



Tunbridge Wells Borough Council

# Annual Financial Report for 2025/26

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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 has been as follows:

	May 2025	May 2026
Liberal Democrat	22	25
Conservative	7	7
Labour	5	3
Tunbridge Wells Alliance	4	3
Independent	1	1
<b>Total</b>	<b>39</b>	<b>39</b>

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 2025/26. There have been no material changes to the presentation of the Accounts for 2025/26.

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, Growth and Delivery, 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 priorities and the day to day running of services (Council Business). Strategic 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 quarterly 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 business areas, to usage targets, which measure levels of attendance at key discretionary services such as visits to the "Visit Tunbridge Wells" website. Targets for these indicators are discussed with Directors and Heads of Service and are set or amended on an ad hoc basis.

### 4.1 Strategic Priorities

The Council reports and monitors progress on its projects quarterly at the Council's Leadership Team using a standard project management methodology of reporting. Narrative on the projects is then submitted to Cabinet on a quarterly basis (one quarter in arrears).

At the start of 2025/26 the Council was continuing to progress its Strategic Plan, 'Building a Better Borough'.

The Council set itself four priorities:

- Climate Action
- Sustainable Development
- Vibrant Economy
- Community Wellbeing

Fifteen projects have been developed and are now underway. Two additional projects (as a result of large contracts being renewed) are also tracked regularly, but do not fall under the original strategic priority projects (Waste Contract and Grounds Maintenance Contract). All the projects are re-approved each year through the Council's Annual Operating Plan, which was most recently agreed at Cabinet on 5 February 2026.

By year end, ten of the projects were on track, two were 'amber' and two were not on track. One was 'on hold' pending the outcome of Local Government Reorganisation. The two 'amber' projects had actions identified to bring them back on track, and the two projects that were not on track were awaiting more information from partner organisations.

	Project	Status	Next Milestone
1	Affordable Housing	Amber (on track actions identified)	TBC

2	Cranbrook Hub	Red	July 2026
3	Youth Hubs	Green	May 2026
4	Hawkenbury Hub	Green	January 2026
5	Royal Victoria Place Development	Green	July 2026
6	Sports Facilities - Football Hub	Green	June 2026
7	Sports Facilities - Sports pitch development	Amber	June 2026
8	Leisure Centres	Green	July 2026
9	A26 Cycle Way	Red	TBC
10	Langton Green via Rusthall to Tunbridge Wells Cycle Route	Green	September 2026
11	Southborough to High Brooms Walking Route	Green	September 2026
12	Royal Tunbridge Wells Cross Town Active Travel Path	Green	TBC
13	Photovoltaic Energy on Royal Victoria Place car park	Green	July 2026
14	Tree Planting	Green	TBC
15	Modern Crematorium	On Hold	On Hold

## 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
2022/23	75%
2023/24	80%
2024/25	87%
2025/26	96%

The Council continues to improve its service performance and has performed exceptionally well over the last year. Where performance has not met its target, this has been due to wider scale social and economic pressures (availability of reliefs for homelessness, payment of business rates), which impact local government on a national basis.

### 4.3 Performance Conclusion

The Council’s performance has been excellent in 2025/26, with the majority of projects on target, or with actions identified to bring them back on target, and excellent service level performance that has exceeded previous years.

## 5. Financial Performance

The table below sets out the net revenue expenditure for 2025/26 compared to budget:

	Approved Budget	Actual	Variance
	£000	£000	£000
Chief Executive	217	258	41
Human Resources	645	600	(45)
<b>Total Chief Executive</b>	<b>862</b>	<b>858</b>	<b>(4)</b>
Director Finance, Growth and Delivery	175	172	(3)
Finance, Procurement & Parking	(1,931)	(3,090)	(1,159)
Mid Kent Services	2,437	2,587	150
Economic Development and Major Projects	1,158	1,727	569
Property and Estates	1,083	1,023	(60)
Planning	1,394	1,301	(93)
Policy and Governance	1,577	1,513	(64)
<b>Total Finance, Growth and Delivery</b>	<b>5,893</b>	<b>5,233</b>	<b>(660)</b>
Director of Change and Communities	545	536	(9)
Housing, Health and Environment	4,891	4,342	(549)
Facilities and Communities	2,489	2,101	(388)
Digital, Communications and Transformation	986	972	(14)
<b>Total Change and Communities</b>	<b>8,911</b>	<b>7,951</b>	<b>(960)</b>
<b>Total Cost of Services</b>	<b>15,666</b>	<b>14,042</b>	<b>(1,624)</b>

Parish Council Precepts	3,921	3,921	0
Interest and Investment Income	(2,049)	(2,807)	(758)
Interest Payable	6	6	0
Capital Expenditure from Revenue	7,638	7,638	0
Minimum Revenue Provision	277	262	(15)
Transfer to (from) Earmarked Reserves	(6,170)	(1,956)	4,214
<b>Net Expenditure</b>	<b>19,289</b>	<b>21,106</b>	<b>1,817</b>
Government and General Grants	(1,967)	(1,971)	(4)
Business Rates from Collection Fund	(3,024)	(4,483)	(1,459)
Council Tax from Collection Fund	(14,298)	(14,298)	0
<b>Balance Transferred (to) from General Fund</b>	<b>0</b>	<b>354</b>	<b>354</b>

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 £1,624,000.

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

- Off street parking income was £681,000 above budget and £670,000 above the outturn for last year. The increase was partly due to increases to parking charges that were implemented as from 1 October 2025. There has also been an increase in both daily parking and season ticket usage.
- On street parking income was £424,000 above budget for the year. This was mainly due to the continuation of Public Realm 2 enforcement. The Council had 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 took 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 £25,000 above budget and £371,000 above last year's outturn. The total subsidy cost for the theatre was £11,000 under budget.
- Planning income was £121,000 under budget, with the reduction believed to be a result of the Local Plan waiting to be adopted at the start of the year. However, with the Local Plan being adopted in December 2025, income levels have already increased and the income for the year was £527,000 above last year's outturn. There remains a lot of interest in Tunbridge Wells with some large schemes in the pipeline.

- Crematorium income was below budget by £357,000 over the year. Nationally the death rate continues to be 6% below expected levels and there is also increased competition in the market for bereavement services.
- RVP Shopping Centre income was £339,000 under achieved, which was due to the income the Council received from rental receipts from tenants of the centre, being under budget. The budget for 2025/26 assumed a full year of increased rents resulting from the halo effect of Primark opening. However, with Primark opening in Winter 2025 these started later than expected but the benefits are starting to be seen with the income for this year being £317,000 more than 2024/25. 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 £267,000 on staff costs mainly due to vacant posts during the year.
- Service charges were £267,000 underspent relating to Service Charges due for Royal Victoria Place shopping centre and car parks. The Council pays service charges for the running of RVP and Meadow Road car parks, and as landlord, is required to pay the service charges for any properties that are vacant within the shopping centre. During the year the service charges for 2023/24 and 2024/25 were finalised and resulted in an improvement to estimated costs.
- Utilities costs were £335,000 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 by increasing its budget. Costs have now stabilised and, whilst still volatile, have started to come back down which is reflected in the actual outturn.
- Business rates costs were £361,000 underspent for the year. The saving included £143,000 as a result of a refund relating to RVP car park, from part occupation relief applied when the car park was closed for refurbishment. Also included is a saving of £279,000 due to a reduction in the rates liability for the Town Hall, which covered several years.

Interest and investment income was £758,000 above budget of which £738,000 was for investment interest. The Council has had more money available to invest, as a result of the surpluses to budget explained in this narrative report and the rescheduling of the capital programme. An average interest rate of 4.58% was achieved on investments. The remaining £20,000 over achievement was from small improvements to budget from other sources of interest.

Net transfers from earmarked reserves of £1,956,000, were made during the year. A sum of £7,638,000, was transferred from earmarked reserves to fund the capital programme for the year, including £3,259,000 from the Capital and Revenue Initiatives reserve. A sum of £3,179,000 was transferred to the Capital and Revenue Initiatives reserve to fund the capital programme in future years, of which £708,000 was the surplus to budget from investment interest, £2,117,000 was from surpluses to budget as explained in this narrative report and £354,000 was a transfer from the General Fund. A sum of £2,549,000 was transferred to reserves as a result of receiving payments through the Extended Producer Responsibility scheme. The scheme makes payments to Councils to cover costs for efficiently managing household packaging waste. The Council has transferred an amount equivalent to the grant

received this year and it will be used to part fund additional costs of the waste and street cleansing contract expected from 2027/28. The remaining net £46,000 transfer from reserves was to fund revenue initiatives.

Business Rates from the Collection Fund were greater than budgeted by £1,459,000. 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 20 March 2025. A gross budget of £15,736,000 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 £8,487,000. 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.

	<b>Gross Expenditure</b>	<b>Income and Funding</b>	<b>Net Expenditure</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Original Approved Gross Capital Programme	15,736	(7,249)	8,487
Approvals Added or Increased	13,835	(6,525)	7,310
Approvals Deleted or Reduced	(1,297)	3,055	1,758
Deferred to 2026/27	(14,240)	6,112	(8,128)
Brought Forward from 2026/27	167	(76)	91
<b>Actual Expenditure 2025/26</b>	<b>14,201</b>	<b>(4,683)</b>	<b>9,518</b>

The largest schemes in 2025/26 were the RVP Car Park Refurbishment (£7,313,000), Local Authority Housing Fund Round 3 (£2,050,000), Disabled Facilities Grant (£1,576,000), and the Royal Victoria Place (£550,000).

Approvals added or increased include projects that were rescheduled from 2024/25 to 2025/26 (£5,760,000), new schemes including the Local Authority Housing Fund Round 3 (£2,712,000) and RVP Car Park Photovoltaic Panels (£1,819,000) and variations to existing schemes within the year, including the Royal Victoria Place (£1,000,000).

Projects deferred to 2026/27 include a number of projects that are yet to commence or that were started in 2025/26 but will continue next year. These include the RVP Car Park Photovoltaic Panels (£1,620,000), RVP Car Park Refurbishment (£1,167,000) and the Local Authority Housing Fund Round 3 (£970,000).

The Council used a total of £1,880,000 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 2026 the Council had £43.7 million of investments and bank balances, which is broken down into a long term investment of £5 million, short term investments of £37.3 million and £1.4 million of bank account balances.

The Council achieved an investment return of 4.58% during the year on its investments and total interest and investment income of £2,807,000.

### 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:

2024/25		2025/26
£000		£000
(101,393)	Cash Inflows (Income)	(99,669)
98,707	Cash Outflows (Expenditure)	95,514
<b>(2,686)</b>	<b>Net Cashflows from Operating Activities</b>	<b>(4,155)</b>
<b>2,776</b>	<b>Net Cashflows from Investing Activities</b>	<b>2,524</b>
<b>(422)</b>	<b>Net Cashflows from Financing Activities</b>	<b>1,749</b>
<b>(332)</b>	<b>Net (increase) / decrease in cash and cash equivalents</b>	<b>118</b>

### 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 net liability as at 31 March 2026 was £1.165 million, an increase of £641,000.

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 2026, of £20.854

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, at a value of £22.019 million. The impact of this leaves the net pension liability, as at 31 March 2026, of £1.165 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 2026 to 31 March 2029, was carried out as at 31 March 2025.

## 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 £172.8 million as at 31 March 2026 (£165.2 million as at 31 March 2025). The net assets of the Council are matched by the reserves held by the Council.

<b>31 March 2025</b>		<b>31 March 2026</b>
<b>£000</b>		<b>£000</b>
136,554	Property, Plant and Equipment	146,941
3,824	Heritage Assets	3,946
615	Investment Property	620
5,868	Other Long Term Assets	5,835
42,790	Short Term Investments	37,263
1,533	Cash and Cash Equivalents	1,415
6,291	Money Owed to the Council	8,765
(25,006)	Money Owed by the Council	(24,376)
(7,262)	Long Term Liabilities	(7,579)
<b>165,207</b>	<b>Net Assets</b>	<b>172,830</b>
27,386	Usable Reserves	23,421
137,821	Unusable Reserves	149,409
<b>165,207</b>	<b>Total Reserves</b>	<b>172,830</b>

## 9. Future Plans

### 9.1 Revenue Budget for 2026/27

The table below summarises budgeted net expenditure on services for 2026/27 compared to 2025/26 and shows how this is funded from government grants and council tax.

This shows that the budget for 2026/27, was balanced and a transfer will be made to reserves.

	<b>Budget 2025/26</b>	<b>Budget 2026/27</b>	<b>Budget Change</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Chief Executive	844	808	(36)
Finance, Growth and Delivery	5,066	5,313	247
Change and Communities	11,200	11,043	(157)
<b>Net Expenditure on Services</b>	<b>17,110</b>	<b>17,164</b>	<b>54</b>
Net Interest Receivable	(2,049)	(2,044)	5
Capital Charges	235	221	(14)
<b>Net Expenditure by Council</b>	<b>15,296</b>	<b>15,341</b>	<b>45</b>
General Grants and Non-Domestic Rates	(4,919)	(6,599)	(1,680)
Council Tax	(10,377)	(10,842)	(465)
<b>Income from Grants and Council Tax</b>	<b>(15,296)</b>	<b>(17,441)</b>	<b>(2,145)</b>
<b>Net contribution to/(withdrawal from) reserves</b>	<b>0</b>	<b>2,100</b>	<b>2,100</b>

The table below shows the main variances in planned services expenditure from 2025/26 to 2026/27.

<b>Reason for Major Variances</b>	<b>£000</b>
Employee Costs	888
Transport Costs	32
Additional Premises Maintenance Costs	279
Additional Contracts Costs	342
Other small increases/decreases in income and expenditure	(7)

Increase in Sales, Fees and Charges income	(1,480)
Decrease in Interest Receivable	5
Decrease in Minimum Revenue Provision	(14)
<b>Difference in Net Expenditure</b>	<b>45</b>
Increase in Government Grants	(1,680)
Council Tax Increase	(465)
<b>Difference in Income From Grants and Council Tax</b>	<b>(2,145)</b>
<b>Difference in Net Withdrawal from/(contribution to) Earmarked Reserves</b>	<b>(2,100)</b>

Beyond 2026/27 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 2026/27 to 2028/29

At their meeting of 5 February 2026 Cabinet approved a new capital programme covering the years 2026/27 to 2028/29. This was subsequently amended by deferrals from and to 2025/26 and by some additions and deletions to be approved at the meeting of 25 June 2026. The adjusted capital programme is summarised below:

	<b>Reserves</b>	<b>Borrowing</b>	<b>Govt. Grants</b>	<b>Other Grants &amp; Contribs.</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>2026/27</b>					
Disabled Facilities Grants	0	0	3,684	0	3,684
Royal Victoria Place	2,188	1,110	0	0	3,298
Sports Centre Improvements	1,922	0	0	0	1,922
RVP Car Park Photovoltaic Panels	1,620	0	0	0	1,620
RVP Car Park Refurbishment	1,224	0	0	0	1,224
Putlands Sports Centre Improvements	0	0	0	1,224	1,224
Local Authority Housing Fund Round 4	0	0	579	621	1,200

Local Authority Housing Fund Round 3	0	0	0	970	970
Great Hall Car Park	0	850	0	0	850
Other schemes	4,167	0	836	754	5,757
<b>Total</b>	<b>11,121</b>	<b>1,960</b>	<b>5,099</b>	<b>3,569</b>	<b>21,749</b>
<b>2027/28 to 2028/29</b>					
Disabled Facilities Grants	0	0	2,500	0	2,500
Other schemes	4,255	0	525	0	4,780
<b>Total</b>	<b>4,255</b>	<b>0</b>	<b>3,025</b>	<b>0</b>	<b>7,280</b>
<b>Total Programme</b>	<b>15,376</b>	<b>1,960</b>	<b>8,124</b>	<b>3,569</b>	<b>29,029</b>

## 10. Economic Climate

The conflict in the Middle East has created uncertainty and volatility particularly within the energy markets. However, the impact on the United Kingdom (UK) has so far been smaller than that which followed Russia's invasion of Ukraine. The International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD) both reduced the UK's 2026 growth rate by 0.5 per cent, which is the largest comparable downgrade. Nationally, inflation continues to remain above the Bank of England's (BoE) target rate of 2 per cent and rose to 3.3 per cent over the 12 months to March 2026.

At its meeting in April 2026 the BoE held interest rates at 3.75 per cent due to concerns of higher inflation to come. UK long-term borrowing costs reached a 28 year high due to continuing macroeconomic and geo-political uncertainty.

The UK jobs market is currently facing a mix of trends. The unemployment rate fell to 4.9 per cent in the three months to February 2026, whilst the inactivity rate, which measure the proportion of people unemployed but not looking for work was 21 per cent over the same period.

The local economic climate is rather better than the national situation. The unemployment rate for Tunbridge Wells stood at 2.6 per cent for March 2026, the third lowest in Kent. The Gross Disposable Household Income (GDHI) per head of population for Tunbridge Wells was £30,906, the second highest in Kent and along with other West Kent (excluding Maidstone) Councils was above the average for the South-East of £24,341. The 2025 weekly full-time resident-based earnings for Tunbridge Wells were £871.10 which is the second highest and above the average for Kent of £785.90.

The Council set a budget for 2025/26 without the use of reserves and continues to be free from external debt. The outcome of the Fair Funding Review 2.0 offered Councils a three-year settlement which is helpful for strategic financial planning, but the centralised control of Council Tax and many fees and charges has continued.

Tunbridge Wells received £1,537,000 more than forecast as there were benefits from some unanticipated changes to the calculation methodology. The main ones were:

- That all of the Business Rates growth across the whole of Local Government since 2013 (£18 billion) was consolidated and distributed through the Fair Funding Assessment. Compared to other Authorities Tunbridge Wells has enjoyed little Business Rates growth, so is now benefitting from a share of the total growth in the UK going forward.
- The settlement now reflects the 2025 Index of Multiple Deprivation data. It seems that Tunbridge Wells now has more deprivation and attracts more funding as a result.
- Additional funding for flood and coastal defences has been removed benefiting those Authorities without coastline.

This additional funding will be a welcome contribution to the significant cost increases for the Waste Contract that will be renewed in 2027/2028.

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 Council formally adopted its new Local Plan 2020-2038 in December 2025. This means that the council has an up-to-date strategy for guiding development, including housing and economic growth.

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 now exceeds over 5,000,000 annual visits and is above the pre pandemic level. Monthly footfall for March 2026 was up over 36 per cent versus March 2025, this is against the national trend which has seen reductions in footfall across the shopping centre sector. This impressive turnaround is due to the financial acumen and expertise of the Council's Property Investment Team and the Asset Managers.

Occupancy has risen from 81 per cent at acquisition to 94 per cent today. Major businesses are now choosing to invest in the town centre including Primark (opened December 2025), Nando's (opened February 2025) and this follows Søstrene Grene which opened in June 2024. Fenwick (the anchor tenant) has now committed to stay until at least 2037 as a direct result of the Council's investment strategy and success since acquisition.

In July 2025 Full Council approved the RVP Redevelopment Feasibility Study and agreed on the preferred option which would deliver a multi-screen cinema and leisure led mixed use development which will bring significant economic benefit to the town centre.

The council has appointed an extensive design team of experts across all the professionalisms required to design and deliver a major town centre scheme. The scheme has completed the Royal Institute of British Architects (RIBA) Stage 2 (Concept Design) which was informed by extensive public engagement exercises.

Local Government Reorganisation (LGR) will result in the abolition of TWBC from April 2028 with responsibility for continuing the economic development success passing to a new unitary formed from similar West Kent Councils and possibly Maidstone, in addition to County Council functions.

TWBC is in a healthy financial position relative to other councils which can be attributed to being debt free, having in place 'exemplary financial management' as identified by the external auditor's annual report and unbroken track record of publishing audited financial statements by the statutory deadline. No other council in the country is in this position and whilst there are benefits to creating a unitary there is a risk that the current financial position and exceptional professional achievements will be diluted or lost.

LGR has been added to the Strategic Risk Register and will be overseen by the Audit & Governance Committee.

## **11. Financial Outlook, Risks and Reserves Position**

The Council has achieved an underspend to budget in 2025/26 and balanced its budget for 2026/27 without needing to use reserves. It is currently forecasting that it will be unable to fund its capital programme for 2026/27 without the need for £4.4 million additional borrowing. However, there are two properties (the Wesley Centre and the Cemetery Lodge) "Held for Sale" in the accounts, valued at £865,000 which are in the process of being sold. There is also one "Surplus Asset", Benhall Mill Depot, awaiting planning permission, which will also help bridge the funding gap upon sale. Additionally, this is based on the assumption that the Council delivers its entire Capital Programme in 2026/27, which historically has not been possible for various reasons. It is therefore anticipated that the Council will be able to manage its capital spending within its reserves as it moves through the year.

The Council purchased the long lease for the Royal Victoria Place shopping centre in October 2023 and 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. The shopping centre car park is currently being fully refurbished and photovoltaic panels are being installed on the roof. The project is due to complete in July 2026, to budget and to time, which bodes well for the future development project proposals being considered.

There are many other factors, completely outside of the control of the Council that could have a bearing on future budgets. The 3 year Fair Funding Review settlement includes the first ever business rates baseline reset along with the 2026 business rates revaluation and new business rates multipliers. This is new territory and the effects are still to be understood.

As explained below, LGR will need to be delivered by April 2028. Once the composition of the Unitaries for Kent are known, a process of restructuring will begin and this will need to be funded. Government will part fund the process, but it is anticipated that this Council will need to contribute costs up to the vesting date of 1 April 2028. Thus far, the Council has set aside £150,000 in an Earmarked Reserve for such costs, but the actual cost is yet to be determined.

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. A revised target and plan are now proposed of 2046/47, and this has been verified by the BSI against *ISO 14064-1 Greenhouse Gas Requirements* and *ISO IWA 42:2022 Net Zero Guidelines*. TWBC will become the first local authority in the UK to be verified against the BSI Net Zero Pathway. The Council has already made considerable progress since 2018/19 achieving a 54% reduction in its carbon emissions for gas, petrol, diesel, electricity and biofuel consumption. There are still some projects in the plan that need further development, along with costings and funding, but projects are underway to support the ambition.

The Council is currently forecasting a budget deficit of £4,456,000 for 2027/28, due to an anticipated increase in contractual costs for waste and street cleansing services. This contract was re-tendered for 2027/28 and all associated costs have risen considerably. 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 2027/28. 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.

This Council has elections in "thirds", which means that over four years, elections are held in years one, two and three for a third of the Council and in year four, the County Council elections are held. In 2026 (year one), a third of Members were re-elected, strengthening the position of the Liberal Democrats to 25 of the 39 Councillors. Work will therefore continue on delivering the existing Liberal Democrat Strategic Plan 2024-32. These projects are now constantly being reviewed and prioritised however, as the new Unitary will replace the current Council in 2028. The projects that are being prioritised by Members are included in the Capital Programme and the remainder may now need to be reassessed by the future Unitary.

The economy is still fragile and there are many factors which may impact upon the 2026/27 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 £6.64 million, including the balance in the General Fund, that could be reallocated to support the core activities of the Council should it be needed.

The Council has £23.4 million of usable reserves; £4.0 million in its General Fund, £1.0 million in Capital Receipts, £3.8 million in Capital Grants and Contributions and a further

£14.6 million in Earmarked reserves. This is a reduction of £4.0 million since 2024/25, which reflects the significant progress of the refurbishment of the Royal Victoria Place car park. The levels of reserves are still 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 final detailed submission to Government in November 2025 and should receive a response from Government in July 2026.

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 July, 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 2025/26 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 Council elects in thirds and following the May 2026 elections the Council continues to have a majority administration.

## 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 2026 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 Global Internal Audit Standards and Public Sector Application Notes;
- 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 Electronic Sealing, Rules of Procedure at Full Council and Parental Leave Policy for Members. These reports were considered by the Audit & Governance Committee in August 2025 and approved by Full Council in October 2025.

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 February 2025 the Council agreed a Strategic Plan setting out our 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 Strategic 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 include two Cabinet Advisory Boards whose role is to help inform Cabinet key decisions and to help develop the policy recommended to Council.

## **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. We have re-shaped our appraisal process to focus on learning and development. We have also appointed two 'Microsoft 365 trainers' to help us maximise the potential of new technology. We are integrating our approach with neighbouring councils to maximise value for money and to align approaches in advance of local government reorganisation.

In respect of the Council's leadership we hold regular awaydays between the Council's political and officer leadership, we hold a quarterly 'managers network' meeting to develop managers and we have set in train a dedicated leadership development programme for the Council's Management Team to help them prepare for – and lead – local government reorganisation.

The new member induction process has been improved with the addition of a dedicated portal which reflects feedback from the corporate peer challenge. We hold regular all-member briefings on a wide range of issues which are recorded for other members to access at a later date.

# 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.

<https://democracy.tunbridgewells.gov.uk/documents/s76591/Strategic%20Risk%20Review%20March%202025.pdf>

<https://democracy.tunbridgewells.gov.uk/documents/s82282/TWBC%20Cover%20Report%20Risk%20Register%20update%20Mar%2026.pdf>

[https://democracy.tunbridgewells.gov.uk/documents/s82283/Appendix\\_1\\_risk\\_register\\_27\\_02\\_26.pdf](https://democracy.tunbridgewells.gov.uk/documents/s82283/Appendix_1_risk_register_27_02_26.pdf)

## 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 2026. 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 2025/26 and no matters of serious concerns were highlighted:

There is a national shortage of local government internal auditors, and the Internal Audit team have had some recruitment challenges over the last few years. In order to address some of these challenges a blended approach to support delivery of the internal audit function has been adopted. Through working with other local authority partnerships in a contractor arrangement and developing our own in house team through trainee programmes we have been able to grow the team and develop a stable approach to internal audit delivery. Overall progress on the planned programme of work delivered by internal audit has continued to improve over the last few years and 2025/26 maintained a consistent level of audit delivery to support the annual audit opinion. 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, a positive conclusion as to the adequacy and effectiveness of Tunbridge Wells Borough Council's risk management, internal control environment and governance processes has been given. 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 and providing relevant training and development. A new People Strategy 2024-27 was adopted in February 2024 and this is in the process of being revised as a 'Transition Strategy' setting ambitions for both developing and supporting staff and promoting transformation in advance of Local Government Reorganisation.
- 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 has a mature shared service partnership with Maidstone and Swale councils and continues to look at opportunities for partnership working and 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. A follow-up review took place in June 2025 with the report noting that the Council had made strong and positive progress on governance, particularly through strengthening relationships between senior members and officers, introducing more effective leadership meeting structures, and clarifying governance arrangements such as the role of advisory boards.

<https://democracy.tunbridgewells.gov.uk/documents/s74346/Corporate%20Peer%20Challenge%20Covering%20Report.pdf>

<https://www.local.gov.uk/our-support/council-assurance-and-peer-challenge/peer-challenges-we-offer/corporate-peer-179>

## Issues Raised in Previous Annual Governance Statement

The 2024/25 AGS raised as a significant issue Government's stated intention to abolish all county and district councils and to replace them with a single tier of unitary council. The English Devolution and Community Empowerment Act 2026 has now been enacted.

<https://bills.parliament.uk/bills/4002>

In response to the Government's invitation, the Council registered its support for both local government reorganisation and devolution and, following an extraordinary council meeting (on 17 November 2025) agreed to support a three unitary model for Kent and Medway. An initial submission was followed by a full business case produced in partnership with other Kent councils and KPMG. The business case is available here:

<https://kentcouncilleaders.org.uk/wp-content/uploads/large/Kent-Local-Government-Reorganisation-Business-Case-Option-3A.pdf>

We are currently awaiting a decision by the Government of which option has been selected.

Following the announcement of the Government's intention to move to fewer, larger councils, a decision was taken by the Council to commence a Community Governance Review to assess the appetite for creating a town council(s) for the unparished parts of the borough.

The first consultation phase closed on 3 August 2025 and based on a response rate of 2.8 per cent and with a majority of 60 per cent in favour of creating a town council for the unparished areas of Tunbridge Wells. The second consultation phase closed on 30 November 2025 and sought further views on the name of the town council, warding arrangements and the number of councillors. The response rate was 0.9 per cent. The Council's LGR Working Group has considered the consultation responses and a report is expected at Full Council in July 2026 to enable a decision to be taken on the next steps and whether to create a town council.

## Significant governance issues

Local Government Reorganisation and implementing the Community Governance Review will have fundamental consequences for the Council, residents, and businesses yet, despite our best efforts to engage, there is a relatively low level of public awareness/interest.

Experience elsewhere has shown that a huge amount of work is required to deliver a safe and legal transition to a new unitary council whilst maintaining business as usual and delivering the Council's stated strategic priorities. The Council has established programme and project management arrangements to oversee this process and is working with councils across the county to minimise the risks associated with the process and to ensure a managed transition.

## 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

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# 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, Growth and Delivery.
- 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, Growth and Delivery

The Director of Finance, Growth and Delivery 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, Growth and Delivery 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, Growth 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, Growth and Delivery is stating that the accounts present a true and fair view of the financial position of the authority as at 31 March 2026 and its expenditure and income for the year ended 31 March 2026.

Signed:



L M Colyer FCPFA

Director of Finance, Growth and Delivery (s151 Officer)

9 June 2026

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# **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**

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# Comprehensive Income and Expenditure Statement

2024/25 Restated	2024/25 Restated	2024/25 Restated	Note		2025/26	2025/26	2025/26
Expend	Income	Net			Expend	Income	Net
£000	£000	£000			£000	£000	£000
786	(13)	773		Chief Executive	898	(72)	826
44,946	(39,473)	5,473		Finance, Growth and Delivery	39,973	(34,198)	5,775
30,242	(15,062)	15,180		Change and Communities	31,457	(20,776)	10,681
<b>75,974</b>	<b>(54,548)</b>	<b>21,426</b>		<b>Cost of Services</b>	<b>72,328</b>	<b>(55,046)</b>	<b>17,282</b>
		(687)		(Gain)/Loss on Disposal of Non-Current Assets			(177)
		3,657		Parish Council Precepts			3,921
		115	21	Pension Admin Expenses			130
		<b>3,085</b>		<b>Other Operating Expenditure</b>			<b>3,874</b>
		10	16	Interest Payable			6
		(3,181)	16	Interest and Investment Income			(2,807)
		6	21	Net Interest on the Net Defined Benefit Liability			(57)
		<b>(3,165)</b>		<b>Financing and Investment Income and Expenditure</b>			<b>(2,858)</b>
		(13,568)	8	Council Tax income			(14,313)

	(5,166)	8	Business Rates income		(5,544)
	(2,801)	19	Government Grants and Contributions		(1,971)
	(3,817)	19	Capital Grants and Contributions		(879)
	(3)	19	Donated Assets		(15)
	<b>(25,355)</b>		<b>Taxation and Non-Specific Grant Income</b>		<b>(22,722)</b>
	<b>(4,009)</b>		<b>(Surplus) or Deficit on Provision of Services</b>		<b>(4,424)</b>
	(3,625)	10	(Surplus) on revaluation of non-current assets		(5,468)
	179	10	Impairment losses on non-current assets charged to Revaluation Reserve		360
	(230)	21	Re-measurement of the Net Defined Benefit Liability		1,909
	<b>(3,676)</b>		<b>Other Comprehensive Income and Expenditure</b>		<b>(3,199)</b>
	<b>(7,685)</b>		<b>Total Comprehensive Income and Expenditure</b>		<b>(7,623)</b>

2024/25 Cost of Services has been restated to reflect structural changes throughout the Council and is inline with Council reporting format. The Cost of Services totals have not changed.

# Movement in Reserves Statement

## Movement in Reserves 2025/26

	General Fund Balance	Capital Grants Unapplied Account	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000
<b>Balance as at 31 March 2025</b>	<b>20,879</b>	<b>4,257</b>	<b>2,250</b>	<b>27,386</b>	<b>137,821</b>	<b>165,207</b>
Surplus or (deficit) on provision of services (accounting basis)	4,424	0	0	4,424	0	4,424
Other Comprehensive Expenditure and Income	0	0	0	0	3,199	3,199
<b>Total Other Comprehensive Expenditure and Income</b>	<b>4,424</b>	<b>0</b>	<b>0</b>	<b>4,424</b>	<b>3,199</b>	<b>7,623</b>
Adjustments between accounting and funding basis under regulation	(6,734)	(405)	(1,250)	(8,389)	8,389	0
<b>Net Increase / (Decrease) in Year</b>	<b>(2,310)</b>	<b>(405)</b>	<b>(1,250)</b>	<b>(3,965)</b>	<b>11,588</b>	<b>7,623</b>
<b>Balance as at 31 March 2026</b>	<b>18,569</b>	<b>3,852</b>	<b>1,000</b>	<b>23,421</b>	<b>149,409</b>	<b>172,830</b>

## Movement in Reserves 2024/25

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

# The Balance Sheet

31 March 2025	Note		31 March 2026
£000			£000
136,554	12	Property, Plant and Equipment	146,941
3,824	13	Heritage Assets	3,946
615	14	Investment Property	620
735	11	Intangible Assets	586
5,000	16	Long Term Investments	5,057
133	17	Long Term Debtors	192
<b>146,861</b>		<b>Long Term Assets</b>	<b>157,342</b>
42,790	16	Short Term Investments	37,263
42		Inventories	51
5,889	17	Short Term Debtors	7,849
1,533	16	Cash and Cash Equivalents	1,415
360	15	Assets Held for Sale	865
<b>50,614</b>		<b>Current Assets</b>	<b>47,443</b>
(19,158)	18	Short Term Creditors	(19,067)
(3,424)	18	Short Term Provisions	(1,791)
(2,424)	19	Capital Grants Receipts in Advance	(3,518)
<b>(25,006)</b>		<b>Current Liabilities</b>	<b>(24,376)</b>
(917)	18	Long Term Creditors	(1,279)
(524)	21	Long Term Pension Liability	(1,165)
(5,821)	19	Capital Grants Receipts in Advance	(5,135)
<b>(7,262)</b>		<b>Long Term Liabilities</b>	<b>(7,579)</b>
<b>165,207</b>		<b>Net Assets</b>	<b>172,830</b>

<b>31 March 2025</b>	<b>Note</b>		<b>31 March 2026</b>
<b>£000</b>			<b>£000</b>
<b>27,386</b>	10	<b>Usable Reserves</b>	<b>23,421</b>
<b>137,821</b>	10	<b>Unusable Reserves</b>	<b>149,409</b>
<b>165,207</b>		<b>Total Reserves</b>	<b>172,830</b>

I certify that the statement of accounts gives a true and fair view of the financial position of the Council as at 31 March 2026 and its income and expenditure for the year ended 31 March 2026.



L M Colyer FCPFA

Director of Finance, Growth and Delivery (s151 Officer)

9 June 2026

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# The Cash Flow Statement

2024/25		2025/26
£000		£000
(33,713)	Taxation	(36,119)
(31,834)	Grants	(24,290)
(25,241)	Sale of goods and rendering of services	(25,537)
(3,063)	Interest received	(2,778)
(7,542)	Other receipts from operating activities	(10,945)
<b>(101,393)</b>	<b>Cash inflows generated from operating activities</b>	<b>(99,669)</b>
15,956	Employees	17,208
21,169	Housing Benefit paid out	16,749
22,156	National Non-Domestic Rates tariff and levies	21,455
3,980	Precepts paid	4,253
31,288	Cash paid to suppliers of goods and services	30,975
10	Interest paid	6
4,148	Other payments for operating activities	4,868
<b>98,707</b>	<b>Cash outflows generated from operating activities</b>	<b>95,514</b>
<b>(2,686)</b>	<b>Net cash flows from operating activities</b>	<b>(4,155)</b>
5,775	Purchase of property, plant and equipment, investment property and intangible assets	9,941
283,000	Purchase of short-term and long-term investments	223,000
(1,460)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(630)
(282,000)	Proceeds from sale of short-term and long-term investments	(228,500)
(2,539)	Grants and contributions to non-current assets	(1,287)
<b>2,776</b>	<b>Net cashflows from investing activities</b>	<b>2,524</b>
38	Repayments of borrowings and leasing liabilities	87
199	Changes in Council Tax balances held for preceptors	592
(659)	Changes in Business Rates balances held for Central Government	1,070

<b>(422)</b>	<b>Net cashflows from financing activities</b>	<b>1,749</b>
<b>(332)</b>	<b>Net (increase) / decrease in cash and cash equivalents</b>	<b>118</b>

1,201	Cash and Cash Equivalents as at 1 April	1,533
1,533	Cash and Cash Equivalents as at 31 March	1,415
<b>(332)</b>	<b>Net (increase) / decrease in cash and cash equivalents</b>	<b>118</b>

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# 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.

	<b>Net Expenditure Chargeable to General Fund Balances</b>	<b>Adjustments between Funding and Accounting Basis</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>
<b>2025/26</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Chief Executive	858	(32)	826
Finance, Growth and Delivery	5,233	542	5,775
Change and Communities	7,951	2,730	10,681
<b>Net Cost of Services</b>	<b>14,042</b>	<b>3,240</b>	<b>17,282</b>
Other Operating Expenditure	11,821	(7,947)	3,874
Financing and Investment Income	(2,801)	(57)	(2,858)
Taxation and Non-Specific Grant Income	(20,752)	(1,970)	(22,722)
<b>(Surplus) or Deficit</b>	<b>2,310</b>	<b>(6,734)</b>	<b>(4,424)</b>
Opening General Fund Balance at 1 April 2025	(20,879)		
(Surplus) or Deficit on General Fund	2,310		
<b>Closing General Fund Balance at 31 March 2026</b>	<b>(18,569)</b>		

	<b>Net Expenditure Chargeable to General Fund Balances</b>	<b>Adjustments between Funding and Accounting Basis</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>
<b>2024/25 Restated</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Chief Executive	783	(10)	773
Finance, Growth and Delivery	4,647	826	5,473
Change and Communities	10,954	4,226	15,180
<b>Net Cost of Services</b>	<b>16,384</b>	<b>5,042</b>	<b>21,426</b>
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)
<b>(Surplus) or Deficit</b>	<b>430</b>	<b>(4,439)</b>	<b>(4,009)</b>
Opening General Fund Balance at 1 April 2025	(21,309)		
(Surplus) or Deficit on General Fund	430		
<b>Closing General Fund Balance at 31 March 2025</b>	<b>(20,879)</b>		

The Expenditure and Funding Analysis is presented on the basis of the authority's internal management structure. The structure is that which was in place on 31 March 2026. This structure has changed since 31 March 2025 and therefore comparative figures for 2024/25 have been adjusted in accordance with this change but with no impact on the overall Cost of Services. The table below shows how the Expenditure and Income Analysis has been restated.

	<b>Net Expenditure Chargeable to General Fund Balances</b>	<b>Adjustments within internal management reporting structure</b>	<b>As Restated 2025/26</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Net Expenditure Chargeable to General Fund Balances</b>			

Chief Executive	220	563	783
Finance, Growth and Delivery	4,647	0	4,647
Change and Communities	11,517	(563)	10,954
<b>Net Cost of Services</b>	<b>16,384</b>	<b>0</b>	<b>16,384</b>
<b>Adjustments between Funding and Accounting Basis</b>			
Chief Executive	(4)	(6)	(10)
Finance, Growth and Delivery	826	0	826
Change and Communities	4,220	6	4,226
<b>Net Cost of Services</b>	<b>5,042</b>	<b>0</b>	<b>5,042</b>
<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>			
Chief Executive	216	557	773
Finance, Growth and Delivery	5,473	0	5,473
Change and Communities	15,737	(557)	15,180
<b>Net Cost of Services</b>	<b>21,426</b>	<b>0</b>	<b>21,426</b>

## 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.

	<b>Adjustments for Capital Purposes</b>	<b>Net Change for Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
<b>2025/26</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Chief Executive	0	(32)	0	(32)
Finance, Growth and Delivery	1,389	(876)	29	542
Change and Communities	3,187	(433)	(24)	2,730
<b>Net Cost of Services</b>	<b>4,576</b>	<b>(1,341)</b>	<b>5</b>	<b>3,240</b>

Other Operating Expenditure	(7,815)	130	(262)	(7,947)
Financing and Investment Income	0	(57)	0	(57)
Taxation and Non-Specific Grant Income	(894)	0	(1,076)	(1,970)
<b>Difference between General Fund Surplus / Deficit and CIES Surplus / Deficit</b>	<b>(4,133)</b>	<b>(1,268)</b>	<b>(1,333)</b>	<b>(6,734)</b>

	<b>Adjustments for Capital Purposes</b>	<b>Net Change for Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
<b>2024/25 Restated</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Chief Executive	0	(10)	0	(10)
Finance, Growth and Delivery	1,604	(756)	(22)	826
Change and Communities	4,414	(169)	(19)	4,226
<b>Net Cost of Services</b>	<b>6,018</b>	<b>(935)</b>	<b>(41)</b>	<b>5,042</b>
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)
<b>Difference between General Fund Surplus / Deficit and CIES Surplus / Deficit</b>	<b>(1,885)</b>	<b>(814)</b>	<b>(1,740)</b>	<b>(4,439)</b>

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

This note is presented on the basis of the authority's internal management structure, in place on 31 March 2026. This structure has changed since 31 March 2025 and therefore comparative figures for 2024/25 have been adjusted in accordance with this change. The table below shows how the Expenditure and Income Analysis has been restated.

	<b>Net Expenditure Chargeable to General Fund Balances</b>	<b>Adjustments within internal management reporting structure</b>	<b>As Restated 2025/26</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adjustments for Capital Purposes</b>			
Chief Executive	0	0	0
Finance, Growth and Delivery	1,604	0	1,604
Change and Communities	4,414	0	4,414
<b>Net Cost of Services</b>	<b>6,018</b>	<b>0</b>	<b>6,018</b>
<b>Net Change for the Pensions Adjustments</b>			
Chief Executive	(4)	(6)	(10)
Finance, Growth and Delivery	(756)	0	(756)
Change and Communities	(175)	6	(169)
<b>Net Cost of Services</b>	<b>(935)</b>	<b>0</b>	<b>(935)</b>
<b>Other Differences</b>			
Chief Executive	0	0	0
Finance, Growth and Delivery	(22)	0	(22)
Change and Communities	(19)	0	(19)
<b>Net Cost of Services</b>	<b>(41)</b>	<b>0</b>	<b>(41)</b>

## 3. Accounting Policies

### 3.1 General Principles

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

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

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 losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

## **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 data 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 was adopted by the Council on 1 April 2024 and replaced 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 recognised on its Balance Sheet, a lease liability with a corresponding right-of-use asset as at the commencement date, for any leases where it was the Lessee.

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

The Council determined 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 was reasonably certain to exercise that option
- b. periods covered by an option to terminate the lease if the lessee was reasonably certain not to exercise that option

The cost of the right-of-use asset was 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.

It was determined that any contract would only be reconsidered if the terms and conditions of the contract were 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 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 will be 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.

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.

The Council elected 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.

## **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 transferred 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. Between quinquennial revaluations, asset values will now be subject to the Council's new indexation policies as required by the Local Authority Accounting Code 2025/26.

### **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.
- Right-of-use – Assets that represent a lessee’s right to use a leased property over the duration of an agreed upon lease term.
- 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 (EUUV). 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

From 1 April 2025, the Code requirements changed in respect of revaluations of property, plant and equipment. The Council will now revalue its assets every five years with annual indexation applied to assets during the four intervening years. Where it is not possible to obtain indices without undue cost or effort, the Council will revalue these assets using a quinquennial revaluation with a desktop revaluation in year three.

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

The Code provides transitional arrangements for the changes in 2025/26. The policy change is applied prospectively, with no restatement of prior-year figures. Baseline valuations from prior years remain valid, meaning that this Council can continue with its usual 5 year valuation cycle.

The only exception to the revaluation policy is if the Council believes the value of an asset has materially changed in a way that distorts its balance sheet. If so, it will use the “Material Change” override and ask its valuer to complete an additional valuation report.

Any 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 2026/27 Code where disclosures are required in the 2025/26 financial statements are:

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

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 2025/26 financial year.

### 5.2 Valuations

The Code now requires the Council to revalue Land & Building and Right of Use Assets included in the Balance Sheet every five years, unless the Council believes the value of an asset has materially changed in a way that distorts its balance sheet. In the intervening period the assets must be revalued annually using an appropriate asset index available to the market. The selection of the index is a judgement the Council has made, after taking advice from its RICS qualified property valuer, advice from CIPFA through the year end training

sessions provided and research of its own. The indices selected are laid out in Note 12.3. Upon consideration the Council determined that there is no appropriate index to apply to Existing Use Value Commercial Assets. These assets will be subject to a desktop revaluation in year three.

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 £256,000 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 £20.854 million to a liability of £1.165 million.

### **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 Council's 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.

## 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 £146.9 million and therefore a reduction of 1% in the value would reduce the value on the balance sheet by £1.47 million.

The Code now requires the Council to index Land & Buildings and Right of Use Assets included in the Balance Sheet in the years between valuations using an appropriate asset index available to the market. The selection of the index is a judgement the Council has made, after taking advice from its RICS qualified property valuer, advice from CIPFA through the year end training sessions provided and research of its own. The indices selected are laid out in Note 12.3. The Council has used the latest available index, as set out in Note 12.3, applied to the closing net book value.

The effect of a reduction of 1% in the value of the indexes applied would reduce the balance sheet by £0.76 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 £620,000, therefore a reduction of 1% in the value would reduce the value on the balance sheet by £6,200.

## 6.4 Leases with the Council as Lessee

In addition to those assets transferred from Land and Buildings at the end of the last reporting period, two other properties were leased by the Council in 2024/25. They were brought onto the Balance Sheet as Right-of-Use Assets valued at £153,000. In 2025/26, one of these leased assets was purchased by the Council and returned to the Balance Sheet under Land and Buildings. A new lease was agreed for the second property for which there is a Right-of-Use Asset value on the Balance Sheet of £85,000 at the prevailing Public Works Loan Board borrowing rate as at the commencement date of the lease of 4.68%. A reduction of 1% in the discount rate would increase the value on the Balance Sheet by a trivial £2,000.

## 7. Events after the Reporting Period

There are no material events to report.

## 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.

2024/25		2025/26
£000		£000
19,348	Employee Benefit Expenses	20,697
48,761	Other Service Expenses	43,730
7,986	Depreciation, Amortisation, Impairment	7,975
10	Interest Payments	6
3,657	Precepts and Levies	3,921
<b>79,762</b>	<b>Total Expenditure</b>	<b>76,329</b>
(25,589)	Fees, Charges and Other Service Income	(26,260)
(3,181)	Interest and Investment Income	(2,807)
(13,568)	Income from Council Tax	(14,313)
(5,166)	Retained Business Rates Income	(5,544)
(35,580)	Government Grants and Contributions	(31,652)
(687)	Gain or Loss on Disposal of Non-Current Assets	(177)
<b>(83,771)</b>	<b>Total Income</b>	<b>(80,753)</b>

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

<b>2024/25</b>	<b>2024/25 restated</b>		<b>2025/26</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>
0	(5)	Chief Executive	(5)
(16,358)	(16,358)	Finance, Growth and Delivery	(16,293)
(9,231)	(9,226)	Change and Communities	(9,962)
<b>(25,589)</b>	<b>(25,589)</b>	<b>Total Fees, Charges and Other Service Income</b>	<b>(26,260)</b>

The 2024/25 figures have been restated to reflect the change in the authority's internal management reporting structure during 2025/26 and are shown as per the structure at 31 March 2026.

## 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.

<b>2025/26</b>	<b>General Fund Balance</b>	<b>Capital Grants Unapplied Account</b>	<b>Capital Receipts Reserve</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>
<b>Reversal of items debited to the Comprehensive I&amp;E Statement</b>					
Amortisation of intangible assets	175	0	0	<b>175</b>	<b>(175)</b>
Depreciation of non-current assets	3,967	0	0	<b>3,967</b>	<b>(3,967)</b>
Impairment of non-current assets	(297)	0	0	<b>(297)</b>	<b>297</b>

Movements in value of Investment Properties	(5)	0	0	(5)	5
Revenue Expenditure financed from Capital under Statute	736	0	0	736	(736)
Gain or (loss) on sale of non-current assets	(177)	0	630	453	(453)
Council tax and business rates	(1,076)	0	0	(1,076)	1,076
Pension costs	(1,268)	0	0	(1,268)	1,268
Donated Assets	(15)	0	0	(15)	15
Holiday Pay	5	0	0	5	(5)
<b>Insertion of items not debited or credited to Comprehensive I&amp;E Statement</b>					
Statutory provision for the repayment of debt	(262)	0	0	(262)	262
Capital expenditure from revenue	(7,638)	0	0	(7,638)	7,638
Transfer of capital grants and contributions to capital grants unapplied	(879)	879	0	0	
<b>Financing of capital expenditure directly from reserves</b>					
Application of capital grants to finance capital expenditure	0	(1,284)	0	(1,284)	1,284
Use of the capital receipts reserve to finance capital expenditure	0	0	(1,880)	(1,880)	1,880
<b>Total to Movement in Reserves Statement</b>	<b>(6,734)</b>	<b>(405)</b>	<b>(1,250)</b>	<b>(8,389)</b>	<b>8,389</b>

2024/25	General Fund Balance	Capital Grants Unapplied Account	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves
<b>Reversal of items debited to the Comprehensive I&amp;E Statement</b>					
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
<b>Insertion of items not debited or credited to Comprehensive I&amp;E Statement</b>					
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

<b>Financing of capital expenditure directly from reserves</b>					
Application of capital grants to finance capital expenditure	0	(4,040)	0	<b>(4,040)</b>	<b>4,040</b>
Use of the capital receipts reserve to finance capital expenditure	0	0	(210)	<b>(210)</b>	<b>210</b>
<b>Total to Movement in Reserves Statement</b>	<b>(4,439)</b>	<b>(223)</b>	<b>1,250</b>	<b>(3,412)</b>	<b>3,412</b>

## 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:

<b>Reserve</b>	<b>Description</b>
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 Maintenance	This reserve was created to provide for works in the car parks used for the Royal Victoria Place shopping centre. The balance has been used in 2025/26 for the refurbishment of RVP car park and has now been closed.
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 has now been closed, with the remaining balance transferred to the Capital and Revenue Initiatives reserve, to fund the capital programme.
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 now been closed, with the remaining balance transferred to the Capital and Revenue Initiatives reserve, to fund the capital programme.
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 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 2025	Income	Expenditure	31 March 2026
	£000	£000	£000	£000
General Fund	4,354	0	(354)	4,000
Capital & Rev Initiatives	4,305	7,252	(4,617)	6,940
On Street Parking	4,007	640	(1,830)	2,817
Local Plan	950	30	(84)	896
Strategic Plan	100	100	(95)	105
RVP Car Park	1,712	143	(1,855)	0
Government Grants	987	83	(314)	756
Invest to Save	59	0	(59)	0
Cultural	301	0	(97)	204
Housing Renewal	391	26	(215)	202
Insurance	223	25	(75)	173
Grant Volatility	2,664	0	(663)	2,001
Ice Rink	141	0	(141)	0
Traveller Protocol	12	0	0	12
Land Charges Income	60	0	(60)	0
Rent Advance and Deposit	513	0	(200)	313
Local Government Reorganisation	100	50	0	150
<b>Total</b>	<b>20,879</b>	<b>8,349</b>	<b>(10,659)</b>	<b>18,569</b>

<b>Reserve</b>	<b>31 March 2024</b>	<b>Income</b>	<b>Expenditure</b>	<b>31 March 2025</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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
<b>Total</b>	<b>21,309</b>	<b>3,594</b>	<b>(4,024)</b>	<b>20,879</b>

### **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.

2024/25		2025/26
£000	Revaluation Reserve	£000
45,767	Balance as at 1 April	47,868
3,625	Upward valuation of non-current assets	5,468
(179)	Downward valuation of assets and impairment losses of not charged to the surplus/deficit on the provision of services	(360)
(986)	Adjustment for depreciation on revalued non-current assets	(1,014)
(359)	Amount written off to the capital adjustment account	(406)
<b>47,868</b>	<b>Balance as at 31 March</b>	<b>51,556</b>

### 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.

2024/25		2025/26
£000	Capital Adjustment Account	£000
86,985	Balance as at 1 April	89,726
(179)	Amortisation of intangible assets	(175)

(3,848)	Depreciation of non-current assets	(3,967)
140	Impairment losses and loss reversals of non-current assets	297
(125)	Movements in value of Investment Properties	5
(2,006)	Revenue Expenditure financed from Capital under Statute	(736)
(414)	Adjusting amounts written out of the revaluation reserve	(47)
3	Movement in Donated assets	15
539	Statutory provision for the financing of capital investment	262
3,395	Capital expenditure charged against the General Fund	7,638
4,040	Capital expenditure financed from grants and contributions	1,284
210	Use of the capital receipts reserve to finance new capital expenditure	1,880
986	Adjustment for depreciation of revalued non-current assets	1,014
<b>89,726</b>	<b>Balance as at 31 March</b>	<b>97,196</b>

### 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.

2024/25		2025/26
£000	Pensions Reserve	£000
(1,568)	Balance as at 1 April	(524)
230	Re-measurement of defined benefit liability	(1,909)
814	Difference between accounting and statutory pension costs	1,268
<b>(524)</b>	<b>Balance as at 31 March</b>	<b>(1,165)</b>

### 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.

2024/25		2025/26
£000	Collection Fund Adjustment Account	£000
(256)	Balance as at 1 April	905
1,161	Differences arising from the recognition of Council tax income and non-domestic rates in the Comprehensive Income and Expenditure Statement compared with statutory requirements	1,076
<b>905</b>	<b>Balance as at 31 March</b>	<b>1,981</b>

### 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.

2024/25		2025/26
£000	Accumulated Absences Account	£000
(195)	Balance as at 1 April	(154)
41	Amounts accrued at the end of the current year	(5)
<b>(154)</b>	<b>Balance as at 31 March</b>	<b>(159)</b>

## 11. Summary of capital expenditure and financing

Capital expenditure was incurred and financed as shown below:

2024/25		2025/26
£000		£000
<b>4,911</b>	<b>Opening Capital Financing Requirement as at 1 April</b>	<b>4,564</b>
5,807	Property, Plant and Equipment	10,014
27	Intangible Assets	26
3,974	Revenue Expenditure Funded from Capital under Statute	4,135
<b>9,808</b>	<b>Total Capital Investment</b>	<b>14,175</b>
(210)	Capital Receipts	(1,880)

(4,040)	Government Grants and Other Contributions	(1,284)
(1,968)	Grants and Contributions towards REFFCUS	(3,400)
(3,395)	Revenue Financing	(7,638)
(539)	Minimum Revenue Provision	(262)
<b>(10,152)</b>	<b>Total Financing</b>	<b>(14,464)</b>
<b>(3)</b>	<b>Movement in Long Term Debtors within Capital Financing Requirement</b>	<b>(4)</b>
<b>4,564</b>	<b>Closing Capital Financing Requirement as at 31 March</b>	<b>4,271</b>

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:

<b>31 March 2025</b>		<b>31 March 2026</b>
<b>£000</b>		<b>£000</b>
136,554	Property, Plant and Equipment	146,941
3,824	Heritage Assets	3,946
615	Investment Properties	620
735	Intangible Assets	586
70	Long term debtors financed from capital	65
360	Assets available for sale	865
(47,868)	Revaluation Reserve	(51,556)
(89,726)	Capital Adjustment Account	(97,196)
<b>4,564</b>	<b>Total Capital Financing Requirement</b>	<b>4,271</b>

## 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	Infrastructure	Community	Surplus	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Balance as at 31 March 2025</b>							
Gross Carrying Amount	123,685	8,503	2,730	679	9,212	0	<b>144,809</b>
Cumulative Depreciation & Impairment	(5,445)	(693)	(1,486)	(487)	(144)	0	<b>(8,255)</b>
<b>Total</b>	<b>118,240</b>	<b>7,810</b>	<b>1,244</b>	<b>192</b>	<b>9,068</b>	<b>0</b>	<b>136,554</b>
<b>Balance as at 31 March 2026</b>							
Gross Carrying Amount	129,081	7,990	3,101	735	9,269	0	<b>150,176</b>
Cumulative Depreciation & Impairment	(2,003)	(84)	(1,516)	(438)	(144)	950	<b>(3,235)</b>
<b>Total</b>	<b>127,078</b>	<b>7,906</b>	<b>1,585</b>	<b>297</b>	<b>9,125</b>	<b>950</b>	<b>146,941</b>

### 12.2 Reconciliation of Opening and Closing Balances

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

	Land & Buildings	Right of Use Assets	Vehicles, Plant & Equipment	Infrastructure	Community	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Movements 2024/25</b>							
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
<b>Total</b>	<b>118,240</b>	<b>7,810</b>	<b>1,244</b>	<b>192</b>	<b>9,068</b>	<b>0</b>	<b>136,554</b>

	Land & Buildings	Right of Use Assets	Vehicles, Plant & Equipment	Infrastructure	Community	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Movements 2025/26</b>							
Balance at 1 April 2025	118,240	7,810	1,244	192	9,068	0	136,554

Additions	9,161	14	658	124	57	0	10,014
Revaluations	2,538	136	0	0	0	0	2,674
Indexation	2,081	246	0	0	0	0	2,327
Impairment Losses	(478)	0	0	0	0	0	(478)
Impairment Loss Reversals	775	0	0	0	0	0	775
Depreciation	(3,330)	(300)	(317)	(19)	0	0	(3,966)
Disposal	(454)	0	0	0	0	0	(454)
Transfers to / from assets held for sale	(505)	0	0	0	0	0	(505)
Reclassifications	(950)	0	0	0	0	950	0
<b>Total</b>	<b>127,078</b>	<b>7,906</b>	<b>1,585</b>	<b>297</b>	<b>9,125</b>	<b>950</b>	<b>146,941</b>

## 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, Right of Use Assets and Surplus Assets are subject to valuations. The Council has a policy of revaluing all assets at 5 year intervals (20% as at 31 March each year). The exception to this is Royal Victoria Place shopping centre which has been valued annually.

The valuations this year have been provided by Cluttons LLP.

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.

From 1 April 2025, the Code requirements changed in respect of revaluations of property, plant and equipment. Authorities should revalue their assets every five years with annual indexation applied to assets during the four intervening years. Where authorities cannot obtain indices without undue cost or effort, authorities should revalue those assets using a quinquennial revaluation with a desktop revaluation in year three.

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

The index that is applied is a matter of judgement made in the context of providing a reasonable estimate of the movement in the value of an asset from the prior year. The Council has therefore categorised its Land and Buildings and Right of Use Assets into groups and, guided by advice from our valuer, applied the same indices to those groups.

The groups have been set out as follows:

<b>Group</b>	<b>Indexation Method</b>	<b>Indexation Date</b>
DRC Assets	BCIS all-in Tender Price Index - this is a measure of building construction costs and will be applied to buildings valued at DRC. The index is not considered appropriate for land and therefore no index will be applied to the land element of these assets.	Quarter 1 2026
EUV Residential Assets	UK House Price Index - as produced by the Land Registry by region. Residential assets have been separated into terraced, detached, semi-detached and flats properties and the index for the Tunbridge Wells region applied.	Annual increase as at March 2026
EUV Car Parks, Community Centres and Leisure Assets	MSCI (Morgan Stanley Capital International) Index – this index is available for property market movements.	2025/26 Annual Index
EUV Offices and Depots	CoStar Index – a commercially available database based on sales in the Tunbridge Wells office submarket.	2025/26 Annual Index
EUV Land Only	Savills Index – Market reports which produce land price index.	Quarter 1 2026
EUV Commercial Assets	Determined that there is no appropriate index to apply. These assets will be subject to a desktop revaluation in year three.	Not applicable

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

31 March 2025	31 March 2025		31 March 2026	31 March 2026
Land and Buildings	Right of Use Asset		Land and Buildings	Right of Use Asset
£000	£000		£000	£000
118,240	7,810	Net Book Value at 31 March	127,078	7,906
(5,795)	(193)	Adjust for additions since last valuation	(503)	(170)
5,445	693	Adjust for depreciation since last valuation	188	85
<b>117,890</b>	<b>8,310</b>	<b>Total Valuations</b>	<b>126,763</b>	<b>7,821</b>
0	0	Valuation in 2025/26	48,893	750
0	0	Indexation in 2025/26	71,619	7,071
25,100	2,295	Valuation in 2024/25	655	0
15,511	0	Valuation in 2023/24	1,411	0
52,235	1,850	Valuation in 2022/23	3,305	0
19,965	3,465	Valuation in 2021/22	880	0
5,079	700	Valuation in 2020/21	0	0
<b>117,890</b>	<b>8,310</b>	<b>Total Valuations</b>	<b>126,763</b>	<b>7,821</b>

The value of the indices used for 2025/26 are shown in the table below:

	Average Change	Valuation Change
	%	£000
DRC Assets	2.80%	598
EUV Residential Assets	(0.26%)	(34)
EUV Car Parks, Community Centres and Leisure	6.43%	2,097
EUV Offices and Depots	5.6%	439
EUV Land Only	(2.5%)	(18)
<b>Total Indexation applied 2025/26</b>	<b>4.08%</b>	<b>3,082</b>

## 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 2025/26. 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 2026 the Council was contractually committed to the payment of £2,450,218 for the acquisition of property, plant and equipment, and intangible assets compared to £8,643,294 at 31 March 2025.

# 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:

2024/25		2025/26
£000		£000
3,744	Balance as at 1 April	3,824
3	Additions by donation	15
77	Revaluations	107
<b>3,824</b>	<b>Balance as at 31 March</b>	<b>3,946</b>

# 14. Investment Property

## 14.1 Investment Property

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

2024/25		2025/26
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<b>£000</b>		<b>£000</b>
740	Balance as at 1 April	615
(125)	Impairment Losses	0
0	Impairment Loss Reversals	5
<b>615</b>	<b>Balance as at 31 March</b>	<b>620</b>

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.

<b>2024/25</b>		<b>2025/26</b>
<b>£000</b>		<b>£000</b>
45	Rental Income from Investment Properties	45
<b>45</b>	<b>Net Gain / (Loss)</b>	<b>45</b>

## 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 have been 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.

There was property held for sale as at 31 March 2025. This asset was unable to be sold and has been transferred back to Land and Buildings, within Property, Plant and Equipment, and is now being used for service delivery. As at 31 March 2026 there are two properties that have been transferred from Land and Buildings to Assets Held for Sale, as they are being prepared for sale during 2026/27.

<b>2024/25</b>		<b>2025/26</b>
<b>£000</b>		<b>£000</b>
0	Balance as at 1 April	360
360	Transfer from Property, Plant and Equipment	865
0	Transfer to Property, Plant and Equipment	(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 2026	31 March 2026	31 March 2026	31 March 2026
	Long Term	Long Term	Short Term	Short Term
	Investments	Debtors	Investments	Debtors
	£000	£000	£000	£000
Principal	5,000	66	36,500	4,014
Investment Interest Accrual	57	0	763	0
Cash and Cash Equivalents	0	0	1,415	0
<b>Total Amortised Cost</b>	<b>5,057</b>	<b>66</b>	<b>38,678</b>	<b>4,014</b>
<b>Total Financial Assets</b>	<b>5,057</b>	<b>66</b>	<b>38,678</b>	<b>4,014</b>
Non-Financial Instrument Assets	0	126	0	3,835
<b>Total Investments, Debtors, Cash and Cash Equivalents</b>	<b>5,057</b>	<b>192</b>	<b>38,678</b>	<b>7,849</b>

	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
<b>Total Amortised Cost</b>	<b>5,000</b>	<b>69</b>	<b>44,323</b>	<b>3,039</b>
<b>Total Financial Assets</b>	<b>5,000</b>	<b>69</b>	<b>44,323</b>	<b>3,039</b>
Non-Financial Instrument Assets	0	64	0	2,850
<b>Total Investments, Debtors, Cash and Cash Equivalents</b>	<b>5,000</b>	<b>133</b>	<b>44,323</b>	<b>5,889</b>

## 16.2 Financial Liabilities

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

31 March 2025	31 March 2025		31 March 2026	31 March 2026
Long Term	Short Term		Long Term	Short Term
Creditors	Creditors		Creditors	Creditors
£000	£000		£000	£000
0	(4,679)	Principal	0	(5,355)
(128)	(30)	Lease Liabilities	(56)	(29)
<b>(128)</b>	<b>(4,709)</b>	<b>Total Amortised Cost</b>	<b>(56)</b>	<b>(5,384)</b>
(789)	(14,449)	Non-Financial Instrument Liabilities	(1,223)	(13,683)
<b>(917)</b>	<b>(19,158)</b>	<b>Total Borrowing and Creditors</b>	<b>(1,279)</b>	<b>(19,067)</b>

## 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:

2024/25		2025/26
£000		£000
(3,039)	Interest from loans and receivables	(2,726)
(45)	Investment Income	(45)
(97)	Other Interest Receivable	(36)
<b>(3,181)</b>	<b>Total Interest and Investment Income</b>	<b>(2,807)</b>
10	Interest Payable	6
<b>10</b>	<b>Total Interest Payable</b>	<b>6</b>

## 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 2025	31 March 2025			31 March 2026	31 March 2026
Book Value	Fair Value		Level	Book Value	Fair Value
£000	£000			£000	£000
5,000	5,115	Long Term Investments	2	5,057	5,004
<b>5,000</b>	<b>5,115</b>	<b>Long Term Investments</b>		<b>5,057</b>	<b>5,004</b>
42,686	42,686	Investments less than one year	2	37,263	37,263
104	104	Add accrued interest on long term investment	2	0	0
<b>42,790</b>	<b>42,790</b>	<b>Short Term Investments</b>		<b>37,263</b>	<b>37,263</b>

47,790	47,905	<b>Total Investments</b>	42,320	42,267
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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 2026, 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, Moody's 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 these initial criteria are 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 £42.3 million at 31 March 2026 (£47.8 million at 31 March 2025), 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 2026 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 £4,271,000 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 2026, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been to increase investment income by £598,000.

### 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.

<b>31 March 2025</b>		<b>31 March 2026</b>
<b>£000</b>		<b>£000</b>
2,460	Trade Accounts Receivable	1,630
1,045	Other Trade Debtors	2,786
776	Central Government	1,711
586	Prepayments	846
1,022	Other Debtors	876
<b>5,889</b>	<b>Total Short Term Debtors</b>	<b>7,849</b>
<b>133</b>	<b>Total Long Term Debtors</b>	<b>192</b>
<b>6,022</b>	<b>Balance as at 31 March</b>	<b>8,041</b>

### 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.

<b>31 March 2025</b>		<b>31 March 2026</b>
<b>£000</b>		<b>£000</b>
1,335	Less than 3 months	1,289
131	3 to 6 months	54
203	6 to 12 months	56
791	More than 1 year	231
<b>2,460</b>	<b>Total Trade Accounts Receivable</b>	<b>1,630</b>

The Council has £1.63m of outstanding trade accounts debt as at 31 March 2026, compared to £2.46m at the end of 2024/25, with a total impairment provision of £351,000 compared to £911,000 at the end of 2024/25.

This reduction is mainly due to the Council's Leisure Services provider, Fusion Lifestyle, appointing an Administrator on the 31 March 2026 and their outstanding debt of £851,000 excluding VAT, being written off. The Council was aware that they were in financial difficulties and had already provided for debt of £827,000 in 2024/25.

The Council has also made impairment provisions of £5,760,000 at 31 March 2026, compared to £5,705,000 at 31 March 2025, 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.

### **17.4 Contingent Assets**

The Council was not part of the Kent Business Rates Pool for 2025/26 as there was doubt over whether the Council would have a growth surplus. Tunbridge Wells is therefore only able to keep 50% of any growth surplus and must pay the Government the remaining 50%. There is an Agreement in place however, with Kent County Council, Kent and Medway Fire & Rescue Authority and all the other Boroughs in Kent, which compensates Tunbridge Wells for their Pool losses should they make an actual surplus. This is funded by the 10% Contingency

Fund from the Kent Pool proceeds, or in the event there are insufficient funds there, from the 30% Growth Fund Kent Pool proceeds.

Tunbridge Wells did make a surplus in 2025/26 and would be due £416,000 from the Kent Pool contingent upon the other Boroughs making sufficient surpluses. Unfortunately, they are, as yet, unable to confirm whether they have made surpluses or how much they will have.

## 18. Creditors

### 18.1 Creditors

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

<b>31 March 2025</b>		<b>31 March 2026</b>
<b>£000</b>		<b>£000</b>
(6,970)	Central Government	(5,578)
(4,725)	Local Authorities	(5,570)
(30)	Lease Liabilities	(29)
(7,433)	Other Creditors	(7,890)
<b>(19,158)</b>	<b>Total Short Term Creditors</b>	<b>(19,067)</b>
(17)	Central Government	(654)
(772)	Local Authorities	(569)
(128)	Lease Liabilities	(56)
<b>(917)</b>	<b>Total Long Term Creditors</b>	<b>(1,279)</b>
<b>(20,075)</b>	<b>Balance as at 31 March</b>	<b>(20,346)</b>

### 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.

As at 31 March 2026, the Valuation Office Agency (VOA) has confirmed that there are no outstanding appeals for the 2010 or 2017 Ratings Lists.

A new 2023 Ratings List came into effect from 1 April 2023 and the sector now has some experience with the appeals process and there are statistics readily available as to the average success of appeals at each stage of the process. The VOA provides a monthly update of all appeals at each stage. All appeals at "Check", have had an average UK success rate applied to them by year, with interest. All appeals at "Challenge" have had the exact amount appealed, by year, applied to the average UK success rate and interest added. The 2023 List is closed for appeals as of 31 March 2026, as a new 2026 Ratings List has been issued from 1 April. The 2023 appeals list should therefore be complete.

The provision for appeals has reduced considerably, mainly due to the completion of the 2017 appeals list. The lower levels of successful appeals resulting from the "Check, Challenge, Appeal" process has meant an overall decrease in the level of appeals provision from £8,561,376 in 2024/25 to £4,477,528 in 2025/26. The Council's 40% share of the total provision is £1,791,011 (£3,424,550 at 31 March 2025).

## 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 2026 for £21,933. There are sufficient funds in the Insurance reserve to provide for the cost should it become due.

### Local Plan Examination Process

The Local Plan 2020–2038 was formally adopted by Full Council on the 10 December 2025. This has removed the legal challenge concerns in the 2024/25 contingent liabilities.

### Planning Inquiries

Whilst there are always Planning enforcement cases being managed, there are no forecast liabilities from them that are likely to exceed the Council's triviality threshold.

### 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.

On 18 September 2025, the government published proposed amendments to the Pension Schemes Bill that would allow retrospective actuarial validation to confirm whether historic changes to contracted-out benefits complied with statutory requirements. This amendment is applicable to public service schemes and therefore likely to apply to the LGPS (Local Government Pension Scheme). The bill is expected to receive Royal Assent in 2026.

The Scheme Actuary for the LGPS is the Government Actuary’s Department (GAD). GAD is reviewing historic amendments to the LGPS and the Scheme Advisory Board are liaising with GAD on whether the relevant certificates are available for past scheme changes.

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 and they cannot be validated retrospectively. At this point it is 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.

2024/25	2024/25	2024/25		2025/26	2025/26	2025/26
£000	£000	£000		£000	£000	£000
Grants	Contribs	Total		Grants	Contribs	Total
(21,138)	0	(21,138)	DWP Benefits Grants	(16,830)	0	(16,830)
0	0	0	Extended Producer Responsibility	(228)	(2,321)	(2,549)
(1,024)	0	(1,024)	Homelessness Support	(1,292)	0	(1,292)

0	(3,602)	(3,602)	Contribution from Other Local Authorities and Health Sector	0	(3,750)	(3,750)
0	(1,968)	(1,968)	Contributions to revenue expenditure financed from capital	0	(3,399)	(3,399)
0	(215)	(215)	Cost of Living contributions	0	(189)	(189)
(710)	(302)	(1,012)	Other grants and contributions	(485)	(293)	(778)
<b>(22,872)</b>	<b>(6,087)</b>	<b>(28,959)</b>	<b>Total Within Cost of Services</b>	<b>(18,835)</b>	<b>(9,952)</b>	<b>(28,787)</b>

In 2025/26 the Council received £189,000 from the Government funded Household Support Fund 7 (compared to £215,000 for 2024/25), 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 £50,000 in 2025/26 (£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.

<b>2024/25</b>	<b>2024/25</b>	<b>2024/25</b>		<b>2025/26</b>	<b>2025/26</b>	<b>2025/26</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Grants</b>	<b>Contribs</b>	<b>Total</b>		<b>Grants</b>	<b>Contribs</b>	<b>Total</b>
(890)	0	(890)	Funding Guarantee Grant	(446)	0	(446)
(852)	0	(852)	New Homes Bonus	(848)	0	(848)
(222)	0	(222)	Benefits Administration grants	(226)	0	(226)
(189)	0	(189)	Revenue Support Grant	(216)	0	(216)
0	(398)	(398)	Council Tax	0	0	0

(250)	0	(250)	Other grants and contributions	(235)	0	(235)
<b>(2,403)</b>	<b>(398)</b>	<b>(2,801)</b>	<b>Government Grants and Contributions</b>	<b>(1,971)</b>	<b>0</b>	<b>(1,971)</b>
(297)	(3,520)	(3,817)	Capital Grants and Contributions	(167)	(712)	(879)
<b>(297)</b>	<b>(3,520)</b>	<b>(3,817)</b>	<b>Capital Grants and Contributions</b>	<b>(167)</b>	<b>(712)</b>	<b>(879)</b>
0	(3)	(3)	Donated Assets	0	(15)	(15)
<b>0</b>	<b>(3)</b>	<b>(3)</b>	<b>Donated Assets</b>	<b>0</b>	<b>(15)</b>	<b>(15)</b>
<b>(2,700)</b>	<b>(3,921)</b>	<b>(6,621)</b>	<b>Total within Taxation and Non-Specific Grant Income</b>	<b>(2,138)</b>	<b>(727)</b>	<b>(2,865)</b>

The table below outlines Business Rates income accounted for within Taxation and Non-Specific Grant Income within the Comprehensive Income and Expenditure Statement. Section 31 grant income received in relation to business rates is accounted for within business rates income.

<b>2024/25</b>		<b>2025/26</b>
<b>£000</b>		<b>£000</b>
(21,175)	Business rates Income	(23,734)
21,427	Tariff / Levy Payments	22,840
(5,120)	Section 31 Business Rates Grants	(4,343)
(298)	Other Business Rates Grants	(307)
<b>(5,166)</b>	<b>Total</b>	<b>(5,544)</b>

## 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:

<b>31 March 2025</b>		<b>31 March 2026</b>
<b>£000</b>	<b>Short Term Capital Grants Receipts in Advance</b>	<b>£000</b>

(1,322)	Balance as at 1 April	(2,424)
(702)	Grants Received	(1,568)
2,357	Applied to revenue & capital expenditure	2,454
(2,757)	Transfer from Long Term Grants	(1,980)
<b>(2,424)</b>	<b>Balance as at 31 March</b>	<b>(3,518)</b>

<b>31 March 2025</b>		<b>31 March 2026</b>
<b>£000</b>	<b>Long Term Capital Grants Receipts in Advance</b>	<b>£000</b>
(8,200)	Balance as at 1 April	(5,821)
(1,364)	Grants Received	(1,441)
986	Other Transfers	147
2,757	Transfer to Short Term Grants	1,980
<b>(5,821)</b>	<b>Balance as at 31 March</b>	<b>(5,135)</b>

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.

<b>2025/26</b>	<b>Salary</b>	<b>Expenses</b>	<b>Pension</b>	<b>Total</b>
	<b>£</b>		<b>£</b>	<b>£</b>
Chief Executive (William Benson)	157,223	0	30,973	188,196

Director of Finance, Growth & Delivery (s151 Officer)	122,392	526	23,939	146,857
Director of Change & Communities	116,336	0	22,918	139,254
<b>Total</b>	<b>395,951</b>	<b>526</b>	<b>77,830</b>	<b>474,307</b>

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

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. £4,524 was paid in 2025/26 compared to £13,830 in 2024/25.
- Similarly, the figures for the Director of Finance, Growth & Delivery include fees payable for elections. £873 was paid in 2025/26 compared to £2,543 in 2024/25.

## 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.

2024/25	2024/25		2025/26	2025/26
Including Severance	Excluding Severance	Remuneration Band	Including Severance	Excluding Severance
22	22	£50,000 - £54,999	16	16
11	11	£55,000 - £59,999	26	26
10	10	£60,000 - £64,999	5	5
3	3	£65,000 - £69,999	8	8
1	0	£70,000 - £74,999	2	2
2	2	£75,000 - £79,999	0	0
1	1	£80,000 - £84,999	4	4
1	1	£85,000 - £89,999	0	0
1	1	£90,000 - £94,999	2	2
2	2	£95,000 - £99,999	2	2
1	1	£100,000 - £104,999	1	1
1	1	£110,000 - £114,999	0	0
0	0	£115,000 - £119,999	1	1
1	1	£120,000 - £124,999	1	1
0	0	£155,000 - £159,999	1	1
1	1	£160,000 - £164,999	0	0
<b>58</b>	<b>57</b>	<b>Total</b>	<b>69</b>	<b>69</b>

## 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:

2024/25		2025/26
£000		£000
	<b>Comprehensive Income and Expenditure Statement</b>	
1,996	Current Service Costs	1,742
115	Administration Expenses	130
6	Net Interest on the Defined Liability / Asset	(57)
<b>2,117</b>	<b>Net Charge to the Surplus / Deficit on the Provision of Services</b>	<b>1,815</b>
1,911	Return on plan assets	(6,817)
(325)	Change in demographic assumptions	1,614
(15,766)	Change in financial assumptions	(4,555)
14,241	Changes in impact of Asset Ceiling	6,952
(291)	Experience (gains) / losses on benefit obligation	3840
0	Other (gains) / losses	875
<b>(230)</b>	<b>Net Charge to Other Comprehensive Income and Expenditure</b>	<b>1,909</b>
	<b>Movement in Reserves Statement</b>	
(2,117)	Reversal of net charges made for retirement benefits in accordance with IAS 19	(1,815)
2,931	Employers' contributions payable to the scheme	3,083
<b>814</b>	<b>Total Movement</b>	<b>1,268</b>

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. This continues to be the case for 2025/26.

### 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:

2024/25		2025/26
£000		£000
(110,797)	Present value of the defined benefit obligation	(114,950)
124,514	Fair value of plan assets	135,804
<b>13,717</b>	<b>(Deficit) / Surplus</b>	<b>20,854</b>
(14,241)	Impact of asset ceiling	(22,019)
<b>(524)</b>	<b>Net defined benefit (liability) / asset</b>	<b>(1,165)</b>

### 21.4 Reconciliation of present value of the scheme assets and liabilities

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

2024/25		2025/26
£000	Present Value of Scheme Liabilities	£000
(123,035)	Balance as at 1 April	(110,797)
(1,996)	Current Service Cost	(1,742)
(5,937)	Interest cost	(6,290)
(813)	Contributions by scheme participants	(895)
325	Actuarial gains / losses arising from changes in demographic assumptions	(1,614)
15,766	Actuarial gains / losses arising from changes in financial assumptions	4,555
291	Experience (gains)/losses on defined benefit obligation	(3,840)
4,602	Benefits paid / transfers paid	5,673

<b>(110,797)</b>	<b>Balance as at 31 March</b>	<b>(114,950)</b>
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The table below summarises the reconciliation of the present value of scheme assets:

<b>2024/25</b>		<b>2025/26</b>
<b>£000</b>	<b>Movements in Fair Value of Scheme Assets</b>	<b>£000</b>
121,467	Balance as at 1 April	124,514
5,931	Interest income	7,173
(1,911)	Expected return on assets	6,817
0	Other actuarial gains / (Losses)	(875)
(115)	Administration Expenses	(130)
2,931	Employer contributions	3,083
813	Contributions by scheme participants	895
(4,602)	Benefits paid / transfers paid	(5,673)
<b>124,514</b>	<b>Balance as at 31 March</b>	<b>135,804</b>

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

<b>2024/25</b>		<b>2025/26</b>
<b>£000</b>	<b>Impact of the Asset Ceiling</b>	<b>£000</b>
0	Balance as at 1 April	(14,241)
0	Interest on Impact of Asset Ceiling	(826)
(14,241)	Changes in effect of asset ceiling	(6,952)
<b>(14,241)</b>	<b>Balance as at 31 March</b>	<b>(22,019)</b>

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 2025	31 March 2025		31 March 2026	31 March 2026
£000	%		£000	%
70,903	57%	Equities	79,606	59%
7,381	6%	Gilts	7,493	5%
18,510	15%	Bonds	18,965	14%
10,196	8%	Property	13,267	10%
4,924	4%	Cash	3,744	3%
6,360	5%	Target Return Portfolio	6,779	5%
6,240	5%	Infrastructure	5,950	4%
<b>124,514</b>	<b>100%</b>	<b>Total</b>	<b>135,804</b>	<b>100%</b>

## 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 2026. The main assumptions used for the purposes of the calculations are:

2024/25		2025/26
	<b>Mortality assumptions:</b>	
20.7 years	Longevity at 65 for current pensioners: Men	21.6 years
23.3 years	Longevity at 65 for current pensioners: Women	23.9 years
22.0 years	Longevity at 65 for future pensioners: Men	23.2 years
24.7 years	Longevity at 65 for future pensioners: Women	25.6 years
	<b>Other assumptions:</b>	
3.90%	Rate of increase in salaries	3.90%
2.90%	Rate of increase in pensions	2.90%
5.80%	Rate for discounting scheme liabilities	6.10%

50.0%	Take-up option to convert annual pension into retirement lump sum	50.0%
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## 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 2025/26 to show a projection for 2026/27:

	£000	£000	£000	£000	£000
<b>Adjustment to Discount Rate:</b>	<b>+0.5%</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.5%</b>
Projected value of total obligation	108,001	113,499	114,950	116,434	122,716
Projected service cost	1,358	1,559	1,613	1,669	1,911
<b>Adjustment to Salary Increases:</b>	<b>+0.5%</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.5%</b>
Projected value of total obligation	115,301	115,020	114,950	114,881	114,606
Projected service cost	1,613	1,613	1,613	1,613	1,613
<b>Adjustment to Pension Increases:</b>	<b>+0.5%</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.5%</b>
Projected value of total obligation	122,143	116,454	114,950	113,801	108,843
Projected service cost	1,934	1,673	1,613	1,555	1,339
<b>Adjustment to Mortality Estimates:</b>		<b>+ 1 year</b>	<b>None</b>	<b>- 1 year</b>	
Projected value of total obligation		119,390	114,950	110,702	
Projected service cost		1,669	1,559	1,558	

## 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 2026/27 is £2,824,000 compared with the actual contribution of £3,089,000 for 2025/26.

## 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 2025/26 the Council paid £9,000 in exit packages to 1 former member of staff, compared to £92,000 paid to 5 former members of staff in 2024/25.

2025/26	Number of compulsory redundancies	Number of other agreed departures	Total Number of Exit Packages	Total Cost of Exit Packages
<b>Banding</b>				<b>£000</b>
£0 - £19,999	0	1	1	9
<b>Total</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>9</b>

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

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 2025/26 was £381,014 compared to £339,810 in 2024/25. A review of the Members' Allowances Scheme was carried out during 2024/25 and following recommendations of the Joint Independent Remuneration Panel (JIRP) amendments were implemented as from 1 April 2025.

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](mailto:committee@tunbridgewells.gov.uk)

## 24. External Audit Costs

The audit fees for 2025/26, payable to Grant Thornton, are set out below:

2024/25		2025/26
£000		£000
165	Fees payable with regard to external audit services carried out by the appointed auditor for the year	170
8	Fee Variations in Respect of 2024/25	0
6	Fee Variations in Respect of 2023/24	0
1	Fee Variations in Respect of 2022/23	0
34	Fees payable for the certification of 2024/25 grant claims and returns	35
0	Fee Variation for the certification of 2023/24 grant claims and returns received in 2025/26	17
<b>214</b>	<b>Sub Total</b>	<b>222</b>

As a result of the Redmond Review the Council received a Local Audit Grant of £21,000 in 2025/26, the same amount as in 2024/25.

## 25. Leases

### 25.1 Council as Lessee

IFRS 16 was adopted from 1 April 2024, introducing a single Lessee accounting model for all leases, rather than distinguishing between operating and finance leases as had been 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 was the Public Works Loan Board borrowing rate as at 1st April 2024. The specific rate varied according to the period of the lease, as the interest rates charged depended upon the term of the loan. The rates used were between 4.8% and 5.56%. These rates will continue to be used, unless there is a lease modification or reassessment that requires the Council to determine a new rate. These will be indicated below.

Six groups of leases have been 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.

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. 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 residential properties through the Local Authority Housing Funds 1, 2, 3 and 4. The Council has taken full advantage of these grants and available Section 106 developer funding, to acquire new temporary accommodation of its own. It has purchased 22 properties by the end of 2025/26, 16 for Town and Country Housing (TCH), the Council’s housing provider, 2 Houses of Multiple Occupation and 4 residential properties for temporary accommodation. 4 large long term empty Council properties on Crescent Road have been refurbished for temporary accommodation. For 2026/27, there are 3 further properties in the process of being acquired, 1 for TCH and 2 as Council temporary accommodation. Whilst the temporary accommodation is being used for emergency housing, the new properties provided to TCH has prevented the need for additional temporary accommodation for another 17 households. The Council is currently holding around £870,000 in S106 funding for which additional properties are actively being sought.

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 2 temporary housing properties (1 less than last year) on “Common Law Tenancy” agreements, which would be deemed leases under IFRS 16. They were both on 12 month agreements which have expired and are now on rolling monthly tenancies. These properties are 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. Both 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 2026.

These apartments are held as Right-of-Use assets on the Balance Sheet. The Council has 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.

The Fair Value of these assets will be depreciated in a straight line over their expected useful lives.

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.

### **25.1.4 Other 16 Leases**

The Council has only 1 property 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 Way is a new 3 year lease commencing 1 November 2025, with lease payments of £36,000 per year. Note 6.4 provides more detail of the Right-of-Use Asset calculations. 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, had been leased from the YMCA but was purchased by the Council on 30<sup>th</sup> January 2026. It is therefore now held on the Balance Sheet under Property, Plant and Equipment, valued at the purchase price plus stamp duty, of £503,000.

### 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 2025/26, which are included as Right-of-Use Assets under IFRS 16. The lease terms of these 4 properties are between 67 and 110 years. There are no options to extend the leases or terminate them.

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.

IFRS 16 says that depreciation should be charged from the valuation 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.

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.

### 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 £18,982.

### 25.1.7 Right of Use Assets

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

<b>2024/25</b>		<b>2025/26</b>
<b>£000</b>		<b>£000</b>
0	Balance as at 1 April	7,810

7,110	Reclassification on application of IFRS 16 as at 1 April 2024	0
196	Additions	139
855	Revaluation	136
0	Indexation	246
(351)	Depreciation and Amortisation	(300)
0	Disposals	(125)
<b>7,810</b>	<b>Balance at 31 March</b>	<b>7,906</b>

### 25.1.8 Transactions under leases

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

2024/25		2025/26
£000	Comprehensive Income and Expenditure statement	£000
10	Interest expense on lease liabilities	6
7	Expense relating to short-term leases	0
20	Expense relating to exempt leases of low-value items	19
<b>37</b>	<b>Total</b>	<b>25</b>

2024/25		2025/26
£000	Cash flow statement	£000
75	Lease payment	72
<b>75</b>	<b>Total</b>	<b>72</b>

### 25.1.9 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		31 March 2026
£000	Leases expiring:	£000
(30)	Within one year	(29)
(44)	Between two and five years	(56)

(84)	Later than five years	0
<b>(158)</b>	<b>Total</b>	<b>(85)</b>

## 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 table do not include rents that are contingent upon events taking place after the start of the lease, such as adjustments following rent reviews.

The Council purchased the Royal Victoria Place Shopping Centre in October 2023. The retail units are leased by the Council and are Operating Leases. As such, accounting requirements would follow IAS 17 and section 4.2 of the 2025/26 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:

<b>31 March 2025</b>		<b>31 March 2026</b>
<b>£000</b>	<b>Leases expiring:</b>	<b>£000</b>
(2,511)	Within one year	(2,457)
(6,556)	Between two and five years	(6,530)
(7,599)	Later than five years	(8,012)
<b>(16,666)</b>	<b>Total</b>	<b>(16,999)</b>

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**

The Council has assessed their peppercorn finance leases, the Council being 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.

The Council will not recognise peppercorn finance leases because it considers them trivial.

## **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 21. 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 (Councillor Beverley Palmer and Councillor Hugh Patterson) and the Head of Economic Development and Property (Mr David Candlin). 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 currently 16 properties are leased in total. 2025/26 is the eleventh year of trading and the company is expected to make a small profit in the region of £19,000 (2024/25 profit of £9,656). The accounts will be filed at Companies

House by December 2026. 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, Sankey's Fishmongers Ltd and Sankey's Speldhurst Ltd. A member of his household has a controlling interest in Audition Ready Limited and Audition Ready and Events and Education Ltd.
- Councillor Beverley Palmer has a controlling interest in the Hawhurst Cottage League of Friends.
- Councillor David Knight has a controlling interest in Southern Care Maintenance 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 the FRS Pension Trustee Company Limited.
- Councillor Justine Rutland has a controlling interest in CTW Pump Room CIC and Royal Tunbridge Wells Together CIC.
- Councillor Christian Atwood and 3 members of his household 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 Trinity Theatre and Arts Centre Limited. Until 5 April 2025 he also had a controlling interest in Mole Films Ltd. A member of his household has a controlling interest in Seely Developments Ltd and Planning Ahead Professionals Ltd.
- Councillor Matthew Lowe has a controlling interest in Nourish Community Foodbank Ltd. A member of his household has a controlling interest in Computer Film Holdings Limited (now dormant), The Computer Film Company Limited (now dormant), Screenskills Limited, Framestore Animation Limited, Framestore Limited, Guidedraw Limited, Framestore India Private Limited, Studios Framestore inc and Anibrain Digital Technologies Private Limited.
- Councillor Mark Munday has a controlling interest in the Bewl Sailing Association Limited.
- Councillor Martin Brice has a controlling interest in Trinity Theatre and Arts Centre Ltd (resigned 1<sup>st</sup> May 2025) and Tunbridge Wells Welcomes Refugees.
- Councillor Ellen Neville has a controlling interest in the Embers Woodcraft C.I.C.
- Councillor Simon Davidson has a controlling interest in International Council for Standardization in Haematology.

- Independent Member Geoff Turner has a controlling interest in GMT Systems Limited and the Capel Greenbelt Protection Society.
- Independent Member Charles Oliver Mackonochie and a member of his household have a controlling interest in Montie Associates Limited.
- Independent Member Edward Elliott has a controlling interest in Ascension Eagles Cheerleaders.
- Independent Member Barry Edwards has a controlling interest in the Rusthall and Community Youth Project charity.
- Chief Executive William Benson has a controlling interest Amplifi.TW Ltd.
- Officer Gary Stevenson has a controlling interest in the Linden Park Cricket Club.

Returns were received from all but one Councillor (due to ill health), elected for the 2025/26 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.

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# 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.

2024/25	2024/25	2024/25		2025/26	2025/26	2025/26
£000	£000	£000		£000	£000	£000
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
(109,722)	(50,318)	(160,040)	Income Collectable	(116,294)	(56,912)	(173,206)
(4)	0	(4)	Council Tax Support Fund	0	0	0
<b>(109,726)</b>	<b>(50,318)</b>	<b>(160,044)</b>	<b>Income Receivable</b>	<b>(116,294)</b>	<b>(56,912)</b>	<b>(173,206)</b>
			Apportionments of previous year surplus:			
502	0	502	Kent County Council	0	0	0
80	0	80	Kent Police Authority	0	0	0
29	0	29	Kent Fire and Rescue Service	0	0	0
89	0	89	Tunbridge Wells Borough Council	0	0	0
			Precepts and central share:			
77,900	4,481	82,381	Kent County Council	83,096	5,102	88,198
12,388		12,388	Kent Police Authority	13,274		13,274
4,348	498	4,846	Kent Fire and Rescue Service	4,661	567	5,228
13,579	19,916	33,495	Tunbridge Wells Borough Council	14,298	22,673	36,971
0	24,896	24,896	Government	0	28,342	28,342
			Transfer to General Fund:			

0	165	165	Cost of collection	0	164	164
			Impairments of debts:			
304	420	724	Write offs	262	441	703
1,277	932	2,209	Allowance for impairments	581	651	1,232
			Impairments resulting from appeals:			
0	(3,574)	(3,574)	Allowance for impairments	0	(4,084)	(4,084)
0	(941)	(941)	Transitional protection payments	0	461	461
0	378	378	Renewable energy schemes	0	(57)	(57)
<b>110,496</b>	<b>47,171</b>	<b>157,667</b>	<b>Expenditure</b>	<b>116,172</b>	<b>54,260</b>	<b>170,432</b>
<b>770</b>	<b>(3,147)</b>	<b>(2,377)</b>	<b>(Increase) / Reduction in fund balance</b>	<b>(122)</b>	<b>(2,652)</b>	<b>(2,774)</b>

2024/25	2024/25	2024/25		2025/26	2025/26	2025/26
£000	£000	£000		£000	£000	£000
Council Tax	Business Rates	Total	Collection Fund Balance	Council Tax	Business Rates	Total
(1,648)	1,157	(491)	Balance at 1 April	(878)	(1,990)	(2,868)
770	(3,147)	(2,377)	(Increase) / Reduction in fund balance	(122)	(2,652)	(2,774)
<b>(878)</b>	<b>(1,990)</b>	<b>(2,868)</b>	<b>(Surplus) / Deficit Balance at 31 March</b>	<b>(1,000)</b>	<b>(4,642)</b>	<b>(5,642)</b>

# 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:

	<b>Multiplier</b>	<b>2024/25</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2025/26</b>
		<b>Properties</b>	<b>Band D Equivalent</b>	<b>Properties</b>	<b>Band D Equivalent</b>
A	6/9	2,227.53	1,485.08	2,242.59	1,494.96
B	7/9	3,906.93	3,038.72	3,950.20	3,072.38
C	8/9	11,453.12	10,180.55	11,614.12	10,323.66
D	9/9	9,612.22	9,612.22	9,772.63	9,772.63
E	11/9	6,603.54	8,070.99	6,717.58	8,210.38
F	13/9	4,855.24	7,013.12	4,911.55	7,094.46
G	15/9	5,318.23	8,863.72	5,366.20	8,943.67
H	18/9	604.86	1,209.72	612.66	1,225.32
	<b>Total</b>	<b>44,581.67</b>	<b>49,474.12</b>	<b>45,187.53</b>	<b>50,137.46</b>
	<b>Collection Rate</b>		<b>0.9775</b>		<b>0.9800</b>
	<b>Tax Base</b>		<b>48,360.90</b>		<b>49,134.60</b>

## 2. Non-Domestic Rates

The total non-domestic rateable value at 31 March 2026 was £156.035 million (£141.858 million as at 31 March 2025). The national non-domestic multiplier for the year was 55.5p compared to 54.6p during 2024/25. 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. Tunbridge Wells was not in the Kent Pool for 2025/26 due to concerns over the level of business rates growth, but any resultant losses to the Council are underwritten by the Pool, contingent upon it having sufficient funds to share. (See Note 17.4 on Contingent Assets).

### 2.1 Business Rates Reliefs

Business rates income, after reliefs applied, is shown to be £56,912,000 for 2025/26, compared to £50,318,000 for 2024/25. Government provided various business rates reliefs in 2025/26, the main ones being the Retail, Hospitality and Leisure relief of 40% and Small Business Rates relief of 100% for businesses with a rateable value of £12,000 or less with a sliding scale for properties up to £15,000. Charity relief of 80% was provided for charities and registered Community Amateur Sports Clubs. 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

The 2023 Rating list (applicable from 1 April 2023) is 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 £4,477,528 (£8,561,376 at 31 March 2025).