the short-term lease exemption for leases with a term of 12 months or less, that do not contain a purchase option, where either the Lessee or the Lessor can terminate the agreement with an insignificant penalty and the Council is not reasonably certain it will renew or continue the lease beyond 12 months. The Council will exercise this exemption on transition and going forward.

Peppercorn Leases

Assets with peppercorn, nominal payments or nil consideration leases will be measured at Fair Value and depreciated over the expected useful life of the asset.

Leases at peppercorn or nominal lease payments are those leases for which consideration is paid but the lease payments are substantially below market lease payments.

The leases may contain one or more lease components: e.g. the right to use land and/or a building; and one or more non-lease components: e.g. maintenance, cleaning, provision of utilities etc.

The lease values will be carried on the Balance Sheet and any maintenance, cleaning or utility costs will be expensed directly to the revenue account.

There will be no lease liability or interest payable recognised in the financial statements as the Council considers them low value and trivial to the accounts.

The Council will have the Fair Value of assets with peppercorn leases assessed by their RICS qualified valuer in line with their policy of valuing assets over a rolling 5 year period.

At commencement the Council will transfer the value of these assets, previously carried on the Balance Sheet in Property, Plant and Equipment and depreciated on a straight basis over the useful life of the asset, to being a right-of-use asset. Revaluations of such assets will continue to be carried out every 5 years, in accordance with the Council's revaluation policy, to keep valuation costs proportionate to the benefit to the taxpayer.

The Council as Lessor

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

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the net carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal, matched by a lease asset in the Balance Sheet.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund balance to the capital receipts reserve in the Movement in Reserves Statement.

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Cost of Services line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

3.17 Property, Plant and Equipment

Assets that have a 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. They exclude assets which are held purely for investment purposes (Investment properties) and assets which the Council is actively seeking to sell (Assets available for sale). Property, plant and equipment consists of the following categories:

- Land and buildings – properties owned by the Council, other than those in another category shown below, or Investment Properties.
- Vehicles, plant and equipment – individual items or groupings of items which are purchased from capital resources.
- Infrastructure – for this Council this category includes only footway lighting.
- Community assets – properties such as parks, which are used for the community as a whole, with no determinable market value in their present use, and which are not likely to be sold.
- Surplus assets - individual properties which the Council has determined to be surplus to operational requirements as they are not being used to provide services.
- Assets under construction – capital expenditure on an asset before it is brought into use.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that secures but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Account as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. The Council does not capitalise borrowing costs incurred while assets are under construction.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income and expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance to the capital adjustment account in the Movement in Reserves Statement.

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

- Land and buildings – current value, usually based on the market value for the existing use (EUV). Some specialised properties, where the valuer cannot identify a market for the asset, are instead valued on the basis of depreciated replacement cost (DRC).
- Vehicles, plant and equipment – current value, for which depreciated historical cost is normally used as a proxy.
- Infrastructure – depreciated historical cost.
- Community Assets – historical cost, depreciated where appropriate.
- Surplus assets – current value measurement basis is fair value, estimated at highest and best use from a market participant's perspective.
- Assets under construction – historical cost.

Revaluation

The Council re-values assets included in the Balance Sheet at current value when there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains are credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account. Reductions in value are charged to the Revaluation Reserve, up to the amount held for that asset in the Revaluation Reserve, or otherwise to the Comprehensive Income and Expenditure Statement.

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

Impairment

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, it is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

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

Depreciation

Depreciation is provided for on all assets with a determinable finite life by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. Depreciation is based on the opening net book value, as adjusted by gains or losses arising from revaluations at 1 April each year.

Depreciation is calculated on the following bases:

- Land – not subject to depreciation.
- Buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet.
- Infrastructure – straight-line allocation over 30 years.
- Community assets – not subject to depreciation.
- Surplus assets – straight-line allocation over the useful life of the property as estimated by the valuer.
- Assets under construction – not subject to depreciation.

Where new assets are acquired or brought into use, depreciation is charged from the start of the following year. Depreciation is charged for the full final year when assets are sold.

Where an asset has major components with different estimated useful lives, these are depreciated separately.

Depreciation is charged to the Cost of Services in the Comprehensive Income and Expenditure Account, but is not a legal charge against the General Fund. A transfer is therefore made from the Capital Adjustment Account to the General Fund to reverse the impact.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continued use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before its 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 to fair value are recognised only up to the amount of any losses previously 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 property, plant and equipment and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation 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.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Account. An equivalent transfer is made to the General Fund to the Capital Adjustment Account to eliminate impact on the General Fund, and any revaluation gains accumulated for the asset in the Revaluation Reserve are also transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. These are credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Account, but an equivalent appropriation is made from the General Fund to the Capital Receipts Reserve. There is a legal requirement that sale proceeds held in this reserve can only be used to reduce debt or to finance capital expenditure.

In some cases the receipt of income from asset disposals is delayed until a future financial year. In such cases a credit is made to the unusable Deferred Capital Receipts Reserve, matched by a long-term or short term debtor. When the income is received, the debtor is written down and a transfer is made from the Deferred Capital Receipts Reserve to the Capital Receipts Reserve.

3.18 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 applied.

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

3.19 Provisions

The Council recognises provisions to represent liabilities of uncertain timings or amounts. Provisions in the balance sheet represent cases where:

- The Council has a present obligation as a result of a past event.
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.
- A reliable estimate can be made of the amount of the obligation.

Provisions may sometimes relate to income, where the Council has collected income in a previous financial year and has a quantifiable liability to repay some or all of it. In the particular case of the provision for losses arising from rating appeals, the whole of the provision is included in the Collection Fund Statement, but only the Council's 40% share of the liability is included in the Balance Sheet.

3.20 Reserves

The Council maintains both usable and unusable reserves. The usable reserves consist of general and earmarked reserves. General reserves are to meet general rather than specific future expenditure and earmarked reserves are for specific purposes. No expenditure is charged directly to a reserve, but is charged to the service revenue account within the Comprehensive Income and Expenditure Statement, which is then offset by a reserve appropriation within the Movement in Reserves Statement. The unusable reserves are held for statutory reasons and to comply with proper accounting practice, for example non-current assets and retirement benefits, which do not represent resources available for use by the Council.

3.21 Revenue Expenditure Financed from Capital under Statute

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

3.22 Value Added Tax (VAT)

VAT 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, except in the unusual circumstance where VAT was charged to customers in a previous financial year, but where the Council was able to challenge successfully the legality of the charge. In these circumstances recovered VAT is credited to the appropriate line in the Comprehensive Income and Expenditure Statement.

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

The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. An authority is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant year. The standards introduced by the 2025/26 Code where disclosures are required in the 2024/25 financial statements are:

- IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.
- IFRS 17 Insurance Contracts issued in May 2017. IFRS 17 replaces IFRIC 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.
- The changes to the measurements of non-investment assets within the 2025/26 Code include adaptions and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8. However, the adaptations also include a relief from the requirements of IAS 8 following a change in accounting policy.

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

5. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 3 the authority has to make critical judgements about complex transactions. The main areas of issue are laid out below:

5.1 Embedded Lease

Under the accounting Code of Practice some legal agreements, such as waste collection contracts, may be regarded as containing a lease for the use of assets operated by the contractors. Such leases, in turn, may be judged to be either finance leases or operating leases, as set out in Note 3.16. The Council has examined its service contracts, particularly the Waste Collection contract, and has determined that, in the circumstances in which the contracts were negotiated and operated, that they do not contain such a lease for the 2024/25 financial year.

5.2 Valuations

The Council is required to revalue Land & Building Assets included in the Balance Sheet as a minimum every five years. The Council acquired the long leasehold of the Royal Victoria Place shopping centre in October 2023 marrying the freehold, which it already owned, with the leasehold. As this is a significant and complex asset, it is re-valued annually. The method of valuation used is Existing Use Value in accordance with the Royal Institute of Chartered Surveyors definition UKVS 1.3, which uses the estimated amount for which a property should exchange between a willing buyer and seller assuming vacant possession and disregarding potential alternative uses. This is due to the shopping centre being owned by the Council to ensure that it remains a shopping centre for the borough and that the Council has influence over the uses of the property and the way it is managed. It is considered to be a vital asset, providing an important service for the wellbeing of the Borough and the community that live within.

The Council's multi-storey car parks are usually valued every 3 years because they comprise a significant proportion of the Council's assets and their value can fluctuate. They are valued on Existing Use Value on the grounds that they are supplying a service to the authority and there is an active market for car parks.

The Council's single Investment Property is valued annually to be fully compliant with the code.

5.3 Group Accounts

The Tunbridge Wells Property Holdings Company began trading on 18 May 2015 and is a wholly owned subsidiary of the Council, as explained in Note 26. The revenue has only been £318,000 during the year and is considered immaterial. Hence the Council has determined that it is not yet necessary to provide Group Accounts. This will be monitored in the future and should the revenue become material, Group Accounts will be provided.

5.4 Pension Asset Ceiling

The Council has made a judgement that the statutory framework for setting employer's contributions under the Local Government Pension Scheme constitutes a minimum funding requirement. As a result, the Council's ability to realise the full economic benefits of the net pensions asset, calculated under the Accounting Code's provisions for post-employment benefits through reductions in future employer's contributions, is limited and an asset ceiling applies. The fact that the Council has a commitment under the current funding strategy for the Scheme to fund a deficit means that the asset ceiling has reduced what would otherwise be a net pensions asset of £13.7 million to a liability of £524,000.

5.5 Leases with the Council as Lessee

IFRS 16 adoption requires a number of judgements which determine the financial impact of the Council's lease arrangements:

- Identifying a lease requires judgement about:
    - Whether a contract grants control over the use of an asset.
    - Identifying who has the right to direct how and for what purpose the asset is used, and who benefits from its use.
    - Whether a contract contains a lease as it may be embedded or have lease options.
- Determining the Term of the lease requires judgement about:

    - Whether the Council is reasonably certain to exercise any extension or termination options. This can involve decisions around the strategic importance and any financial impact, including penalties for termination.

- Other Judgements are:
    - Identifying any non-lease components of a contract and determining the appropriate accounting treatment. This includes deciding whether to separate lease and non-lease components or use a practical expedient.
    - Determining low value leases and whether the available exemption should be adopted. The Council has adopted a threshold of £10,000.
    - Determining the treatment of short-term lease agreements and whether the available exemption should be adopted. A view has been taken on the Council's likelihood of extending some short-term leases in the light of other environmental factors.
    - Determining how to value leases, especially if they are peppercorn. The Council has used the valuations of its RICS qualified valuer for its peppercorn leases.
    - Whether to use the incremental borrowing rate or the implicit interest rate to obtain the present value of the leases. The Council has decided to use the incremental borrowing rate as this is the only rate available.

The Councils assets have been grouped into 6 classes and judgements made upon those classes to ensure consistency of treatment. In each class, each asset has been assessed according to the terms and conditions of each of the contracts, the judgements documented and the treatment explained. A summary can be found in Note 25 Leases.

The Right-of-Use Value for leases transferred onto the Balance Sheet from Land and Buildings as at 1 April 2024, is £7.11 million.

6. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

Key estimates and assumptions are made in order to give the most accurate representation of the Council's financial position.

6.1 Post-Employment Benefits

The authority recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 Employee Benefits. The estimation of the net pension liability depends on a number of complex judgements and estimates 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 actuaries is engaged to provide the authority with expert advice about the assumptions to be applied. Changes in these assumptions can have a significant effect on the value of the authority's retirement benefit obligation. The accounts now include an asset ceiling, which is the present value of any economic benefit available to the employer in the form of refunds or reduced future employer contributions. The key assumptions are set out in Note 21.

6.2 Property, Plant and Equipment Valuations

The valuer is a member of the Royal Institute of Chartered Surveyors. For the majority of assets the basis of valuation for fair value is market value in its existing use (EUV). For a minority of specialised properties where the valuer is unable to identify market evidence of such a value, these assets are instead measured on the basis of depreciated replacement cost (DRC).

The significant assumptions applied in estimating the fair value are:

- A continuation of the existing use.
- Mains services for built properties are connected to the properties and drainage is to the public sewer.
- There is no environmental contamination.
- Buildings being marketed for sale or let have an Energy Performance Certificate in place, which has not revealed any shortcomings impacting on the value.
- Freehold interests are not subject to easements, restrictive covenants, encumbrances, leases or licences that would adversely affect their sale.
- Accuracy and completeness of information provided by Council officers.

The effect of any over or under estimation on the revaluation of property, plant and equipment cannot be quantified until the asset is disposed of. The carrying amount of Property, Plant and Equipment at the end of the reporting period is £136.5 million and therefore a reduction of 1% in the value would reduce the value on the balance sheet by £1.36 million.

6.3 Investment Property Valuation

The accounting treatment for investment properties is set out in Accounting Policy 3.15. The Council's sole Investment Property is measured at Fair Value, using the investment method, which is derived from the market rent and expected yield.

Investment Properties are subject to annual revaluation. The Council's single Investment Property is currently valued at £615,000, therefore a reduction of 1% in the value would reduce the value on the balance sheet by £6,150.

6.4 Leases with the Council as Lessee

The discount rate adopted at transition to IFRS 16 to estimate the Lease Liability of the leases was between 4.80% and 5.56%. This is the Public Works Loan Board borrowing rate as at the commencement date 1st April 2024. The specific rate varies according to the period of the lease, as the interest rates charged are dependent upon the term of the loan. The Lease Liability and therefore also the corresponding Right-of-Use Asset value for leases brought onto the Balance Sheet, in addition to those transferred from Land and Buildings at the end of the reporting period, is £153,000 and therefore a reduction of 1% in the discount rate would increase the Value on the Balance Sheet by £8,000.

7. Events after the Reporting Period

On the 31 March 2025, 18 Grove Hill House, Tunbridge Wells, was still an operational asset of the Council. It was purchased on a long lease and then sub-leased to Tunbridge Wells Property Holdings Limited. It has therefore been recognised as a Right-of-Use Asset on the Balance Sheet under IFRS 16. Since then, the tenancy has expired and there has been agreement between the Council and Tunbridge Wells Property Holdings, to terminate their lease. The Council has placed it onto the market for disposal. The capital receipt for its sale is not anticipated to be material.

8. Expenditure and Income Analysed by Nature

The table below breaks down the Surplus or Deficit on the Provision of Services, as shown in the Comprehensive Income and Expenditure Statement, into the different types of income and expenditure.

2023/24		**2024/25**
£000		**£000**
18,072	Employee Benefit Expenses	19,348
45,703	Other Service Expenses	48,761
15,669	Depreciation, Amortisation, Impairment	7,986
290	Interest Payments	10
3,367	Precepts and Levies	3,657
83,101	**Total Expenditure**	**79,762**
(22,679)	Fees, Charges and Other Service Income	(25,589)
(3,435)	Interest and Investment Income	(3,181)
(12,931)	Income from Council Tax	(13,568)
(4,931)	Retained Business Rates Income	(5,166)
(37,408)	Government Grants and Contributions	(35,580)
(38)	Gain or Loss on Disposal of Non-Current Assets	(687)
(81,422)	**Total Income**	**(83,771)**
1,679	**(Surplus) or Deficit on Provision of Service**	**(4,009)**

The fees, charges and other service income is analysed further below between the directorates into which the Council is organised.

2023/24		2024/25
£000		**£000**
(13,882)	Finance, Policy and Development	(16,358)
(8,797)	Change and Communities	(9,231)
(22,679)	**Total Fees, Charges and Other Service Income**	**(25,589)**

9. Adjustments between accounting and funding basis under regulations

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

2024/25	General Fund Balance	Capital Grants Unapplied Account	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves
Reversal of items debited to the Comprehensive I&E Statement					
Amortisation of intangible assets	179	0	0	**179**	**(179)**
Depreciation of non-current assets	3,848	0	0	**3,848**	**(3,848)**
Impairment of non-current assets	(140)	0	0	**(140)**	**140**
Movements in value of Investment Properties	125	0	0	**125**	**(125)**
Revenue Expenditure financed from Capital under Statute	2,006	0	0	**2,006**	**(2,006)**
Gain or (loss) on sale of non-current assets	(687)	0	1,460	**773**	**(773)**

Council tax and business rates	(1,161)	0	0	**(1,161)**	**1,161**
Pension costs	(814)	0	0	**(814)**	**814**
Donated Assets	(3)	0	0	**(3)**	**3**
Holiday Pay	(41)	0	0	**(41)**	**41**
Insertion of items not debited or credited to Comprehensive I&E Statement					
Statutory provision for the repayment of debt	(539)	0	0	**(539)**	**539**
Capital expenditure from revenue	(3,395)	0	0	**(3,395)**	**3,395**
Transfer of capital grants and contributions to capital grants unapplied	(3,817)	3,817	0	**0**	**0**
Financing of capital expenditure directly from reserves					
Application of capital grants to finance capital expenditure	0	(4,040)	0	**(4,040)**	**4,040**
Use of the capital receipts reserve to finance capital expenditure	0	0	(210)	**(210)**	**210**
Total to Movement in Reserves Statement	**(4,439)**	**(223)**	**1,250**	**(3,412)**	**3,412**

2023/24	**General Fund Balance**	**Capital Grants Unapplied Account**	**Capital Receipts Reserve**	**Total Usable Reserves**	**Unusable Reserves**
Reversal of items debited to the Comprehensive I&E Statement					
Amortisation of intangible assets	159	0	0	**159**	**(159)**

Depreciation of non-current assets	3,532	0	0	**3,532**	**(3,532)**
Impairment of non-current assets	7,713	0	0	**7,713**	**(7,713)**
Movements in value of Investment Properties	10	0	0	**10**	**(10)**
Revenue Expenditure financed from Capital under Statute	460	0	0	**460**	**(460)**
Gain or (loss) on sale of non-current assets	(38)	0	76	**38**	**(38)**
Pooled investment fund adjustment	1,223	0	0	**1,223**	**(1,223)**
Council tax and business rates	(532)	0	0	**(532)**	**532**
Pension costs	(558)	0	0	**(558)**	**558**
Donated Assets	(22)	0	0	**(22)**	**22**
Holiday Pay	31	0	0	**31**	**(31)**
Insertion of items not debited or credited to Comprehensive I&E Statement					
Statutory provision for the repayment of debt	(235)	0	0	**(235)**	**235**
Capital expenditure from revenue	(10,600)	0	0	**(10,600)**	**10,600**
Transfer of capital grants and contributions to capital grants unapplied	(2,372)	2,372	0	**0**	**0**
Financing of capital expenditure directly from reserves					
Application of capital grants to finance capital expenditure	0	(1,442)	0	**(1,442)**	**1,442**
Use of the capital receipts reserve to finance capital expenditure	0	0	(107)	**(107)**	**107**

Total to Movement in Reserves Statement	**(1,229)**	**930**	**(31)**	**(330)**	**330**

10. Reserves

The Movements in Reserves Statement shows the annual movements on reserves but only shows a summary of the movements. A detailed analysis and explanation of each reserve is shown below.

10.1 Usable Reserves

General Fund

This represents a non-specific reserve, without legal restrictions on spending, arising from annual surpluses or deficits as well as earmarked reserves to cover specific projects or contingencies.

Earmarked Reserves

The earmarked reserve amounts are transferred from the General Fund, and amounts are withdrawn as required to finance such expenditure. The expenditure itself is charged to the appropriate line in the Comprehensive Income and Expenditure Statement. There are no legal restrictions on the use of earmarked reserves, and unspent balances can be taken back to the General Fund.

The reasons for maintaining the earmarked reserves are shown below:

Reserve	Description
Capital & Revenue Initiatives	Used to support future capital and revenue schemes in accordance with the Council's Medium Term Financial Plan and Capital Strategy.
On Street Parking	The ring-fenced parking surplus that can be used to fund highways and transport schemes, or climate change/carbon reduction schemes in the borough.
Local Plan	A reserve for costs associated with the Local Plan due to the phasing of timeframes and costs.
Strategic Plan	This reserve will be used to hold funds for the delivery of strategic projects.
RVP Car Park	To provide for works in the car parks used for the Royal Victoria Place shopping centre.

Government Grants	Contains the equivalent amount of grants provided by the Government during the financial year that cannot be used until after 31 March that year.
Invest to Save	This reserve is used to fund revenue and capital initiatives which will result in savings or increase income streams.
Cultural	This reserve holds money to undertake key cultural projects in the Borough.
Housing Renewal	When housing renewal grants are repaid an equivalent contribution is made to this reserve, which will be used to finance future grants.
Insurance	Savings made through higher excess thresholds in the insurance contract are paid into this reserve, and will be used where necessary to finance expenditure that would previously have been recovered from the insurers.
Grant Volatility	This reserve is used to cushion the impact of any further changes to government grant funding that could not have been anticipated from information available at the time of setting the budget.
Ice Rink	This reserve will be used to smooth the impact of inclement weather on the financial success of the Ice Rink and accompanying events.
Traveller Protocol	This reserve will be used to manage traveller incursions and will be matched by parish and town Council contributions. The reserve will be used to enable the Borough Council to enforce a Section 77/78 court-ordered eviction or to restore land after the vacation of an unauthorised encampment.
Land Charges Loss of Income	This reserve has been created from an overachievement in Land Charges income to mitigate against the surplus revenue that will be lost if Government centralises the service.
Rent Advance and Deposit	This reserve holds monies set aside by the Council to fund the rent advance and deposit guarantee schemes which support households who have a priority need for accommodation under homelessness legislation.
Local Government Reorganisation Reserve	This reserve has been established to fund any costs associated with devolution and local government reorganisation. Any Central Government funding received to support these costs will be allocated to the reserve.

The tables below show the balance on the General Fund, including the earmarked reserves, and the contributions to and from the reserves.

Reserve	31 March 2024	Income	Expenditure	31 March 2025
	£000	£000	£000	£000
General Fund	4,354	0	0	4,354
Capital & Rev Initiatives	5,512	1,846	(3,053)	4,305
On Street Parking	3,043	1,128	(164)	4,007
Local Plan	1,046	150	(246)	950
Strategic Plan	0	100	0	100
RVP Car Park	2,012	0	(300)	1,712
Government Grants	1,014	105	(132)	987
Invest to Save	77	0	(18)	59
Cultural	307	0	(6)	301
Housing Renewal	364	53	(26)	391
Insurance	125	98	0	223
Grant Volatility	2,664	0	0	2,664
Ice Rink	219	0	(78)	141
Traveller Protocol	13	0	(1)	12
Land Charges Income	60	0	0	60
Rent Advance and Deposit	499	14	0	513
Local Government Reorganisation	0	100	0	100
Total	**21,309**	**3,594**	**(4,024)**	**20,879**

Reserve	31 March 2023	Income	Expenditure	31 March 2024
	£000	£000	£000	£000
General Fund	4,354	0	0	4,354
Capital & Rev Initiatives	9,072	6,921	(10,481)	5,512
On Street Parking	1,064	1,979	0	3,043
Local Plan	1,046	0	0	1,046
RVP Car Park	2,012	0	0	2,012

Government Grants	1,022	100	(108)	1,014
Invest to Save	146	0	(69)	77
Cultural	307	0	0	307
Housing Renewal	326	57	(19)	364
Insurance	100	25	0	125
Grant Volatility	3,965	0	(1,301)	2,664
Ice Rink	219	0	0	219
Traveller Protocol	13	0	0	13
Land Charges Income	60	0	0	60
Rent Advance and Deposit	511	0	(12)	499
Total	**24,217**	**9,082**	**(11,990)**	**21,309**

Capital Grants Unapplied Account

The Council receives grants and contributions towards capital expenditure, and, where there are no repayment conditions, or when such conditions have been fulfilled, these are credited to the Income and Expenditure Account and immediately transferred into the Capital Grants Unapplied Account until required to finance capital investment.

Capital Receipts Reserve

Proceeds from the sales of Property, Plant and Equipment are initially credited to the Income and Expenditure Account, but legally can only be used to finance capital expenditure, and so are transferred to the Capital Receipts Reserve and afterwards used for this specific purpose.

10.2 Unusable Reserves

Revaluation Reserve

This reserve consists of accumulated gains on individual items of Property, Plant and Equipment. The Reserve contains only gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains before that date are consolidated into the balance on the Capital Adjustment Account. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation
- Disposed of and the gains are realised.

2023/24		2024/25
£000	**Revaluation Reserve**	**£000**
48,087	Balance as at 1 April	45,767
3,282	Upward valuation of non-current assets	3,625
(4,576)	Downward valuation of assets and impairment losses of not charged to the surplus/deficit on the provision of services	(179)
(988)	Adjustment for depreciation on revalued non-current assets	(986)
(38)	Amount written off to the capital adjustment account	(359)
45,767	**Balance as at 31 March**	**47,868**

Capital Adjustment Account

This reserve receives credits when capital is financed from revenue resources or other usable reserves and receives debits to offset depreciation and other charges relating to capital which are not chargeable against the General Fund. 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 revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date on which the Revaluation Reserve was created to hold such gains.

2023/24		2024/25
£000	**Capital Adjustment Account**	**£000**
85,465	Balance as at 1 April	86,985
(159)	Amortisation of intangible assets	(179)
(3,532)	Depreciation of non-current assets	(3,848)
(7,713)	Impairment losses and loss reversals of non-current assets	140
(10)	Movements in value of Investment Properties	(125)
(460)	Revenue Expenditure financed from Capital under Statute	(2,006)
0	Adjusting amounts written out of the revaluation reserve	(414)
22	Movement in Donated assets	3
235	Statutory provision for the financing of capital investment	539
10,600	Capital expenditure charged against the General Fund	3,395
1,442	Capital expenditure financed from grants and contributions	4,040

107	Use of the capital receipts reserve to finance new capital expenditure	210
988	Adjustment for depreciation of revalued non-current assets	986
86,985	**Balance as at 31 March**	**89,726**

Pensions Reserve

This reserve is a statutory reserve to offset the Pension Liability assessed on an accounting and actuarial basis, and to ensure that variations in this liability do not affect the General Fund.

2023/24		**2024/25**
£000	**Pensions Reserve**	**£000**
(5,091)	Balance as at 1 April	(1,568)
2,965	Re-measurement of defined benefit liability	230
558	Difference between accounting and statutory pension costs	814
(1,568)	**Balance as at 31 March**	**(524)**

Collection Fund Adjustment Account

This reserve represents the differences arising from the recognition of Council tax income and non-domestic rates in the Comprehensive Income and Expenditure Statement as it falls due from tax payers, compared with the statutory arrangements for paying across amounts from the Collection Fund to the General Fund.

2023/24		**2024/25**
£000	**Collection Fund Adjustment Account**	**£000**
(788)	Balance as at 1 April	(256)
532	Differences arising from the recognition of Council tax income and non-domestic rates in the Comprehensive Income and Expenditure Statement compared with statutory requirements	1,161
(256)	**Balance as at 31 March**	**905**

Accumulated Absences Account

This Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balances from accruing for compensated absences earned but not taken in the year, for example from 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.

2023/24		2024/25
£000	**Accumulated Absences Account**	**£000**
(164)	Balance as at 1 April	(195)
(31)	Amounts accrued at the end of the current year	41
(195)	**Balance as at 31 March**	**(154)**

11. Summary of capital expenditure and financing

Capital expenditure was incurred and financed as shown below:

2023/24		2024/25
£000		**£000**
5,149	**Opening Capital Financing Requirement as at 1 April**	**4,911**
11,476	Property, Plant and Equipment	5,807
213	Intangible Assets	27
4,255	Revenue Expenditure Funded from Capital under Statute	3,974
15,944	**Total Capital Investment**	**9,808**
(107)	Capital Receipts	(210)
(1,442)	Government Grants and Other Contributions	(4,040)
(3,795)	Grants and Contributions towards REFFCUS	(1,968)
(10,600)	Revenue Financing	(3,395)
(235)	Minimum Revenue Provision	(539)
(16,179)	**Total Financing**	**(10,152)**
(3)	**Movement in Long Term Debtors within Capital Financing Requirement**	**(3)**
4,911	**Closing Capital Financing Requirement as at 31 March**	**4,564**

The Capital Financing Requirement (CFR) is the measure, taken from the Balance Sheet, of the capital expenditure incurred historically by the Council, which has yet to be financed at the end of the financial year.

This Council's CFR is partly represented by past capital expenditure on assistance to a housing association. The amount advanced is reduced by their annual repayments.

Capital purchases which have yet to be financed make up the remainder of the CFR. The Council has to set money aside from the General Fund as a Minimum Revenue Provision (MRP) to reduce the CFR annually.

The CFR is made up of the following balance sheet totals:

31 March 2024		31 March 2025
£000		**£000**
132,219	Property, Plant and Equipment	136,554
3,744	Heritage Assets	3,824
740	Investment Properties	615
887	Intangible Assets	735
73	Long term debtors financed from capital	70
0	Assets available for sale	360
(45,767)	Revaluation Reserve	(47,868)
(86,985)	Capital Adjustment Account	(89,726)
4,911	**Total Capital Financing Requirement**	**4,564**

12. Property, Plant and Equipment

12.1 Analysis of Carrying Amount

The following table shows the net carrying amounts of the categories of Property, Plant and Equipment, as at 31 March, split between the gross carrying amount and the accumulated depreciation and impairment.

Note 3.17 sets out the methods for measuring the gross carrying amounts, and of calculating depreciation and impairment.

	Land & Buildings	Right of Use Assets	Vehicles, Plant & Equipment	Infra-structure	Community	Assets Under Construction	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**

Balance as at 31 March 2024							
Gross Carrying Amount	125,557	0	2,509	669	8,674	940	**138,349**
Cumulative Depreciation & Impairment	(4,156)	0	(1,307)	(488)	(144)	(35)	**(6,130)**
Total	**121,401**	**0**	**1,202**	**181**	**8,530**	**905**	**132,219**
Balance as at 31 March 2025							
Gross Carrying Amount	123,685	8,503	2,730	679	9,212	0	**144,809**
Cumulative Depreciation & Impairment	(5,445)	(693)	(1,486)	(487)	(144)	0	**(8,255)**
Total	**118,240**	**7,810**	**1,244**	**192**	**9,068**	**0**	**136,554**

12.2 Reconciliation of Opening and Closing Balances

The table below shows the movements in the different categories for the year:

	Land & Buildings	**Right of Use Assets**	**Vehicles, Plant & Equipment**	**Infra-structure**	**Community**	**Assets Under Construction**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Movements 2023/24							
Balance at 1 April 2023	123,528	0	1,393	217	8,390	0	133,528
Additions	10,750	0	131	(14)	140	469	11,476
Revaluations	(1,502)	0	0	0	0	0	(1,502)
Impairment Losses	(8,256)	0	0	0	0	0	(8,256)
Impairment Loss Reversals	543	0	0	0	0	0	543

Depreciation	(3,188)	0	(322)	(22)	0	0	(3,532)
Disposal	(38)	0	0	0	0	0	(38)
Reclassifications	(436)	0	0	0	0	436	0
Total	**121,401**	**0**	**1,202**	**181**	**8,530**	**905**	**132,219**
Movements 2024/25							
Balance at 1 April 2024	121,401	0	1,202	181	8,530	905	132,219
Reclassification IFRS 16	(7,110)	7,110	0	0	0	0	0
Additions	4,703	196	339	31	538	0	5,807
Revaluations	2,525	844	0	0	0	0	3,369
Impairment Losses	(208)	0	0	0	0	0	(208)
Impairment Loss Reversals	337	11	0	0	0	0	348
Depreciation	(3,180)	(351)	(297)	(20)	0	0	(3,848)
Disposal	(773)	0	0	0	0	0	(773)
Transfers to assets held for sale	(360)	0	0	0	0	0	(360)
Reclassifications	905	0	0	0	0	(905)	0
Total	**118,240**	**7,810**	**1,244**	**192**	**9,068**	**0**	**136,554**

12.3 Valuation of Property

Revaluations and impairment reversals are treated in line with Accounting Policy 3.17.

Within Property, Plant and Equipment, Land and Buildings and Surplus Assets are subject to valuations. The valuations this year have been provided by Cluttons LLP. Other than the shopping centre and the Council’s multi-storey car parks, all assets are revalued at 5 year intervals (20% as at 31 March each year). The multi-storey car parks are revalued every 3 years.

The Royal Victoria Place shopping centre is now valued annually and has been revalued in 2024/25.

Valuations of properties depend on various assumptions, in particular, valuers have to determine:

- The estimated life of the building.
- Whether or not there is a market for the property in its existing use, which means that they could value at such a market value (EUV). If there is no such market, properties are valued at Depreciated Replacement Cost (DRC), which is likely to give a higher value.

The table below analyses the gross carrying cost at 31 March for land and buildings according to the year of valuation, after adjustments for additions in year and depreciation, to ensure a like for like comparison.

31 March 2024		31 March 2025	
Land and Buildings		**Land and Buildings**	**Right of Use Asset**
£000		**£000**	**£000**
121,401	Net Book Value at 31 March	118,240	7,810
(2,115)	Adjust for additions since last valuation	(5,795)	(193)
4,156	Adjust for depreciation since last valuation	5,445	693
123,442	**Total Valuations**	**117,890**	**8,310**
0	Valuation in 2024/25	25,100	2,295
31,261	Valuation in 2023/24	15,511	0
54,085	Valuation in 2022/23	52,235	1,850
28,065	Valuation in 2021/22	19,965	3,465
5,419	Valuation in 2020/21	4,719	700
4,612	Valuation in 2019/20	360	0
123,442	**Total Valuations**	**117,890**	**8,310**

12.5 Impairments

Impairments are assessed each year, in accordance with the policy in Note 3.17, for losses triggered by such occurrences as physical, environmental or economic damage, but no such impairments have been recorded in 2024/25. As noted above in Note 12.3, the impairments, usually reversals, recorded arise from the revaluation of assets carried out in the year.

12.6 Capital Commitments

As at 31 March 2025 the Council was contractually committed to the payment of £8,534,081 for the acquisition of property, plant and equipment, and intangible assets compared to £833,360 at 31 March 2024.

13. Heritage Assets

The Council maintains three groupings of heritage assets:

- Civic Regalia
- The contents of the Museum and Art Gallery, including works of art on display in the Town Hall
- Various monuments and public works of art, including the war memorial, the Canon Hoare memorial and the water fountain in Dunorlan Park

The Museum's assets are generally enhanced by donations from members of the public.

The annual movements in the balance sheet for Heritage Assets are shown below:

2023/24		2024/25
£000		£000
3,514	Balance as at 1 April	3,744
22	Additions by donation	3
208	Revaluations	77
3,744	**Balance as at 31 March**	**3,824**

14. Investment Property

14.1 Investment Property

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

2023/24		2024/25
£000		£000
750	Balance as at 1 April	740
(10)	Impairment Losses	(125)
740	**Balance as at 31 March**	**615**

The Council's investment property consists of one commercial property purchased during 2016/17.

The following income has been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2023/24		2024/25
£000		£000
45	Rental Income from Investment Properties	45
45	**Net Gain / (Loss)**	**45**

15. Assets Held for Sale

Following its policy of seeking to dispose of properties not required to provide services, for the best price available, the Council has disposed of a number of pieces of land in recent years. Most of these were considered below the de minimis level for recognising in Property, Plant and Equipment. Note 3.17 specifies that assets made available for sale are held at the lower of carrying value and market value, so that, although the Council expects to gain capital receipts from their disposal, they are not recognised in the Balance Sheet as at 31 March 2025. There is an exception to this, which is one asset that has been transferred from Land and Buildings, as it is being prepared for sale during 2025/26.

2023/24		2024/25
£000		£000
0	Balance as at 1 April	0
0	Transfer from Property, Plant and Equipment	360
0	**Balance as at 31 March**	**360**

16. Financial Instruments

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

16.1 Financial Assets

The following categories of financial assets are carried on the balance sheet:

	31 March 2025	31 March 2025	31 March 2025	31 March 2025
	Long Term	**Long Term**	**Short Term**	**Short Term**
	Investments	**Debtors**	**Investments**	**Debtors**
	£000	**£000**	**£000**	**£000**
Principal	5,000	69	42,000	3,039
Investment Interest Accrual	0	0	790	0
Cash and Cash Equivalents	0	0	1,533	0
Total Amortised Cost	**5,000**	**69**	**44,323**	**3,039**
Total Financial Assets	**5,000**	**69**	**44,323**	**3,039**
Non-Financial Instrument Assets	0	64	0	2,850
Total Investments, Debtors, Cash and Cash Equivalents	**5,000**	**133**	**44,323**	**5,889**

	31 March 2024	31 March 2024	31 March 2024	31 March 2024
	Long Term	**Long Term**	**Short Term**	**Short Term**
	Investments	**Debtors**	**Investments**	**Debtors**
	£000	**£000**	**£000**	**£000**
Principal	10,000	89	36,000	3,747
Investment Interest Accrual	0	0	672	0
Cash and Cash Equivalents	0	0	1,201	0
Total Amortised Cost	**10,000**	**89**	**37,873**	**3,747**
Total Financial Assets	**10,000**	**89**	**37,873**	**3,747**
Non-Financial Instrument Assets	0	95	0	4,262

Total Investments, Debtors, Cash and Cash Equivalents	**10,000**	**184**	**37,873**	**8,009**

16.2 Financial Liabilities

The following categories of financial liabilities are carried on the balance sheet:

31 March 2024	31 March 2024		31 March 2025	31 March 2025
Long Term	**Short Term**		**Long Term**	**Short Term**
Creditors	**Creditors**		**Creditors**	**Creditors**
£000	**£000**		**£000**	**£000**
0	(4,322)	Principal	0	(4,679)
0	0	Lease Liabilities	(128)	(30)
0	**(4,322)**	**Total Amortised Cost**	**(128)**	**(4,709)**
(829)	(15,093)	Non-Financial Instrument Liabilities	(789)	(14,449)
(829)	**(19,415)**	**Total Borrowing and Creditors**	**(917)**	**(19,158)**

16.3 Interest and Investment Income Receivable and Payable

The table below sets out the interest receivable and payable for the year related to financial assets and liabilities, reconciled to the amounts included in the Comprehensive Income and Expenditure Statement:

2023/24		2024/25
£000		**£000**
(3,312)	Interest from loans and receivables	(3,039)
(45)	Investment Income	(45)
(78)	Other Interest Receivable	(97)
(3,435)	**Total Interest and Investment Income**	**(3,181)**
290	Pooled investment funds adjustment	0
0	Interest of long term borrowing	10

290	**Total Interest Payable**	**10**

16.4 Fair Value

The accounts are required to show the fair value of the financial assets held by the Council. Fair value is defined as the amount for which an asset could be exchanged assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

The fair value of investments is shown in the table below with the level in the fair value hierarchy, as explained in Accountancy Policy 3.10:

31 March 2024	31 March 2024			31 March 2025	31 March 2025
Book Value	**Fair Value**		**Level**	**Book Value**	**Fair Value**
£000	**£000**			**£000**	**£000**
10,000	10,316	Long Term Investments	2	5,000	5,115
10,000	**10,316**	**Long Term Investments**		**5,000**	**5,115**
36,418	36,418	Investments less than one year	2	42,686	42,686
254	254	Add accrued interest on long term investment	2	104	104
36,672	**36,672**	**Short Term Investments**		**42,790**	**42,790**
46,672	**46,988**	**Total Investments**		**47,790**	**47,905**

The fair values valuations have been provided by the Council's Treasury Management advisor, MUFG Corporate Markets. The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value in the Balance Sheet. Since this will include accrued interest as at the Balance Sheet date, the calculations also include accrued interest in the fair value calculation. This figure is calculated up to and including the valuation date. The rates quoted in this valuation were obtained by MUFG Corporate Markets from the market on 31st March 2025, using bid prices where applicable.

All other financial assets and liabilities are represented by amortised cost and long-term debtors and creditor on the balance sheet at amortised cost.

16.5 Nature and Extent of Risks Arising from Financial Instruments

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Accountancy Team, under policies approved by the Council in the annual Treasury Management Policy and Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The risk is minimised through the Treasury Management Policy and Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit criteria, in accordance with the Fitch Credit Ratings Service. It also reviews ratings from the other agencies, Moodys and Standard and Poors. The Treasury Management Policy and Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied. The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The key elements are the security of capital and the liquidity of investments.

The Council's maximum exposure to credit risk in relation to its investments in financial institutions, amounting to £42.8 million at 31 March 2025 (£46.7 million at 31 March 2024), cannot be assessed generally, as the risk of any institution failing to make interest payments or to repay the principal sum, will be specific to each individual institution. Recent experience indicates that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2025 that this was likely to crystallise. There has been no experience of default by any of the institutions holding the Council's financial instruments, other than for trade accounts receivable.

The Council has assessed its investments and concluded that the expected credit loss is not material and no allowances have been made.

Liquidity Risk

The Council manages its liquidity position through risk management procedures, the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports, as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available as needed. The Council has ready access to borrowings from the money market to cover any day to day or long-term cash flow need, and the PWLB and money markets for access to longer term funds. The Council is required to provide a balanced budget which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The Council does not hold any external debt, but has £4,564,000 of Capital Financing Requirement, presently funded through internal borrowing. Should cashflow circumstances change, it may be necessary to borrow externally to fund this debt, thereby incurring an interest charge, that is avoided at present.

Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Reductions in interest rates would reduce the interest income credited to the Income and Expenditure Account from investments and decrease the interest expenditure from borrowing, while increases in interest rates would increase the income from investments and increase the interest cost from borrowing.

The Finance team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated.

According to this assessment strategy, at 31 March 2025, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been to increase investment income by £600,000.

Price Rate Risk

The Council does not generally invest in equity shares or marketable bonds.

Foreign Exchange Risk

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

17. Debtors

17.1 Debtors

The table below analyses the balance sheet figures between different types of debt.

31 March 2024		31 March 2025
£000		£000
2,040	Trade Accounts Receivable	2,460
2,063	Other Trade Debtors	1,045
1,536	Central Government	776
816	Prepayments	586
1,554	Other Debtors	1,022
8,009	**Total Short Term Debtors**	**5,889**
184	**Total Long Term Debtors**	**133**
8,193	**Balance as at 31 March**	**6,022**

17.2 Trade Accounts Receivable

As explained in Note 3.10 above, the grouping of 'Trade accounts receivable' comes within the definition of Financial Instruments. Invoices are sent to individuals and other entities, where money cannot be obtained in advance of the service being rendered, and where payment is required on the receipt of the invoice.

The Council gives priority to collecting this debt, taking action through collection agencies or legal processes where appropriate, but has to make a prudent provision for impairment for doubtful debts, based on previous experience of default and on assessment of individual outstanding balances. The table below shows the age profile of this debt.

31 March 2024		31 March 2025
£000		£000
1,144	Less than 3 months	1,335
146	3 to 6 months	131
220	6 to 12 months	203

530	More than 1 year	791
2,040	**Total Trade Accounts Receivable**	**2,460**

The Council has £2.46m of outstanding trade accounts debt as at 31 March 2025, compared to £2m at the end of 2023/24, with a total impairment provision of £911,000 compared to £785,000 at the end of 2023/24.

The Council has also made impairment provisions of £5,705,000 at 31 March 2025, compared to £4,952,000 at 31 March 2024, covering debts for Housing Benefit overpayments, this Council's share of Council Tax and Non-Domestic Rates debts, housing rents, housing rent deposits, RVP shopping centre rents and Penalty Charge Notices for parking. The approach to assessing these impairment provisions is similar to those for trade debtors, as outlined above. Some, but not all of such debts, fall within the definition of financial instruments.

17.3 Impairment of Debtors Balances

Each debt outstanding as at 31 March has been reviewed and an assessment made on the probability of recovery. If the recovery is considered unlikely then a provision for that sum has been made in the accounts.

The only debt of note is that of the Borough's leisure services provider, which has a contract to manage three sports centres and deliver a return to the Council. They owe the Council £827,300 and are currently unable to settle their debts. The leisure services industry is needing to reimagine their service provision and are hopeful they will establish a position where they can make a surplus again. Until this can be demonstrated, the Council will continue to provide for this debt.

17.4 Contingent Assets

There are no known contingent assets outstanding as at 31 March 2025.

18. Creditors

18.1 Creditors

The table below analyses short-term and long-term creditors between different types of creditors.

31 March 2024		31 March 2025
£000		**£000**
(6,080)	Central Government	(6,970)

(4,666)	Local Authorities	(4,725)
0	Lease Liabilities	(30)
(8,669)	Other Creditors	(7,433)
(19,415)	**Total Short Term Creditors**	**(19,158)**
0	Central Government	(17)
(829)	Local Authorities	(772)
0	Lease Liabilities	(128)
(829)	**Total Long Term Creditors**	**(917)**
(20,244)	**Balance as at 31 March**	**(20,075)**

18.2 Provisions

Appeals against Business Rate Valuations and Appeals not yet lodged

As part of the changes relating to business rates retention that came into force in 2013, a provision is now made to allow for the potential losses from appeals against valuations.

The 2017 Rating list, applicable from 1 April 2017, was subject to a new, and significantly more complex "Check, Challenge, Appeal" process. This meant that in the early years far fewer appeals were made than would normally have been expected. It was also considered that consultancy companies, which assist businesses to appeal, would not make their appeals in the first years of the new rating list, in order to maximise their earnings from retrospective years' commission.

A new 2023 Ratings list came into effect from 1 April 2023 and a deadline of 30 September 2023 was set for any appeals relating to the 2017 rating list. As at the 31 March 2025, there were still 15 (40 in 2023/24) appeals to be determined, against which a provision of £3,634,648 was made for retrospective appeal refunds and interest. This was calculated according to the Rateable Value reduction claimed and the retrospective effective date provided by the Valuation Office for each appeal.

The provision for appeals relating to 2024/25 for the new 2023 Ratings list was calculated to be £4,926,727. It could be argued that the amounts to be appealed against the 2023 List and the timescales for the appeals, cannot be determined and therefore should be a contingent liability. However, the Ministry of Housing, Communities and Local Government (MHCLG) has provided an estimate that 1.95p in every £1 would be appealed for the 2023 Ratings list and in order to reflect this material sum, a provision has been made in the Collection Fund. The provision calculation provides on the basis of that 1.95p in every £1, but then recognises those businesses that are in receipt of the various business rate reliefs, which means they are less likely to appeal their rateable value.

This has meant an overall decrease in the level of appeals provision to £8,561,375. The Council's 40% share of the total provision has been decreased to £3,424,550 (£4,854,542 at 31 March 2024).

18.3 Contingent Liabilities

Municipal Mutual 'Run Off' Liabilities

Municipal Mutual Insurance Limited (MMI) was the main local authority insurer for many years up until 1992 when the company failed and went into "run-off". A Scheme of Arrangement was approved in 1994 with the aim of meeting all claims and achieving a solvent run-off. For a number of years the Administration and Creditors Committee reported that a solvent run off was likely to be achieved and sought to sell the business to another insurer to bring the arrangement to a conclusion. Unfortunately a sale has never been achieved and more recently claims have emerged where courts have ruled in favour of claimants rather than MMI. In 2015/16 a review of the Scheme of Arrangements concluded that a 25% levy must be charged on claims since the Scheme of Arrangement commenced and the Council duly paid this. There is one outstanding claim reserve with MMI as at 31 March 2025 for £73,200. This sum has been transferred to the Insurance reserve to provide for the cost should it become due.

Local Plan Examination Process

The Local Plan examination has been ongoing through 2024/25, with the completion of Stage 3 public hearings following the gathering of further evidence to enable the Council to respond to the Inspector's initial findings. The Council has undertaken a further Main Modifications consultation and hope to adopt the Local Plan in the summer 2025. Once adopted there may be the threat of legal challenge within the first six weeks and the Council should be prepared to fund the necessary legal support for this process.

The Council has set aside £0.95m in an Earmarked Reserve to provide for the costs of delivering the Local Plan and any legal challenges can also be met from this reserve.

Planning Inquiries

It is likely that the Council will need ongoing King's Counsel support regarding the Secretary of State call-in on the Turnden development in Cranbrook. This is following The Campaign to Protect Rural England's successful request to judicially review the most recent decision of the Secretary of State.

There are a number of planning appeals that are either likely to require Hearings or Public Inquiries, where costs may be awarded. These include a cross-boundary application with Maidstone Borough Council and a likely appeal on the former AXA site in Royal Tunbridge Wells. Furthermore, there are planning enforcement procedures at Crowbourne Orchard and Church Road, Kilndown that require court proceedings. The former is at Magistrates Court for non-compliance and the latter requiring significant legal and Kings Counsel support in order to secure an interim injunction at the High Court. The legal costs are estimated at £50,000. A further planning enforcement action for non-compliance with enforcement notices may also result in court action costing a further £30,000.

Kent Pension Fund

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 this written actuarial confirmation. The case was taken to The Court of Appeal and the original ruling was upheld in July 2024.

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. The Government's Actuarial Department is currently undertaking a review to confirm whether such changes occurred in Local Government Pension Schemes. Their most recent bulletin in November 2024 states that HM Treasury do not believe the Virgin Media case expressly addresses whether confirmation is required for public service pension schemes. Their view is that the relevant amendments in the LGPS would have been made by legislation and therefore would remain valid until revoked or repealed by subsequent legislation or declared void by a court. At this point it is therefore not possible to estimate the potential impact, if any, on the Kent Pension Fund.

19. Grants and Contributions

19.1 Grants and Contributions

The table below outlines Government grants and other contributions accounted for within Cost of Services within the Comprehensive Income and Expenditure Statement and the Cash Flow Statement.

2023/24	2023/24	2023/24		2024/25	2024/25	2024/25
£000	£000	£000		£000	£000	£000
Grants	Contribs	Total		Grants	Contribs	Total
(23,182)	0	(23,182)	DWP Benefits Grants	(21,138)	0	(21,138)
(1,010)	0	(1,010)	Homelessness Support	(1,024)	0	(1,024)
0	(3,670)	(3,670)	Contribution from Other Local Authorities and Health Sector	0	(3,602)	(3,602)

0	(3,795)	(3,795)	Contributions to revenue expenditure financed from capital	0	(1,968)	(1,968)
0	(249)	(249)	Cost of Living grants and contributions	0	(215)	(215)
(380)	(241)	(621)	Other grants and contributions	(710)	(302)	(1,012)
(24,572)	**(7,955)**	**(32,527)**	**Total Within Cost of Services**	**(22,872)**	**(6,087)**	**(28,959)**

In 2024/25 the Council received £215,000 from the Government funded Household Support Funds 5 and 6, to be paid out to support vulnerable residents. This funding was received through Kent County Council. The Council deemed itself to be acting as principal for the scheme as it was able to determine which of its residents should benefit. Where the Council deems it is acting as principal the transactions are reflected in both the Comprehensive Income and Expenditure Statement and Balance Sheet as appropriate.

The Council is still administering the Government's "Homes for Ukraine" scheme, but received only £122,000 in 2024/25 through Kent County Council, as the numbers fleeing the war have fallen substantially.

The table below outlines Government grants and other contributions accounted for within Taxation and Non-Specific Grant Income within the Comprehensive Income and Expenditure Statement and the Cash Flow Statement.

2023/24	2023/24	2023/24		2024/25	2024/25	2024/25
£000	£000	£000		£000	£000	£000
Grants	Contribs	Total		Grants	Contribs	Total
(5,226)	0	(5,226)	Business Rate Reliefs	(5,418)	0	(5,418)
(5,226)	**0**	**(5,226)**	**Business Rates Income**	**(5,418)**	**0**	**(5,418)**
(619)	0	(619)	Funding Guarantee Grant	(890)	0	(890)
(768)	0	(768)	New Homes Bonus	(852)	0	(852)
(532)	0	(532)	Benefits Administration grants	(222)	0	(222)
(163)	0	(163)	Revenue Support Grant	(189)	0	(189)
(31)	0	(31)	Energy Grant Schemes	0	0	0

(12)	(242)	(254)	Council Tax	0	(398)	(398)
(120)	0	(120)	Other grants and contributions	(250)	0	(250)
(2,245)	**(242)**	**(2,487)**	**Government Grants and Contributions**	**(2,403)**	**(398)**	**(2,801)**
(230)	(2,142)	(2,372)	Capital Grants and Contributions	(297)	(3,520)	(3,817)
(230)	**(2,142)**	**(2,372)**	**Capital Grants and Contributions**	**(297)**	**(3,520)**	**(3,817)**
0	(22)	(22)	Donated Assets	0	(3)	(3)
0	**(22)**	**(22)**	**Donated Assets**	**0**	**(3)**	**(3)**
(7,701)	**(2,406)**	**(10,107)**	**Total within Taxation and Non-Specific Grant Income**	**(8,118)**	**(3,921)**	**(12,039)**

19.2 Capital Grants Receipts in Advance

The Council receives grants and contributions that have yet to be recognised as income as they have no conditions attached to them that will require the monies to be returned to the giver. The balances at year end are as follows:

31 March 2024		31 March 2025
£000	**Short Term Capital Grants Receipts in Advance**	**£000**
(1,638)	Balance as at 1 April	(1,322)
(75)	Grants Received	(702)
1,419	Applied to revenue & capital expenditure	2,357
(1,028)	Transfer from Long Term Grants	(2,757)
(1,322)	**Balance as at 31 March**	**(2,424)**

31 March 2024		31 March 2025
£000	**Long Term Capital Grants Receipts in Advance**	**£000**
(7,206)	Balance as at 1 April	(8,200)

(2,860)	Grants Received	(1,364)
838	Other Transfers	986
1,028	Transfer to Short Term Grants	2,757
(8,200)	**Balance as at 31 March**	**(5,821)**

The Council receives contributions under Section 106 of the Town and Country Planning Act 1990, which enables developers to make contributions in connection with the granting of planning permission. Where these contributions are to be used towards capital investment, and if the agreements contain a condition specifying a date by which the contribution must be used for a specific purpose, this income is held on the balance sheet under the heading 'capital grants receipts in advance'. Balances under 'current liabilities' represent those expected to be used to finance capital in the next financial year, and other balances are held under 'long term liabilities'.

20. Officers' Remuneration

20.1 Remuneration of Senior Management

The tables below set out in more detail the remuneration of the senior staff of the Council. The pay of the officers concerned is also included in the remuneration band table set out in Note 20.2 below.

2024/25	**Salary**	**Expenses**	**Pension**	**Total**
	£		**£**	**£**
Chief Executive (William Benson)	162,678	0	31,208	193,886
Director of Finance, Policy & Development (s151 Officer)	121,777	510	23,489	145,776
Director of Change & Communities	114,051	0	22,468	136,519
Total	**398,506**	**510**	**77,165**	**476,181**

2023/24	**Salary**	**Expenses**	**Pension**	**Total**
	£		**£**	**£**
Chief Executive	149,370	1,221	29,208	179,799
Director of Finance, Policy & Development (s151 Officer)	117,122	651	22,369	140,142
Director of Change & Communities	108,612	0	21,397	130,009
Total	**375,104**	**1,872**	**72,974**	**449,950**

It should be noted that:

- No bonuses were payable to any of these officers.
- The remuneration is gross of any eligible salary sacrifice schemes.
- The figures for the Chief Executive include fees payable for the role of Returning Officer for electoral purposes. The amounts fluctuate between years, depending on what elections fall due during the financial year. £13,830 was paid in 2024/25 compared to £7,094 in 2023/24.
- Similarly, the figures for the Director of Finance, Policy and Development include fees payable for elections. £2,543 was paid in 2024/25 compared to £1,397 in 2023/24.

20.2 Remuneration Bands

The table below shows the number of employees in the year whose remuneration was greater than £50,000. For this purpose remuneration means amounts paid to or receivable by an employee (not including pension benefits), and includes sums due by way of expenses allowance (so far as these sums are chargeable to United Kingdom income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash. The table displays two columns for each year: the first column, in line with the Accounts and Audit Regulations, shows amounts paid to individuals including severance pay. As this can vary considerably between years, a second column is included which excludes severance pay completely.

The table below shows total remuneration paid to individual employees for the year, whereas the detailed tables above in Note 20.1 show remuneration against the relevant senior post. This does not cause any difference for the two years reported above, but in other years a particular post may be held by more than one employee during the course of the year, and conversely an employee may occupy different posts during the year.

2023/24	2023/24		2024/25	2024/25
Including Severance	**Excluding Severance**	**Remuneration Band**	**Including Severance**	**Excluding Severance**
16	16	£50,000 - £54,999	22	22
7	7	£55,000 - £59,999	11	11
7	7	£60,000 - £64,999	10	10
1	1	£65,000 - £69,999	3	3
2	2	£70,000 - £74,999	1	0
1	1	£75,000 - £79,999	2	2
1	1	£80,000 - £84,999	1	1
1	1	£85,000 - £89,999	1	1
2	2	£90,000 - £94,999	1	1

1	1	£95,000 - £99,999	2	2
0	0	£100,000 - £104,999	1	1
1	1	£105,000 - 109,999	0	0
0	0	£110,000 - £114,999	1	1
1	1	£115,000 - £119,999	0	0
0	0	£120,000 - £124,999	1	1
1	1	£145,000 - £149,999	0	0
0	0	£160,000 - £164,999	1	1
42	**42**	**Total**	**58**	**57**

21. Defined Benefit Pension Schemes

21.1 Participation in defined liability pension plan

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

The Council participates in the Local Government Pension Scheme, for its employees, administered by Kent County Council, which is a defined benefit scheme. Under the Local Government Pension Scheme retirement benefits are based on the employee's final salary and are increased each year in line with the Consumer Price Index.

The accounting policy for this pension plan, including the recognition of actuarial gains and losses, is set out in the accounting policies set out in Note 3.8.

21.2 Transactions relating to post-employment benefits

The cost of retirement benefits in the reported cost of services is recognised when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge that is required to be made against council tax is based on cash payable, so the real cost of post-employment benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2023/24		2024/25
£000		**£000**
	Comprehensive Income and Expenditure Statement	
1,924	Current Service Costs	1,996
107	Administration Expenses	115
179	Net Interest on the Defined Liability / Asset	6
2,210	**Net Charge to the Surplus / Deficit on the Provision of Services**	**2,117**
1,230	Return on plan assets	1,911
(1,746)	Change in demographic assumptions	(325)
(2,777)	Change in financial assumptions	(15,766)
0	Changes in impact of Asset Ceiling	14,241
328	Experience (gains) / losses on benefit obligation	(291)
(2,965)	**Net Charge to Other Comprehensive Income and Expenditure**	**(230)**
	Movement in Reserves Statement	
(2,210)	Reversal of net charges made for retirement benefits in accordance with IAS 19	(2,117)
2,768	Employers' contributions payable to the scheme	2,931
558	**Total Movement**	**814**

In 2024/25 the Council moved to a position of having a net asset surplus in the scheme and therefore, under The Code and IAS 19, it is required to include an asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

21.3 Pensions assets and liabilities recognised in the Balance Sheet

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

2023/24		2024/25
£000		**£000**
(123,035)	Present value of the defined benefit obligation	(110,797)

121,467	Fair value of plan assets	124,514
(1,568)	**(Deficit) / Surplus**	**13,717**
0	Impact of asset ceiling	(14,241)
(1,568)	**Net defined benefit (liability) / asset**	**(524)**

21.4 Reconciliation of present value of the scheme assets and liabilities

The table summarises the reconciliation of the present values of scheme liabilities:

2023/24		**2024/25**
£000	**Present Value of Scheme Liabilities**	**£000**
(123,975)	Balance as at 1 April	(123,035)
(1,924)	Current Service Cost	(1,996)
(5,844)	Interest cost	(5,937)
(731)	Contributions by scheme participants	(813)
1,746	Actuarial gains / losses arising from changes in demographic assumptions	325
2,777	Actuarial gains / losses arising from changes in financial assumptions	15,766
(328)	Experience (gains)/losses on defined benefit obligation	291
5,244	Benefits paid / transfers paid	4,602
(123,035)	**Balance as at 31 March**	**(110,797)**

The table below summarises the reconciliation of the present value of scheme assets:

2023/24		**2024/25**
£000	**Movements in Fair Value of Scheme Assets**	**£000**
118,884	Balance as at 1 April	121,467
5,665	Interest income	5,931
(1,230)	Expected return on assets	(1,911)
(107)	Administration Expenses	(115)
2,768	Employer contributions	2,931

731	Contributions by scheme participants	813
(5,244)	Benefits paid / transfers paid	(4,602)
121,467	**Balance as at 31 March**	**124,514**

The impact of the asset ceiling is set out in the table below:

2023/24		**2024/25**
£000	**Impact of the Asset Ceiling**	**£000**
0	Balance as at 1 April	0
0	Changes in effect of asset ceiling	(14,241)
0	**Balance as at 31 March**	**(14,241)**

In 2015, the Government introduced reforms to public sector pensions, with most public sector workers moved into new pension schemes. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judicial (McCloud) and fire fighter's (Sargeant) schemes as part of the reforms, breached age discrimination rules. Regulations in respect of McCloud and Sargeant judgements came into force in October 2023. This could be a risk to the liability, which has been factored into the calculation methodology since 2022/23. Following a case involving the Teachers' Pension scheme, known as the Goodwin case, there could be a similarly risk to the value of the employers' liabilities. It is the actuary's expectation that the impact on the scheme will not be material.

21.5 Pension Scheme Assets

The scheme's assets and expected return consist of the following categories:

31 March 2024	**31 March 2024**		**31 March 2025**	**31 March 2025**
£000	**%**		**£000**	**%**
70,663	58%	Equities	70,903	57%
8,900	7%	Gilts	7,381	6%
17,489	14%	Bonds	18,510	15%
10,898	9%	Property	10,196	8%
1,934	2%	Cash	4,924	4%
6,137	5%	Target Return Portfolio	6,360	5%
5,446	5%	Infrastructure	6,240	5%
121,467	**100%**	**Total**	**124,514**	**100%**

21.6 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions on mortality rates, salary levels, etc. The liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, being based on the latest full valuation of the scheme as at 31 March 2025. The main assumptions used for the purposes of the calculations are:

2023/24		2024/25
	Mortality assumptions:	
20.8 years	Longevity at 65 for current pensioners: Men	20.7 years
23.3 years	Longevity at 65 for current pensioners: Women	23.3 years
22.0 years	Longevity at 65 for future pensioners: Men	22.0 years
24.7 years	Longevity at 65 for future pensioners: Women	24.7 years
	Other assumptions:	
3.90%	Rate of increase in salaries	3.90%
2.90%	Rate of increase in pensions	2.90%
4.90%	Rate for discounting scheme liabilities	5.80%
50.0%	Take-up option to convert annual pension into retirement lump sum	50.0%

21.7 Sensitivity Analysis

The estimates depend on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes to retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Barnett Waddingham, is engaged to provide the Council with expert advice about the assumptions to be applied. The table below shows the impact of small changes to the major assumptions for 2024/25 to show a projection for 2025/26:

	£000	£000	£000	£000	£000
Adjustment to Discount Rate:	**+0.5%**	**+0.1%**	**0.0%**	**-0.1%**	**-0.5%**
Projected value of total obligation	103,632	109,298	110,797	112,331	118,872
Projected service cost	1,197	1,387	1,439	1,492	1,724
Adjustment to Salary Increases:	**+0.5%**	**+0.1%**	**0.0%**	**-0.1%**	**-0.5%**
Projected value of total obligation	111,352	110,906	110,797	110,688	110,262

Projected service cost	1,439	1,439	1,439	1,439	1,439
Adjustment to Pension Increases:	**+0.5%**	**+0.1%**	**0.0%**	**-0.1%**	**-0.5%**
Projected value of total obligation	118,485	112,264	110,797	109,363	103,943
Projected service cost	1,735	1,495	1,439	1,385	1,186
Adjustment to Mortality Estimates:		**+ 1 year**	**None**	**- 1 year**	
Projected value of total obligation		115,102	110,797	106,681	
Projected service cost		1,495	1,439	1,384	

21.8 Impact on the Council's Cash Flows

The objectives of the scheme are to keep the employers' contributions at as constant rate as possible. The estimated contribution for 2025/26 is £3,071,000 compared with the actual contribution of £2,959,000 for 2024/25.

22. Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the tables below. In 2024/25 the Council paid £92,000 in exit packages to 5 former members of staff, compared to £18,000 paid to 5 former members of staff in 2023/24.

2024/25	**Number of compulsory redundancies**	**Number of other agreed departures**	**Total Number of Exit Packages**	**Total Cost of Exit Packages**
Banding				**£000**
£0 - £19,999	0	4	4	43
£40,000 - £59,999	0	1	1	49
Total	**0**	**5**	**5**	**92**

2023/24	**Number of compulsory redundancies**	**Number of other agreed departures**	**Total Number of Exit Packages**	**Total Cost of Exit Packages**
Banding				**£000**
£0 - £19,999	0	5	5	18
Total	**0**	**5**	**5**	**18**

The tables above includes exit packages that have been charged to the Comprehensive Income and Expenditure Statement. The costs shown include severance pay, any curtailment costs relating to the cost of allowing employees to take their pensions before normal retirement age, and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the authority.

23. Members' Allowances

The total amount of Member's allowances paid in 2024/25 was £339,810 compared to £387,759 in 2023/24. The decrease was due to the reduction in the number of Members from 48 to 39 following the Local Government Boundary Commission for England Review.

The Council provides a statement, in accordance with the Local Authorities Members' Allowance (England) Regulations 2003, giving details of the allowance paid. The statement may be seen on the Council's website or copies can be obtained by writing to the Service Manager for Democratic and Executive Support, Town Hall, Royal Tunbridge Wells, Kent TN1 1RS, or email committee@tunbridgewells.gov.uk

24. External Audit Costs

The audit fees for 2024/25, payable to Grant Thornton, are set out below:

2023/24		2024/25
£000		**£000**
150	Fees payable with regard to external audit services carried out by the appointed auditor for the year	165
0	Fee Variations in Respect of 2024/25	8
8	Fee Variations in Respect of 2023/24	6
(5)	Fee Variations in Respect of 2022/23	1
44	Fees payable for the certification of grant claims and returns for the year	34
9	Certification of grant claims 2021/22 variation	0
206	**Sub Total**	**214**

As a result of the Redmond Review the Council received a Local Audit Grant of £21,000 in 2024/25, the same amount as in 2023/24.

25. Leases

25.1 Council as Lessee

As a Lessee, under IAS 17 and IFRIC 4, the Council has previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying lease to the Council. Under IFRS 16, adopted from 1 April 2024, a single Lessee accounting model for all leases is introduced, rather than distinguishing between operating and finance leases. The Council has transitioned to IFRS 16, in accordance with the Code of Practice, adopting the policies laid out in Note 3.16.

In order to comply with the special transition arrangements laid out in the Code the Council has undertaken a review of all of its lease agreements. This has involved:

- Reviewing all properties on the Council's Balance Sheet with the Property Team and searching their asset records for any leases.
- Reviewing all temporary accommodation properties held by the Housing Team and assessing the circumstances of each agreement.
- Reviewing the ledgers for payments made for rents or leases to ensure all properties are captured and assessments made for compliance with IFRS 16.
- Reviewing the Lessor accounting transactions for any peppercorn leases which may have residual values which need to be included on the Council's Balance Sheet.
- Reviewing tenders with the Procurement Team to identify any leases, for example equipment.

The leases, once identified, were then grouped to ensure that similar assets with similar agreements were treated consistently, albeit that each asset within each group was separately assessed according to their terms and conditions, for example, length of lease (term), lease payments, likelihood of lease extensions.

The Council has applied the practical expedient in paragraph 4.2.2.94 of the Code which requires an authority to **not** reassess whether a contract is, or contains, a lease at the date of initial application except in relation to leases for nil consideration. This means that if a lease was previously considered a Finance Lease, then it should remain so on transition to IFRS 16. That is unless it is a peppercorn lease, whereupon it must be valued at Fair Value at the commencement date, whether or not this was the case previously.

The Code states the lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Council will use its incremental borrowing rate. The discount rate adopted at transition is the Public Works Loan Board borrowing rate as at 1st April 2024. The specific rate will vary according to the period of the lease, as the interest rates charged depend upon the term of the loan. The rates used are between 4.8% and 5.56%. This rate will continue to be used, unless there is a lease modification or reassessment that requires the Council to determine a new rate.

Six groups of leases were identified. The judgements and treatments are summarised below.

25.1.1 Temporary Accommodation - License to Occupy

The Council has 17 temporary housing properties on "license to occupy" agreements. They were originally on 6 month licences but are now rolling with a notional 1 month break agreement that is not documented. A break can be invoked by either the Council or Town and Country Housing (TCH) who are the landlord. There are no purchase options and no significant penalties on either side for termination. One is still within its original 6 month landlord licence agreement.

Whilst it is considered that the license agreements do constitute them being leases under IFRS 16, the term being for less than 12 months deems them short term leases.

It was considered whether the leases for these particular properties were expected to be extended. These properties belong to TCH, who are the borough's social housing provider. Tunbridge Wells does not have a Housing Revenue Account. Housing is added or returned dependent upon homelessness need. It is possible for temporary accommodation tenants to be able to stay in the properties as their permanent accommodation and the Housing Association will then provide replacement properties if needed. This housing has a regular turnover, all for homelessness prevention use only. Turnover has been monitored since 2021 and it can be seen of the 29 properties that have been kept over 6 months, 13 of them have been returned to TCHG. It is not possible to determine which will be retained and which will be returned, as it is dependent upon need.

The Government has recently been providing funding for accommodation properties through the Local Authority Housing Funds 1, 2 and 3, and this Council has taken full advantage of these grants. The Council has been very successful in acquiring new temporary accommodation of its own, purchasing properties for 7 households already and have funding for/committed to purchasing with a housing provider, a further 7 properties in 2025/26. The Council also received Ukrainian funding, some of which has been used to convert 4 large long term empty Council properties on Crescent Road into residential temporary accommodation in 2024/25. In addition, the Council has partially funded, via the Ukrainian Grant and the LAHF funding, the purchase of 12 further properties which are now being managed by the Council's social housing provider, Town & Country Housing. This has prevented the need for additional temporary accommodation for another 12 households. The Council is currently holding over £3m in S106 funding for which additional properties are actively being sought, with another £0.5m awaited from agreements.

The Council's Temporary Accommodation Policy document of September 2024 also shows that the acquisition of Council Owned provision is actively being pursued to manage temporary accommodation.

The Council has therefore treated these properties as short-term leases and not brought them onto their Balance Sheet as Right-of-Use Assets. They have been included as operational leases and the rental costs taken to operating expenditure.

25.1.2 Temporary Accommodation - Common Law Tenancy Agreements

The Council currently has 3 temporary housing properties on “Common Law Tenancy” agreements, which would be deemed leases under IFRS 16. One was originally on a 6 month agreement and the other two were on 12 month agreements. These terms have all expired and are now on rolling monthly tenancies. These properties are all used to prevent homelessness and housing is added or returned dependent upon homelessness need in the same way as the properties described in 25.1.1. A break can be invoked by either the Council or the Landlord. There are no purchase options and no significant penalties on either side for termination.

Each of the properties has been assessed for whether the tenancies are likely to be extended and still be held in 12 months’ time. One property tenancy is due to be transferred to the current tenant. Negotiations are underway to enable this. The other 2 properties are owned by a private company, which, due to the rolling month tenancy, could ask for their return at any time. The Council’s approach to purchasing its own property as explained in 25.1.1 also applies to these properties and support them being treated as short-term leases.

The Council is not reasonably certain that they will still be held in 12 months time, so has treated these properties as short-term leases and not brought them onto their Balance Sheet as Right-of-Use Assets. They have been included as operational leases and the rental costs taken to operating expenditure.

25.1.3 Finance Leased Residential Properties (Grove Hill Road)

The Council owns 4 residential properties that were originally purchased on 999 leases as part of a large capital area rejuvenation plan. The redevelopment did not go ahead, but all 4 properties are still operational, being sub-leased to the Tunbridge Wells Property Holdings Company, as at 31 March 2025.

These apartments were recognised as finance leases under IAS 17, so the carrying amount of the lease asset and liability currently on the Balance Sheet are reclassified as the Right-of-Use asset and the Lease Liability at the date of initial application (4.2.2.104 of the Code).

The new standard generally requires a tenant to separate the lease and non-lease components of a contract. The lease values will be carried on the Balance Sheet and any maintenance, cleaning or utility costs will be expensed directly to the revenue account.

The Fair Value of these assets will be depreciated over their expected useful lives.

The Council has had the Fair Value of these assets assessed by their RICS qualified valuer in line with their policy of valuing assets over a rolling 5 year period. These were valued in 2024/25 and have been carried on the Balance Sheet in Property, Plant and Equipment and depreciated in a straight line over the useful life of the asset. Revaluations of assets are only carried out every 5 years to keep valuation costs proportionate to the benefit to the taxpayer. As the treatment for these assets under IFRS 16 has no impact on the Balance Sheet, it is proposed that revaluations continue in their normal cycle and that current depreciated values are used for IFRS 16 on 1 April 2024.

25.1.4 Other 16 Leases

The Council has 2 properties whereby the lessor conveys to the lessee, in return for a payment or a number of payments, the right to use an asset for an agreed period of time.

- 40 Hunters Ways is a 2 year lease commencing 1 November 2023, with lease payments of £33,000 per year. There is no option to purchase and no option to extend. It will be brought onto the Balance Sheet as a Right-of-Use asset with the corresponding Lease Liabilities. Interest and depreciation will be accounted for as per the Council's Policy. The Council has not recognised any non-removable leasehold improvements as assets on its Balance sheet because it is rented and the Council is unable to make such improvements. The Landlord and Tenant obligations apply, meaning this is the responsibility of the landlord. The Council is only responsible for day-to-day repairs and rectifying any tenant damage to the properties.
- The TN2 Community Centre, leased from the YMCA, is a 30 year lease which commenced on 21 March 2006, now with lease payments of £16,488 per year. The Council is responsible for the repairs and maintenance of the internal and external aspects of the building. It is able to make enhancements to the building but has not made any non-removable leasehold improvements in relation to this property which should be recognised as assets on its Balance sheet.
  There is no option to purchase the property and while agreement does imply that there would be the possibility to extend, this is deemed very unlikely.
  This asset has previously been treated as a Finance Lease and has been recorded as Property, Plant and Equipment on the Balance Sheet. It was initially reported as a peppercorn Finance Lease in 2007 as the first 5 years were at a peppercorn lease. However, in year 6 it increased to £10,000 per year and then increased by RPI in each subsequent year, now reaching £16,488 per year. From year 6, there should therefore have been a Lease Liability reflecting these payments included on the Balance Sheet. However, this was not identified back in 2012. On 1 April 2024, TN2 was on the Balance Sheet at £197,083.33, having been revalued in line with Council policy over the years. This has now been reversed out through Impairments and put through the Capital Adjustment Account. This corrects the position as at 1 April 2024 and is an in year adjustment as the amounts are immaterial. Under IFRS 16 it is brought onto the Balance Sheet as a Long Term Lease Liability at the Present Value of the future lease payments, with a Right of Use Asset to match.

25.1.5 Peppercorn Leases

Leases at peppercorn or nominal lease payments are those leases for which consideration is paid but the lease payments are substantially below market lease payments.

The Council considers that it has 4 such peppercorn leases in 2024/25, which will now need to be included as Right-of-Use Assets under IFRS 16. All of them were previously treated as Finance leases and will be reclassified as Right of Use Assets, out of the Property, Plant and Equipment on the Balance Sheet.

Where a Right-of-Use Asset is acquired at a peppercorn, for nominal lease payments, or for nil consideration, its cost must be measured at its Fair Value as at the commencement date.

Upon adoption of IFRS 16, these 4 assets, already carried on the Balance Sheet at Fair Value under the previous standard, will be carried across on the 1 April 2024 at the opening balance values.

The lease terms of these 4 properties are between 69 and 112 years. There are no options to extend the leases or terminate them.

IFRS 16 says that depreciation should be charged from the Commencement Date to the earlier of:

a) the End of the Term or

b) the End of the Assets Useful Life.

The valuations, provided by the Council's RICS qualified valuer to determine the Fair Value carried on the Balance Sheet, state that the properties all have lives of no less than 25 years. On this basis, straight line depreciation will be calculated based upon the prudent 25 year lifespan rather than the term of the lease. This is the same treatment as was previously applied to these assets on the Balance Sheet under Property, Plant and Equipment.

The new standard generally requires a tenant to separate the lease and non-lease components of a contract. The lease values will be carried on the Balance Sheet and any maintenance, cleaning or utility costs will be expensed directly to the revenue account.

The Council has had the Fair Value of these 4 assets assessed by their RICS qualified valuer in line with their policy of valuing assets over a rolling 5 year period. Revaluations of assets are only carried out every 5 years to keep valuation costs proportionate to the benefit to the taxpayer. As the treatment for these assets under IFRS 16 has no impact on the Balance Sheet, it is proposed that revaluations continue in their normal cycle and that current depreciated values are used for IFRS 16 on 1 April 2024.

25.1.6 Low Value Leases

The review of contracts identified leases for photocopiers, a coffee machine, water coolers, chip and pin machines and Skyguard safety alarms.

The Council has set a threshold of £10,000 for low value leases and none of these items would have individually cost more than £10,000 had it been purchased from new.

The Council has therefore deemed them low value leases and will expense them to the Income and Expenditure account rather than bringing them onto the Balance Sheet.

If these leases had been reported on the Balance Sheet they would have had a total value of £16,826.

Right of Use Assets

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

	Right of Use Assets

	£000
Reclassification on application of IFRS 16 as at 1 April 2024	7,110
Additions	196
Revaluation	855
Depreciation and Amortisation	(351)
Balance at 31 March 2025	**7,810**

Transactions under leases

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

Comprehensive Income and Expenditure statement	2024/25 £000
Interest expense on lease liabilities	10
Expense relating to short-term leases	7
Expense relating to exempt leases of low-value items	20
Total	**37**

Cash flow statement	2024/25 £000
Lease payments	75

Maturity analysis of lease liabilities

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

	31 March 2025
Leases expiring:	**£000**
Within one year	(30)
Between two and five years	(44)
Later than five years	(84)
Total	**(158)**

25.2 Council as Lessor

Operating Leases

The Council leases out various properties that it does not directly occupy, for purposes such as housing, leisure and economic development. The minimum lease payments receivable as shown in the above table do not include rents that are contingent upon events taking place after the start of the lease, such as adjustments following rent reviews.

As explained in the Narrative Report, the Council purchased the Royal Victoria Place Shopping Centre in October 2023. The retail units are now leased by the Council and are Operating Leases. As such, accounting requirements would follow IAS 17 and section 4.2 of the 2024/25 Accounting Code. This requires the Council to disclose in a note the future minimum lease payments receivable under the term of the lease, as at the end of the financial year.

The Code (4.2.2.14) defines the lease term as “the non-cancellable period for which the lessee has contracted to lease the asset, together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.”

A number of the leases have break clauses, so a decision has been made on each of these leases to determine whether the break is likely to be invoked. This is made based upon knowledge of current negotiations for renewals, the type of unit being leased and their historic uses, company payment histories, administration information and the most recent sets of Annual Report and Accounts lodged with Companies House. If there is reason to believe the company will break, the lease value has been disclosed to the point of the break. If there is reason to believe the lease will run to term and the break not exercised, then the value relating to the full term of the lease has been disclosed.

The future minimum lease payments receivable under non-cancellable leases as at the end of the financial year are deemed to be:

31 March 2024		31 March 2025
£000	**Leases expiring:**	**£000**
(2,421)	Within one year	(2,511)
(6,795)	Between two and five years	(6,556)
(7,730)	Later than five years	(7,599)
(16,946)	**Total**	**(16,666)**

The minimum lease payments receivable as shown in the above table do not include rents that are contingent upon events taking place after the start of the lease, such as adjustments following rent reviews.

Peppercorn Leases

At the commencement date of the adoption of IFRS 16, the transitional arrangements require the Council to assess their peppercorn finance leases with the Council as the Lessor, to ensure that all such leases are excluded from the Balance Sheet, but that any unguaranteed residual value expected at the end of the lease is recognised as lease receivable.

This exercise has been undertaken and all assets have been correctly classified as peppercorn finance leases and are not recorded on the Balance Sheet. The Council will not recognise peppercorn finance leases because it considers them trivial.

However, during this process, it was established that a lease to the Cranbrook and Sissinghurst Town Council for the Council owned Regal Car Park, had been overlooked and treated as a Finance lease rather than an operational lease and was therefore not recorded on the opening Balance Sheet at 1 April 2024.

This has now been valued by the Council's RICS qualified valuer and been included as an operational lease, therefore included under Property, Plant and Equipment on the Balance Sheet. It is only a 20 year contract, with 8 years left to run, so cannot be classified as a Finance Lease.

26. Related Parties

The term "Related Party" covers relationships between the Council and a body or individual where one of the parties can exercise significant influence over the policies and decisions of the other.

26.1 Central Government

The UK central government provides much of the Council's funding and determines its statutory framework. Details of transactions with central government are shown in the Comprehensive Income and Expenditure Statement, the Cash Flow Statement, and Note 17 Debtors, Note 18 Liabilities and Note 19 Grants and Contributions.

26.2 Kent Pension Scheme

The Council participates in the Kent Pension Scheme, making annual contributions to the Kent Pension Fund as set out in Note 20. Although the scheme is administered by Kent County Council, the pension fund is a separate legal entity, and Kent County Council is not in itself a related party.

26.3 Tunbridge Wells Property Holdings Ltd

This company was incorporated on 9 March 2015, with the purpose of owning and managing some of the Council's property portfolio, particularly those properties being developed as part of the capital programme. The company is wholly owned by the Council and there are 3 company Directors, comprising 2 Councillors and the Head of Economic Development and

Property. A letting agent has been appointed to manage the tenant relationships and the administration is provided by the Council and recharged to the company.

The company started trading on the 18 May 2015, when 8 properties were leased to the company by the Council on 22 year leases and since then a further 11 properties have been leased. 2024/25 is the tenth year of trading the company is expected to make a small profit in the region of £7,000 (2023/24 profit of £34,966). The accounts will be filed at Companies House by December 2025. Group Accounts have not been prepared as the revenue is immaterial as shown in Note 5 Critical Judgements in Accounting Policies.

26.4 Members and Senior Officers

All members and senior officers are required to complete an annual return, disclosing the details of any interest of themselves and their close family members, which might have an impact on their activities on behalf of the Council. Members also disclose such interests in the Register of Members' Interests, which is held at the Town Hall, Tunbridge Wells, and is open to public inspection.

- Councillor Matthew Sankey has a controlling interest in The Old Fishmarket Ltd, Brittany Inns Ltd, SRGM Holdings LTD and Sankey's Fishmongers Ltd. A member of his household has a controlling interest in Audition Ready Limited.
- Councillor David Knight has a controlling interest in Southern Care Maintenance Ltd.
- Councillor David Hayward has a controlling interest in Mediterranean Agency Ltd, as does a member of his household.
- Councillor Astra Birch has a controlling interest in Form Sevenoaks Ltd and Sevenoaks Chamber of Commerce. A member of her household has controlling interest in Form Sevenoaks Ltd.
- Councillor David Somers has a controlling interest in Fujitsu Technology International Pension Fund.
- Councillor Justine Rutland has a controlling interest in CTW Pump Room.
- Councillor Jayne Sharratt has a controlling interest in Langton Life Ltd.
- Councillor Christian Atwood has 3 members of his household that have a controlling interest in Berkeley Street Agency Limited.
- Councillor Lynne Darrah has a member of her household that has a controlling interest in OSW Horsmonden Ltd.
- Councillor David Osborne has a controlling interest in DHO Investments Ltd, OMCAP Ltd and Hage Foundation. A member of his household has a controlling interest in Seely Developments Ltd, Planning ahead Ltd, Planning Ahead Professionals Ltd. Another member of his household has a controlling interest in DHO Investments Ltd and another member of his household has a controlling interest in The Barney App Ltd.
- Councillor Victoria Jones has a controlling interest in the Fawcett Society.

Returns were received from all Councillors elected for the 2024/25 financial year and all Chief Officers and there were no transactions considered of material significance to warrant separate disclosures in the accounts.

Details of payments to senior officers and to members are shown in Note 20 Officers remuneration and Note 23 Members allowances respectively.

Collection Fund Statement

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

2023/24	2023/24	2023/24		2024/25	2024/25	2024/25
£000	£000	£000		£000	£000	£000
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
(103,256)	(46,461)	(149,717)	Income Collectable	(109,722)	(50,318)	(160,040)
(143)	0	(143)	Council Tax Support Fund	(4)	0	(4)
(103,399)	**(46,461)**	**(149,860)**	**Income Receivable**	**(109,726)**	**(50,318)**	**(160,044)**
			Apportionments of previous year surplus:			
864	0	864	Kent County Council	502	0	502
138	0	138	Kent Police Authority	80	0	80
47	0	47	Kent Fire and Rescue Service	29	0	29
151	0	151	Tunbridge Wells Borough Council	89	0	89
			Precepts and central share:			
72,726	4,466	77,192	Kent County Council	77,900	4,481	82,381
11,526	0	11,526	Kent Police Authority	12,388		12,388
4,138	496	4,634	Kent Fire and Rescue Service	4,348	498	4,846
12,822	19,847	32,669	Tunbridge Wells Borough Council	13,579	19,916	33,495
0	24,809	24,809	Government	0	24,896	24,896
			Transfer to General Fund:			

0	169	169	Cost of collection	0	165	165
			Impairments of debts:			
323	138	461	Write offs	304	420	724
987	334	1,321	Allowance for impairments	1,277	932	2,209
			Impairments resulting from appeals:			
0	(1,362)	(1,362)	Allowance for impairments	0	(3,574)	(3,574)
0	(4,215)	(4,215)	Transitional protection payments	0	(941)	(941)
0	346	346	Renewable energy schemes	0	378	378
103,722	**45,028**	**148,750**	**Expenditure**	**110,496**	**47,171**	**157,667**
323	**(1,433)**	**(1,110)**	**(Increase) / Reduction in fund balance**	**770**	**(3,147)**	**(2,377)**

2023/24	2023/24	2023/24		2024/25	2024/25	2024/25
£000	**£000**	**£000**		**£000**	**£000**	**£000**
Council Tax	**Business Rates**	**Total**	**Collection Fund Balance**	**Council Tax**	**Business Rates**	**Total**
(1,971)	2,590	619	Balance at 1 April	(1,648)	1,157	(491)
323	(1,433)	(1,110)	(Increase) / Reduction in fund balance	770	(3,147)	(2,377)
(1,648)	**1,157**	**(491)**	**(Surplus) / Deficit Balance at 31 March**	**(878)**	**(1,990)**	**(2,868)**

Notes to the Collection Fund Statement

1. Council Tax

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

The Council Tax base is the number of chargeable dwellings in each valuation band, adjusted where discounts apply, converted to an equivalent number of Band D dwellings. This was calculated as follows:

	Multiplier	2023/24	2023/24	2024/25	2024/25
		Properties	Band D Equivalent	Properties	Band D Equivalent
A	6/9	2,225.30	1,483.59	2,227.53	1,485.08
B	7/9	3,840.19	2,986.79	3,906.93	3,038.72
C	8/9	11,278.29	10,025.12	11,453.12	10,180.55
D	9/9	9,437.09	9,437.05	9,612.22	9,612.22
E	11/9	6,491.53	7,934.07	6,603.54	8,070.99
F	13/9	4,726.73	6,827.48	4,855.24	7,013.12
G	15/9	5,259.62	8,766.02	5,318.23	8,863.72
H	18/9	578.76	1,157.48	604.86	1,209.72
	Total	**43,837.51**	**48,617.60**	**44,581.67**	**49,474.12**
	Collection Rate		**0.975**		**0.9775**
	Tax Base		**47,402.10**		**48,360.90**

2. Non-Domestic Rates

The total non-domestic rateable value at 31 March 2025 was £141.858 million (£142.200 million as at 31 March 2024). The national non-domestic multiplier for the year was 55.5p compared to 51.2p during 2023/24. The principle is that a revaluation should take place every 5 years to ensure that rateable values reflect changes in the property market, with the most recent valuation introduced in April 2023. At each revaluation the multipliers are revised so that the overall national business rates bill only changes in line with inflation.

In 2015/16 the Council joined the Kent Non-Domestic Rates Pool, which enables the County to retain much of the Business Rates Levy that would otherwise have been paid to government, and therefore maximise the retention of locally generated business rates.

2.1 Business Rates Reliefs

Business rates income, after reliefs applied, is shown to be £50,318,000 for 2024/25, compared to £46,461,000 for 2023/24. Government provided various business rates reliefs in 2024/25, the main ones being the Retail, Hospitality and Leisure relief of 75% and the Small Business Rates relief for businesses with a rateable value of less than £15,000. These are both the same as in 2023/24. Government chose to support high streets and town centres, and small businesses, as they are struggling to adapt to changing consumer demands. The Council is reimbursed for the reliefs granted by Government through the payment of Section 31 grants, however these grants do not get paid to the Collection Fund and are instead credited to the appropriate line in the Comprehensive Income and Expenditure Statement.

2.2 Business Rates Appeals

Both the 2017 Rating list (applicable from 1 April 2017) and the 2023 Rating list (applicable from 1 April 2023), are subject to a significantly complex appeal process. The basis of the appeals provision is explained in Note 17.2 Provisions. There has been a decrease in the level of appeals provision to £8,561,376 (£12,136,356 at 31 March 2024).