Annual Financial Report

for the year ended

31 March 2026

Lisa Fillery CPFA
Director of Resources

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Statement of Accounts

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The Council

Swale Borough Council is located on the county of Kent's north coast between Medway, Maidstone and Canterbury, around 45 miles from London, but set in rolling Kentish countryside, and less than 30 miles from the Channel Tunnel. With an area of 373 square kilometres and a population of 158,400, Swale includes the towns of Sittingbourne and Faversham, the Isle of Sheppey, and an extensive rural hinterland.

The Council provides a wide range of services, such as waste collection, recycling, street cleansing, parking, planning, leisure, homelessness support, housing benefit, public conveniences and environmental health.

The Council has 47 councillors (also known as 'Members') covering 24 wards. Each Councillor is elected for a term of four years, with the last election on 4 May 2023. Councillors are elected to represent their constituents and to take decisions upon Council services and policies. The Swale Council administration is a Labour Party minority. The Leader of the Council is Councillor T Gibson, and the Deputy Leader is Councillor Wise. The Council's services are organised into Directorates and Service areas.

The Council's Corporate Plan can be found here: https://swale.gov.uk/news-and-your-council/publications/council/corporate-plan

The Council's priorities are:

- Community – To enable our residents to live, work and enjoy their leisure time safely in our borough and to support community resilience.
- Economy – Working with the businesses and community organisations to work towards a sustainable economy which delivers for local people.
- Environment – To provide a cleaner, healthier, more sustainable and enjoyable environment, and to prepare our borough for the challenges ahead.
- Health & Housing – To aspire to be a borough where everyone has access to a decent home and improved health and wellbeing.
- Running the Council – Working within our resources to proactively engage with communities and outside bodies to deliver in a transparent and efficient way.



Narrative Report

Introduction

This narrative report provides a guide to the Council's accounts and financial position as of 31 March 2026. It includes:

- An explanation of the Annual Financial Report, and each of the main financial statements;
- A look back at financial performance in 2025/26;
- Any major events or changes in presentation and accounting that impact on the accounts; and
- A look at the future financial position and challenges.

Annual Financial Report

Swale Borough Council's Annual Financial Report for 2025/26 provides a record of how the Council has used its financial resources during the year.

The Annual Financial Report has the following sections:

- the Narrative Report, which will cover financial and non-financial performance;
- reference to the Annual Governance Statement showing how the Council meets set standards when carrying out its responsibilities;
- a report from Grant Thornton, after they have reviewed the Council's accounts;
- the Statement of Accounts – see below; and,
- a glossary to explain any technical terms used in the report.

The Annual Governance Statement

This statement is not part of the Statement of Accounts, but is an accompanying report, and is published alongside the Annual Financial Report.

The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation.

Auditors report

The Council's accounts and all relevant documents are subject to review by Grant Thornton UK LLP – the Council's external auditors. At the conclusion of their work, the external auditors provide an independent opinion on whether the financial statements present a "true and fair view" of the financial position of the Council at the balance sheet date, and of its income and expenditure for the year. They also report on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

The main financial statements

The Statement of Accounts, through the main statements and accompanying notes, provides a record of the Council's financial position and performance for the year ended 31 March 2026. It has been prepared in accordance with the Accounts and Audit Regulations 2015 (as amended) which require the accounts to be prepared and signed by the responsible officer by 30 June 2026.

The format meets the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code), supported by International Financial Reporting Standards (IFRS).

The local authority accounting year runs from 1 April to 31 March. Throughout the accounts figures in brackets represent income or negative figures. The statements are produced using figures rounded to the nearest thousand. This can lead to rounding variances in some of the totals included within the statements and the notes to the accounts.

The Statement of Accounts appears on pages 20 to 86. The Council's core financial statements are listed below along with a brief explanation of their purpose.

Comprehensive Income & Expenditure Statement page 20 – shows all of the Council's spending, income and changes in value in providing its services during the year in accordance with generally accepted accounting practice.

Movement in Reserves Statement page 21 – shows the movement on all the Council's reserves (funds set aside) due to the increase or decrease in the Council's net worth as a result of its spending, the income it received, and changes in the value of its assets.

Balance Sheet page 22 – summarises the Council's financial position at 31 March each year. It shows the assets (what the Council owns) that the Council holds and its liabilities (what the Council owes) to other parties, and the Council's reserves, separated into those that can be used for future spending (usable reserves) and those created to reconcile the technical aspects of accounting (unusable reserves).

Cash Flow Statement page 24 – summarises the cash movements in and out of the Council's bank accounts over the year.

Notes to the Core Financial Statements on pages 25 to 81 – present information about the basis of preparation of the financial statements and the accounting policies used. The notes also disclose information required by the Code that is not presented elsewhere in the financial statements but is relevant to understanding them.

Collection Fund on pages 82 to 86 – is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement, and accompanying notes, show the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Financial Performance in 2025/26

This section gives an overview of the financial performance of the Council in 2025/26, including reasons for significant variances from planned expenditure.

The UK is still impacted by a cost of living crisis, with people feeling the impact of price increases across many household items and the latest increase in fuel costs following the Iran war. Volatility remains, with interest rates being carefully managed by the Bank of England. The higher than expected levels of inflation impact on the cost of council contracts, as well as seeing an increase in demand for certain council services, all of which impacts on the council's financial position.

As in recent years, the Council has continued to receive grant funding to pay over to residents in the form of the Housing Support Fund, to help households manage increasing costs.

There were regular reports to Policy and Resources committee and senior management on the monitoring of spend against budget. In 2025/26 the final outturn position was balanced, with the use of £585k from reserves. The budget for 2025/26 included the use of £1,160k from the budget contingency reserve, so the final position was an improvement of £575k. The major variances against budget were an overspend on Planning services and Housing & Community, offset by savings on salaries, contract contingencies and insurance, as well as additional investment income earned throughout the year as a result of interest rates remaining high. A report will go to Policy and Resources Committee on 17 June 2026 which details how the Council spent its money against its budget and how this expenditure was financed.

There have remained difficulties recruiting to some vacancies during 2025/26. In some areas this has led to financial savings within the year whilst posts remained vacant, but in others it has led to financial overspends as the posts have been filled by the use of agency staff. The savings are not ongoing, as the posts are being filled, and where agency staff are being used the Council is continuing to attempt recruitment to ensure that services can be delivered within the financial resources available.

Revenue Expenditure and Income for 2025/26

The table below shows spend against budget for the Council's service departments:

	Budget 2025/26 £'000	Spend 2025/26 £'000	Over/ (Under) Spend 2025/26 £'000
Chief Executive	813	857	44
Communications	376	361	(15)
Elections, Democratic Services & Information Governance	1,172	1,203	31
Housing & Community	4,421	4,718	296
Planning	1,203	1,773	570
Environment & Leisure	8,988	9,079	91
Regeneration & Economic Development	(384)	(327)	57
Finance & Procurement	785	756	(29)
Revenues & Benefits	539	539	0
Environmental Health	684	641	(43)
Information Technology	1,453	1,400	(52)
Internal Audit (Shared Services)	165	134	(32)
Human Resources	493	493	0
Legal	701	581	(120)
Drainage Board Levy	1,049	1,018	(31)
Corporate Overheads and Capital Financing	4,638	3,292	(1,346)
Cost of Services	**27,095**	**26,518**	**(578)**
Financed by:			
Budget Contingency Reserve	(1,160)	(581)	579
Revenue Support Grant	(362)	(363)	0
Other Grants	(2,088)	(2,087)	0
Business Rates	(12,104)	(12,104)	(0)
New Homes Bonus	(988)	(988)	(0)
Collection Fund Deficit	45	44	(1)
Council Tax	(10,439)	(10,439)	(0)
(Surplus) in Year	**0**	**0**	**0**

	Budget 2025/26 £'000	Actual 2025/26 £'000	Variance 2025/26 £'000
General Fund Balance 1 April 2025	(3,103)	(3,103)	0
Surplus in year	0	(0)	(0)
General Fund Balance 31 March 2026	**(3,103)**	**(3,103)**	**(0)**

The above table shows that the General Fund balance has remained at £3.103m for 2025/26. The Council's policy is to maintain a balance of at least £1.5 million in the General Fund. The balance of £3.103 million at 31 March 2026 represents 11.7% of the Cost of Services for 2025/26 and is therefore deemed to be at an adequate level by the Head of Finance and Procurement.

In addition, the Council:

- collected £118m of Council Tax for Police, Fire, Kent County Council (KCC), Parish Councils and itself (£112m in 2024/25);
- collected £67m of Business Rates for the Government, Fire, KCC, and itself (£65m in 2024/25);
- paid out £22.2m on benefits and received £21.6m in grant (£28.5m paid, £27.9m received in 2024/25).

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

Activity	**Variance (£000) ()=underspend +ve = overspend**	**Explanation of variance**
Chief Executive	44	The main contributing factors are professional subscriptions and development activities for Councillors and senior management. Extra budget has been included for 2026/27.
Elections, Democratic Services & Information Governance	31	This is mainly due to the costs of the yearly canvass and has been included in the 26/27 budget.
Housing and Community	296	The variance is made up of many factors. The cost of temporary accommodation has significantly increased. This has been partly offset by additional grants and contributions. Underspend in Community Services primarily down to a project being funded by the UK SPF grant.
Planning	570	The overspend is due to the cost of the agency staff outstripping the savings from the vacancies and reduced planning fees income as a result of fewer planning applications. The service continues to use agency staff to fill vacant posts, with ongoing recruitment plans to attract permanent staff. Appeal costs were lower than expected.
Environment and Leisure	91	The variance is largely due to grounds maintenance contract savings that were not achieved, and income from garden waste was also lower than budget. There were some savings from staff vacancies, as well as an underspend from a shared service arrangement.
Regeneration & Economic Development	57	There are overspends due to the use of external support for vacant posts, as well as costs incurred on empty commercial properties. These were partially offset from savings at Swale House

		operations on utility costs, and savings from vacancies throughout the team.
Finance & Procurement	(29)	This underspend is due to salary savings as a result of staff vacancies and maternity leave.
Other Shared Services	(247)	There were a number of staff vacancies across the shared services that created savings within the year. Legal Services underspend is due to recharges to capital projects and additional external fee income. Legal continue to have recruitment difficulties, with additional costs being shared across the shared service partners.
Drainage Board Levy	(31)	This is mainly due to a small government grant received in 25/26 towards the high levy requirement.
Corporate Items	(1,346)	Variance has arisen due to interest on investments being above budget, savings on pensions costs and savings on the insurance contract. In addition excess budgets have built up over time from inflation calculations with the biggest contributor being the waste and street cleansing contract. These have been taken into account when setting the 26/27 budget.

Capital Spending for 2025/26

Where spending is on an asset which will benefit the Council over a number of years, it is called capital. It is funded mainly by Government grants, borrowing, reserves and capital receipts (money from selling land and other assets). The revenue impact of implementing the capital programme is reflected in the revenue budget.

The Council's spend on capital schemes in 2025/26 was £14.8 million. The outturn position of the capital programme is detailed in the table below, along with a breakdown of how it was funded.

	Budget		Spend		Slippage	
	Exp	Income	Exp	Income	net	Variance to Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Local Authority Housing	21,063	(969)	0	0	20,094	0
Levelling up - Sheerness Revival	15,579	(15,515)	10,232	(10,232)	64	0
Disabled facilities & other housing grants	8,661	(8,661)	1,368	(1,368)	0	0
Housing temporary accommodation	2,361	(922)	2,361	(922)	0	0
UK Shared Prosperity & Rural Prosperity grant	462	(462)	204	(204)	0	0
CCTV Project	283	(41)	41	(41)	242	0
ICT replacement programme	269	(269)	115	(115)	0	0
Beach huts	143	(143)	224	(224)	0	0
Waste Vehicle Fleet	115	0	0	0	115	0
Swale House Solar Panels	104	(104)	104	(104)	0	0
Other Captial Projects	1,090	(655)	142	(142)	539	0
Total	**50,129**	**(27,741)**	**14,791**	**(13,352)**	**21,054**	**0**
Sources of funding						
Capital grants and other contributions			12,837			
Capital receipts			224			
Earmarked reserves			292			
Borrowing			1,439			
Total capital funding			**14,791**			

The main capital expenditure items in 2025/26 were the Levelling Up Sheerness Revival project, the purchase of housing for temporary accommodation and disabled facilities grants.

Due to delays and reprofiling of capital projects, there will be slippage of £21.054m into 2026/27. The reason for the slippage is mainly due to delays to the affordable homes scheme. There is slippage to the Levelling Up project in line with the revised programme timetable.

How the Council Manages its Surplus Funds

The Council's total investment averaged £23 million during 2025/26 (£21 million for 2024/25) and closed at £13.6 million at 31 March 2026 (see Note 42, Table 4) (£10.7 million at 31 March 2025). The Council achieved a weighted average return of 3.61% for 2025/26, amounting to £949,000 (£1,133,000 in 2024/25).

The Council meets Government and accounting requirements on treasury management which emphasise the security of funds. The policy is to avoid unnecessary risk, so the Council only puts money with the safest and most secure financial institutions and a number of very large, wide-ranging money market funds (these are well rated, highly diversified pooled investment vehicles).

At 31 March 2026, the Council had seven loans, totalling £17.1 million, each ranging in value from £2 million to £3 million, from local authorities and the PWLB, at a weighted average interest rate of 4.86%.

How the Council Collects Tax

The Council collects Council Tax on behalf of Kent County Council (KCC), Police, Fire, and Parishes, and Business Rates for the Government, KCC, and Fire service, which is recorded in the Collection Fund which can be seen on page 83. At the year-end, this account had a deficit balance of £0.917 million (surplus balance of £0.1m at 31 March 2025).

Transparency of the Council's Spending

By law, all Councillors must fill in a Declaration of Members' Interest form to register their financial or other interests. The Monitoring Officer maintains the full Register. The public can see it on the Council's website at http://www.swale.gov.uk/register-of-interests/.

The Government has promoted how local authorities make information on senior staff salaries and payments to the Council's suppliers available to the public. This information can be found on the Council's website at: http://www.swale.gov.uk/transparency/.

Pensions

The Council is a member of the Local Government Pension Scheme (LGPS), which KCC administers on the Council's behalf. Every three years this fund is valued by a firm of actuaries (professionally qualified independent consultants). This valuation estimates how much money will be needed to pay pensions in the future and compares this to the expected income. A valuation is carried out every three years and this sets the amount that the Council has to pay to the Kent Pension Fund.

However, the pensions note in the accounts (Note 9) is based upon a different method of valuing the Pension Fund from the one described above. Instead, the value of pensions in the accounts is based on an International Accounting Standard (IAS 19) using different assumptions from the approach described above. In the accounts, the pension deficit according to IAS 19 has decreased from £8 million at 31 March 2025 to £6 million at 31 March 2026 after the impact of the asset ceiling. However, this IAS 19 approach does not affect the amount that the Council has to pay to the Kent Pension Fund which is set by the results of the three year valuation described above.

The table below compares these two differing methods of valuation for the past few years.

Year	IAS 19 Review Pension Deficit £'000	3 Year Review Pension Deficit £'000
2023/24	10,749	8,460
2024/25	7,728	8,460
2025/26	6,082	5,660

The 3 year review pension deficit is set by a triennial review, the last of which was carried out as at 31 March 2025. The results of the review will be effective from 1 April 2026. The next review will be as at 31 March 2028, and the report for that will be produced in the autumn of 2028.

As in 2024/25 the initial IAS 19 calculated a surplus for 2025/26 due to an increase in discount rates. An asset ceiling calculation was therefore prepared by the fund actuaries, and once applied a deficit of £6.082m was returned.

The reasons for the contrast in the valuations between the two methods are the different methods and assumptions underlying their calculations.

Reports on the Kent Pension Fund are available from: KCC, Treasury and Investments, County Hall, Maidstone, Kent ME14 1XQ or by using the following link: https://www.kentpensionfund.co.uk/.

Significant changes to the local authority financial regime

New Accounting Policies in 2025/26

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

Swale Borough Council currently values high-value assets on an annual basis, and the remain assets on a rolling basis over 5 years. The requirement within the code is that assets are revalued every 5 years, and indexation is applied, if material, in the intervening years. If appropriate indices cannot be identified, then a desktop revaluation is to be carried out in year 3. For the accuracy of the accounts, and ensuring a true and fair view, the adopted policy will see high-value assets continue to be valued on an annual basis, with the remaining assets valued on a rolling 5 year basis. Indexation will be calculated on those assets not valued, and this will be applied only when the impact is material.

Future financial position and challenges

The future of central government funding for Swale remains a significant concern as the much awaited Local Government Finance Review and Business Rate reset has left the council with a reduction in funding over the three year settlement period. Whilst there is a one year solution to the reduction in the form of an Adjustment Support Grant, the ongoing reductions in Revenue support Grant and Homelessness funding leave a gap in the council's budget position.

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

Medium Term Financial Plan

The Medium Term Financial Plan agreed by Council on 18 February 2026 forecast a revenue budget gap of £541,000 in 2026/27, growing to a gap of £4.2 million in 2029/30 and therefore this will need to be addressed in future budget rounds. It is not sustainable to rely on significant transfers from reserves to support the base budget position.

Future budgetary issues include: ongoing impact of reductions to Revenue Support Grant and Homelessness grant funding following the review of Local Government Finances, the impact of the local and UK economy on business rates income, increasing costs of temporary accommodation and supporting homeless applications, increased service demand due to cost of living, and reducing reliance on reserves.

The Council seeks to maintain a minimum of £1.5m as its General Fund balance, but this minimum level will remain under review. At 31 March 2026 the balance was £3.1m. The Council holds earmarked reserves for specific purposes. The Director of Resources' view is that the level of reserves and balances held by the Council are at a reasonable level, and as such there is no expectation of a request for Exceptional Financial Support or issuing of a Section 114 notice during the period of the Medium Term Financial Plan.

The Medium Term Financial Plan is detailed in the Council's report on setting the Budget and Council Tax for 2026/27 which was approved by Council meeting on 18 February 2026 which can be found on the Council's website here:

Agenda for Council on Wednesday, 18 February 2026, 7.00 pm

Capital Strategy

The Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services.

Looking ahead to 2026/27 there will be several capital projects which are reflected in the Capital Budget:

- Local Authority Affordable Housing - in October 2020 Cabinet agreed to establish Swale Rainbow Homes Ltd. The outline business case envisaged the Council providing up to £23 million of funding through loans to support the delivery of new homes. This project has been updated to reflect the current market conditions and government grant secured to make the housing on Cockleshell Walk viable. The council will now be delivering the scheme directly with works commencing in Spring 2026.

- Completion of the Sheerness Revival Scheme – the council was successful in its bid for funding from the Levelling Up scheme, which was to use funding to improve health, education, leisure and employment opportunities in Sheerness through the Sheerness Revival project. Two parts of the project are now complete, with the Sheerness Revival element ongoing. This was always expected to be a multi-year capital project, with the budget profiled accordingly.

- Pride in Place Impact Funding – Grant funding will focus on delivering schemes in Sheppey, Faversham and Sittingbourne.

- Leisure Centre Improvements – Funding has been allocated to ensuring the leisure centre plant and equipment continues to support the service delivery.

The Director of Resources believes that the Capital Strategy and Capital Programme proposed are sustainable. The capital strategy and programme are detailed in the Council's report on setting the Budget and Council Tax for 2026/27 which was approved by Council meeting on 18 February 2026 and can be found on the Council's website here:
Agenda for Council on Wednesday, 18 February 2026, 7.00 pm

Conclusions

It has continued to be a challenging period of time for the Council, but financial plans have been substantially delivered overall and work is taking place to help identify and deliver savings in future years whilst continuing to strive to minimise any negative impact on services. Work is taking place within service areas to try to remove or minimise specific overspends.

I would like to thank all staff within the Council for their efforts in delivering quality services largely within the Council's financial plans. The hard work of all staff puts the Council in the best possible position to deal with the serious financial challenges that we continue to face, and I have faith that staff will strive to meet these challenges.

Particular thanks are due to the finance team for their work in producing this Statement of Accounts in a very short timescale, in a period when their workload exceeded their available work hours.

Claire Stanbury CPFA

Date: 4 November 2026

Head of Finance and Procurement

Reviewing Performance

The Council's Performance

The Council continues to monitor its performance against a range of performance indicators and, where possible, to benchmark its performance with those of other local authorities. In addition to numerous indicators in use within specialist teams, Members, through Policy and Resources Committee, and management monitored a set of 'corporate' indicators on a regular basis. Full year performance for 2025/26 will be reported to Policy and Resources Committee on 17 June and will be published here: https://democracy.swale.gov.uk/ieListDocuments.aspx?CId=353&MId=4498

The Council's People

The Council has developed its values to describe clearly how the Council does things and all employees should be aware how the Council expects them to work. The Council has an engagement plan to ensure that staff know where they fit in and the importance of their role in delivering the priorities of the Council. An important part of the engagement plan is the approach to staff communications which are regular and made through a variety of communication channels. An updated Workforce Strategy was adopted in 2024/25.

The monitoring of workforce information by SMT continues to focus on sickness absence, as well as staff turnover and recruitment. Sickness absence for 2025/26 averaged 6.38 days per employee (2024/25 7.66 days per employee). This is lower than last year, and continues to be below the average for public sector organisations which was 8.4 days in the year. The Council has continued to provide a proactive approach to sickness management and has continually enhanced an active programme of well-being initiatives to encourage staff to take responsibility for their own health.

How the Council Manages Data

The Council has a responsibility to securely keep the personal data it holds. In 2025/26 there were 36 reported incidents which amounted to breaches of the Data Protection Act and eight near misses. Each case is investigated fully before the Council's Data Protection Officer decides on the appropriate response. In 2025/26 three incidents were reported to the Information Commissioner.

How the Council Manages Risk

The Council has a well embedded approach to risk management, and this is reflected in the Risk Management Framework. The framework was reviewed and updated in 2025/26 and approved by Audit Committee in July 2025. The framework details the Council's approach to the management of corporate and operational risks and is available to all officers and Members.

The risk management process is coordinated by Mid Kent Audit and regularly reported to SMT and Policy and Resources Committee. Audit Committee also maintain an oversight of the process.

The last annual report on the Council's risk management arrangements was taken to Audit Committee on 23 April 2025 and can be found here: https://services.swale.gov.uk/meetings/documents/s30022/Risk Management Annual Report - Cover Report.pdf. A project to review the current risk register commenced in

March 2026 and an Annual report will be presented to both the Audit Committee and Policy and Resources Committee in July 2026.

Mid Kent Audit continues to provide guidance and advice, and works across the Council to improve risk culture and understanding of effective risk management.

Annual Governance Statement (AGS)

The AGS has been updated in line with the CIPFA/SOLACE Delivering good governance in local government framework. The framework recommends that local authorities improve the access to the AGS and so we are now publishing the statement as a standalone document so that it is more easily identifiable on the council's website. It will be published alongside the Statement of Account to ensure the clear link back to the financial statement is maintained.

Independent auditor's report to the members of Swale Borough Council

Grant Thornton have carried out an audit on these accounts and reported their findings to the Audit Committee on 14 October 2026. A copy of the auditors report can be found here:

https://swale.gov.uk/__data/assets/pdf_file/0007/546793/SBC-Auditors-Report-25-26-SIGNED-4-Nov-2026-AA.pdf

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

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

The Director of Resources' Responsibilities

As the Director of Resources, I am the S151 Officer and am responsible for the preparation of the Council's 2025/26 Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy / Local Authority (Scotland) Accounts Advisory Committee Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, I have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code;
- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I confirm that the accounts present a true and fair view of the financial position of the Council at the reporting date and its income and expenditure for the year ended 31 March 2026.



Lisa Fillery CPFA **Date: 4 November 2026**

Director of Resources

Certification of the Chairman of the Audit Committee

I confirm that the adoption process for the 2025/26 Statement of Accounts has been formally completed and that the Statement of Accounts for the year ended 31 March 2026 was approved by Swale Borough Council in accordance with the Accounts and Audit Regulations (England) 2015 at the meeting of the Audit Committee.



Chair of the Audit Committee **Date: 4 November 2026**

Comprehensive Income & Expenditure Statement – Why the Council's Resources Changed

2024/25 (Restated) Gross Exp £'000	2024/25 (Restated) Gross Income £'000	2024/25 (Restated) Net Exp £'000		Note	2025/26 Gross Exp £'000	2025/26 Gross Income £'000	2025/26 Net Exp £'000
751	(1)	750	Chief Executive		785	0	785
397	(3)	394	Communications		363	(4)	359
1,105	(52)	1,054	Elections, Democratic Service and Information Governance		1,050	(5)	1,045
15,222	(7,905)	7,316	Housing & Community Services		13,934	(8,842)	5,092
4,250	(2,399)	1,851	Planning		3,493	(2,276)	1,217
18,930	(7,015)	11,915	Environment & Leisure		17,306	(6,861)	10,445
4,766	(3,482)	1,284	Regeneration & Economic Development		4,387	(3,156)	1,231
1,352	(178)	1,175	Finance & Procurement		1,556	30	1,586
30,477	(30,027)	451	Revenues & Benefits		24,033	(23,331)	702
685	(53)	632	Environmental Health		708	(57)	651
968	(51)	917	Information Technology		935	0	935
133	0	133	Internal Audit		134	0	134
440	(2)	437	Human Resources		516	(2)	514
2,121	(1,603)	518	Legal		2,486	(1,951)	535
0	(86)	(86)	Corporate Items		0	(102)	(102)
81,597	**(52,858)**	**28,740**	**Sub Total Cost of Services**		**71,686**	**(46,557)**	**25,129**
			Other Operating Expenditure				
1,000	0	1,000	Drainage Board levy		1,037	(19)	1,018
1,955	0	1,955	Parish and Town Council precepts		2,166	0	2,166
0	(236)	(236)	(Gain)/loss on disposal of assets	14	0	(239)	(239)
1,747	(3,218)	(1,471)	**Financing & Investment**	11	1,320	(2,940)	(1,620)
			Taxation and Non-Specific Grant Income and Expenditure				
0	(11,998)	(11,998)	Council Tax		0	(12,637)	(12,637)
0	(24,954)	(24,954)	Business Rates income		0	(25,457)	(25,457)
0	(9,569)	(9,569)	S31 Business Rate Relief Grants		0	(9,208)	(9,208)
19,734	0	19,734	Tariff & levy Business Rates		20,029	0	20,029
3,701	(2,164)	1,536	Business Rates Kent Pool		3,470	(2,081)	1,389
0	(338)	(338)	Revenue Support Grant		0	(363)	(363)
0	(674)	(674)	New Homes Bonus		0	(988)	(988)
0	(4,967)	(4,967)	Other grants and contributions		0	(11,297)	(11,297)
109,735	**(110,977)**	**(1,242)**	**(Surplus)/Deficit on Provision of Services**		**99,708**	**(111,786)**	**(12,078)**
		(1,553)	Net surplus on revaluation of non-current assets	18			(7,051)
		(2,302)	Re-measurement of net defined pension liability	9			(405)
		(5,097)	**Total Comprehensive (Income) and Expenditure**				**(19,534)**

This shows the cost of providing services on an accounting basis resulting in net income of £19.534 million, which increases the value of the Council's assets. The cost of providing services funded from taxation is shown in the Movement in Reserves Statement.

The 2024/25 figures have been restated to move £160,000 from Other Comprehensive Income and Expenditure, and included within Financing & Investment.

Movement in Reserves Statement – The Change in the Council's Resources

	General Fund Balance £'000	Revenue Earmarked Reserves £'000	Total General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
2025/26								
Opening Balance	(3,103)	(17,210)	**(20,312)**	(648)	(2,043)	**(23,003)**	**(46,173)**	**(69,176)**
Total Comprehensive Expenditure & (Income) 2025/26	(12,078)		**(12,078)**			**(12,078)**	**(7,456)**	**(19,534)**
Adjustments between accounting basis and funding basis (note 46)	9,602	0	**9,602**	(608)	(195)	**8,799**	**(8,799)**	**0**
Transfers (to)/from earmarked reserves (note 17)	2,475	(2,475)	**0**	0	0	**0**	**0**	**0**
(Increase)/decrease in year	**(1)**	**(2,475)**	**(2,476)**	**(608)**	**(195)**	**(3,279)**	**(16,255)**	**(19,534)**
Balance at 31 March 2026	**(3,103)**	**(19,685)**	**(22,788)**	**(1,255)**	**(2,238)**	**(26,281)**	**(62,428)**	**(88,710)**
2024/25 (Restated)								
Opening Balance	(3,103)	(16,869)	**(19,971)**	(392)	(1,764)	**(22,127)**	**(41,951)**	**(64,079)**
Total Comprehensive Expenditure & (Income) 2024/25	(1,242)	0	**(1,242)**	0	0	**(1,242)**	**(3,855)**	**(5,097)**
Adjustments between accounting basis and funding basis (note 46)	901	0	**901**	(256)	(278)	**367**	**(367)**	**(0)**
Transfers (to)/from earmarked reserves (note 17)	341	(341)	**0**	0	0	**0**	**0**	**0**
(Increase)/decrease in year	**0**	**(341)**	**(341)**	**(256)**	**(278)**	**(875)**	**(4,222)**	**(5,097)**
Balance at 31 March 2025	**(3,103)**	**(17,210)**	**(20,312)**	**(648)**	**(2,043)**	**(23,003)**	**(46,173)**	**(69,176)**

The Movement in Reserves Statement (MIRS) shows the movements in the year for the Council's usable reserves, (those that can be used for future funding of services), and unusable reserves (there to deal with accounting entries only). It begins by showing the effect of the previous statement – the Comprehensive Income & Expenditure Statement, and then reverses out accounting entries to show the balance on each of the reserves at the end of the financial year. In summary, there was an increase in the Council's usable reserves of £3.278 million resulting in a balance of £26.281 million.

Balance Sheet – The Council's Resources

31 March 2025 £'000	£'000		Note	31 March 2026 £'000	£'000
	106,073	**Total Property, Plant and Equipment**	24		120,300
100		Assets Held for Sale	29	0	
2,329		Heritage Assets	27	2,328	
3,984		Investment Properties	28	3,983	
70		Intangible Assets		59	
2,419		Right of Use Assets	24	3,241	
2,805		Long-Term Investments	42	2,804	
1,849		Long-Term Debtors	39	1,657	
	13,555				**14,072**
	119,628	**Total Long-Term Assets**			**134,372**
		Current Assets			
16,458		Short-Term Debtors	40	23,965	
8,184		Cash and Cash Equivalents	41	10,833	
	24,642	**Total Current Assets**			**34,799**
	144,270	**Total Assets**			**169,170**
		Current Liabilities			
(14,673)		Short-Term Creditors	34	(17,087)	
0		Cash and Cash Equivalents	41	(466)	
(13,000)		Short-Term Loans	42	(14,100)	
(31)		Short-Term Lease Liability	43	(37)	
(101)		S106 Deferred Revenue Receipts	35	(38)	
(492)		Revenue Grant Receipts in Advance	12	(468)	
(5,230)		Capital Grant Receipts in Advance	34	(7,252)	
(847)		Provisions	37	(1,325)	
	(34,374)	**Total Current Liabilities**			**(40,773)**
	109,895	**Total Assets less Current Liabilities**			**128,398**
		Long-Term Liabilities			
(60)		Long-Term Creditors	33	(60)	
0		Long-Term Loans	42	(3,000)	
(3,138)		Long-Term Lease Liability	43	(3,129)	
(7,728)		Liability Related to Defined Benefit Pension Scheme	9(f)	(6,082)	
(28,191)		Capital Grants and Contributions	36	(26,315)	
(1)		S106 Deferred Revenue Receipts	35	(159)	
(1,601)		Provisions	37	(942)	
	(40,719)	**Total Long-Term Liabilities**			**(39,687)**
	69,176	**Net Assets**			**88,710**
		Financing:			
		Unusable Reserves			
(33,811)		Revaluation Reserve	18	(39,973)	
(6)		Deferred Capital Receipts Reserve		(6)	
(20,258)		Capital Adjustment Account	19	(29,327)	
(242)		Collection Fund Adjustment Account	20	367	
220		Accumulated Absences Account	22	234	
7,728		Pensions Reserve	23	6,082	
195		Pooled Fund Adjustment Account	21	195	
	(46,173)	**Total Unusable Reserves**			**(62,428)**
	(23,003)	**Total Usable Reserves**	MIRS		**(26,281)**
	(69,176)	**Total Reserves**			**(88,710)**

Balance Sheet – The Council's Resources

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

There was an increase in the value of the Council's net assets in 2025/26 which was mainly due to revaluation increases in property, plant and equipment. There was an increase in short term assets largely driven by an increase in debtors, and an increase in short term liabilities driven by increases in creditors and capital grants received in advance.

The usable reserves are detailed on the Movement in Reserves Statement and can be used to fund expenditure or reduce local taxation.

The movement in cash that has resulted in the Cash and Cash Equivalents combined balance of £10.367m shown above is detailed in the Cash Flow Statement.

As the Responsible Financial Officer for Swale Borough Council, I hereby certify that these accounts give a true and fair view of the Council's financial position and financial performance in advance of approval.

Lisa Fillery CPFA **Date: 4 November 2026**

Director of Resources

Cash Flow Statement – Movement in Council's Resources in Cash

2024/25 £'000		Note	2025/26 £'000
1,402	Net surplus/(deficit) on the provision of services		12,078
	Adjustments to net surplus or deficit on the provision of services for non-cash movements		
2,397	Depreciation		2,648
3,285	Revaluation gains/impairments & downward valuations		(1,072)
(53)	Adjustments for movements in fair value of investments classified as Fair Value through Profit & Loss a/c		0
88	Movement in debt impairment		50
(10,881)	Movement in creditors		3,726
10,910	Movement in debtors		(5,820)
(719)	Movement in pension liability		(1,241)
112	Movement in provisions		(181)
14	Carrying amount of assets held for sale, sold or derecognised		588
(88)	Movement in Investment Property Values		1
15	Other movements		18
5,080			**(1,283)**
(8,289)	Adjustment for items that are investing or financing activities		(13,861)
(1,807)	**Net cash inflow/(outflow) from Operating Activities**		**(3,066)**
	Investing Activities		
(18,793)	Purchase of property, plant & equipment, investment property & intangible assets		(9,066)
(42,605)	Purchase of short-term investments		(60,020)
(949)	Other payments for investing activities		(7,513)
246	Proceeds from the sale of property, plant & equipment, investment property & intangible assets		828
42,605	Proceeds from short-term investments		60,020
15,814	Other receipts from investing activities		20,506
(3,682)	**Net cash inflow/(outflow) from Investing Activities**		**4,755**
	Financing Activities		
13,000	Movement on short and long-term borrowing		17,100
149	Council Tax and Business Rates adjustments		(3,542)
(10,000)	Repayment of short-term borrowing		(13,000)
(58)	Payments for the reduction of lease liability		(64)
3,091	**Net cash inflow/(outflow) from Financing Activities**		**494**
(2,398)	**Net increase/(decrease) in Cash and Cash Equivalents**		**2,183**
10,582	Cash and cash equivalents at 1 April	41	8,184
8,184	Cash and cash equivalents at 31 March	41	10,367
(2,398)			**2,183**

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

The cash flow for operating activities includes £983,000 for interest received (£1,050,000 in 2024/25) and £486,000 for interest paid (£693,000 in 2024/25).

Expenditure and Funding Analysis

2024/25 Net exp charged to the General Fund	Adjustments for: Capital	Pensions	Other	Net exp in the CIES		2025/26 Net exp charged to the General Fund	Adjustments for: Capital	Pensions	Other	Net exp in the CIES
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
759	0	(8)	(1)	750	Chief Executive	857	6	(36)	(43)	785
339	0	(4)	58	394	Communications	361	0	(16)	14	359
1,119	11	(6)	(70)	1,054	Elections, Democratic Services and Information Governance	1,203	10	(21)	(146)	1,046
4,857	2,482	(42)	19	7,316	Housing & Community Services	4,718	193	(203)	384	5,092
1,239	0	(17)	629	1,851	Planning	1,773	0	(75)	(481)	1,217
9,416	3,188	(21)	(668)	11,915	Environment & Leisure	9,079	1,647	(86)	(195)	10,445
(221)	72	(10)	1,443	1,284	Regeneration & Economic Development	(327)	(51)	(40)	1,649	1,231
705	15	(2)	458	1,175	Finance & Procurement	756	11	(15)	833	1,585
195	0	(1)	256	451	Revenues & Benefits	539	0	(2)	166	703
617	9	0	6	632	Environmental Health	641	9	0	1	651
1,348	0	0	(431)	917	Information Technology	1,400	12	0	(477)	935
133	0	0	0	133	Internal Audit	134	0	0	0	134
463	0	(0)	(25)	437	Human Resources	493	0	0	21	514
607	0	(13)	(76)	518	Legal	581	0	(60)	13	534
3,827	0	0	(3,914)	(86)	Corporate Items	4,310	0	0	(4,412)	(102)
25,403	**5,778**	**(124)**	**(2,318)**	**28,740**	**Cost of Services**	**26,518**	**1,837**	**(555)**	**(2,671)**	**25,129**
(25,403)					Financed by Council Tax, Business Rates & Grants	(26,518)				
0					**(Surplus) in Year**	**0**				
					General Fund Balance:					
(3,103)					As at 1 April	(3,103)				
0					Deficit/(surplus) in Year	0				
(3,103)					**As at 31 March**	**(3,103)**				

The left hand column for each year shows the final spend for the year as reported to Policy and Resources Committee. The middle columns show changes that have to be made in order to report the Council's expenditure on an accounting basis, which is shown in the column on the right, which then appears in the Comprehensive Income & Expenditure Statement as the Cost of Services.

Column Explanations

Capital – includes the accounting cost of depreciation of assets or the change in valuation of assets as these are not charged to the taxpayer;

Pension – shows the cost of pensions based on the accounting standard IAS 19 rather than the actual payments made to the Kent Pension Fund;

Other – reporting differences between outturn and the Comprehensive Income and Expenditure statement, plus taking out Corporate Items which are not in Comprehensive Income & Expenditure Statement Cost of Services, e.g. movement to/from reserves.

The table below reconciles the Cost of Services to the Deficit on the Provision of Services on the Comprehensive Income & Expenditure Statement:

2024/25 (restated)						2025/26				
Net exp charged to the General Fund	Adjustments for: Capital	Pensions	Other	Net exp in the CIES		Net exp charged to the General Fund	Adjustments for: Capital	Pensions	Other	Net exp in the CIES
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
25,403	5,778	(124)	(2,317)	28,740	Cost of Services	26,518	1,837	(555)	(2,671)	25,129
(30,500)	(1,213)	462	1,269	(29,982)	Other (Income) & Expenditure	(46,052)	(8,302)	368	16,779	(37,207)
(5,097)	**4,565**	**338**	**(1,048)**	**(1,242)**	**(Surplus)/Deficit on the Provision of Services**	**(19,534)**	**(6,465)**	**(187)**	**14,108**	**(12,078)**
5,097	(4,565)	(338)	1,048	1,242	Adjustments from Accounting Basis	19,534	6,465	187	(14,108)	12,078
0	**(0)**	**0**	**0**	**(0)**	**(Surplus) in Year**	**0**	**0**	**0**	**0**	**0**

Accounting Policies

1. Accounting Policies – 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 of the Code, supported by IFRS and other guidance. The appropriate note details the critical judgements and estimations about the future made when applying the Accounting Policies.

(a) Accounting Convention

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

The accounts are prepared on a going concern basis reflecting the economic and statutory environment in which local authorities operate. These provisions confirm that as authorities cannot be created or dissolved without statutory prescription it is only appropriate for their financial statements to be prepared on a going concern basis. The going concern assumption under the Code is therefore drawn up to assume that a local authority's services will continue to operate for the foreseeable future.

The accounting concepts are supported by the fundamental qualitative characteristics of relevance, faithful representation and materiality and four enhancing qualitative characteristics of comparability, verifiability, timeliness and understandability. Where a particular accounting treatment is prescribed by legislation, then the treatment prevails even if it conflicts with one or more of the above accounting concepts. In the unlikely event of this arising, a note to that effect will be included in the accounts. The Code only requires local authority financial statements to disclose information which is material.

(b) Accruals of income and expenditure

In accordance with IFRS 15, activity is accounted for in the year that it takes place, not simply when cash payments are made or received and relates to activity on all of the Council's functions including non-exchange transactions e.g. Council Tax and Business Rates. In particular:

- the Council recognises income when or as control over the goods or services is transferred to the customer or service recipient in accordance with the performance obligations in the contract;
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- expenses in relation to services received, including those from employees, are recorded as expenditure when the services are received rather than when payments are made;
- revenue relating to such things as council tax, business rates, etc. are measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates;

- 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;
- accruals are recognised where the value exceeds £1,000;
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to Cost of Services for the income that might not be collected;
- exceptions are utility bills, insurance premiums and income from car parking, which are, in the main, charged or credited to the year in which billed, rather than be apportioned between years as the effect of adjusting for opening and closing balances would not be material to the total of transactions for the year. This policy also covers larger transactions debited or credited to the year in which they were billed and not apportioned between years; and,
- the annual review of the impairment allowance for non-payment of debt will take into account the prevailing economic climate.

2. Accounting Policies

(a) Capital Receipts

When an asset is disposed of or de-commissioned, the carrying amount and the receipt from the sale are charged to the Comprehensive Income & Expenditure Statement. The receipt is required to be credited to the usable capital receipts reserve and can only be used to finance capital expenditure or set aside to reduce the Council's borrowing requirement.

(b) Cash and Cash Equivalents

Cash and Cash Equivalents are highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of change in value and are shown on the Balance Sheet at their nominal value. The Council has defined cash equivalents as investments that do not require notice for withdrawal.

(c) Employee Benefits

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 for current employees and are recognised as an expense for services in the year in which employees render service to the Council. Where material, 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 due to 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. They are charged on an accruals basis to the appropriate service or, where applicable, to corporate services at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require that the General Fund is charged with the amount payable by the Council to the Kent Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Kent Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

The Local Government Pension scheme is accounted for as a defined benefits scheme. The liabilities of the Kent Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of projected earnings for current employees. The value of the Kent Pension Fund liabilities has been assessed by Barnett Waddingham, an independent firm of actuaries.

Liabilities are discounted to their value at current prices, using a discount rate of 6.10%. The discount rate is calculated using the annualised Merrill Lynch AA-rated corporate bond curve, chosen to meet the requirements of IAS 19 and with consideration of the estimated duration of employer's liabilities.

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

Where the value of the assets is greater than the value of the liabilities, creating a surplus, an asset ceiling calculation is carried out, ensuring compliance with IFRIC 14 regulations. The asset ceiling is the present value of any economic benefit available to the employer in the form of refunds or reduced future employer contributions.

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

• Service cost comprising:

– current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

– past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement.

– net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the

Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

• Remeasurements comprising:

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

– contributions paid to the Kent pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

The Fund's Actuary determines employers' contributions to the Pension Fund on a triennial basis. The actuarial valuation reflected in the 2025/26 financial statements took place on 31 March 2022 and the change in contribution rates as a result of that valuation took effect from 1 April 2023. Changes resulting from the 31 March 2025 revaluation will take effect from 1 April 2026.

(d) Estimation Techniques

Estimation techniques are the methods adopted by the Council to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. Details of where these have been used are contained in the relevant note to the Accounts. Where a change in an estimation technique is material, an explanation is also provided of the change and its effect on the results for the current period.

(e) Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of the instrument. However, "other debtors" are an exception as they are not recognised when the Council becomes committed to supply the goods or service but when the ordered goods or services have been delivered or rendered. Similarly, "other creditors" are recognised when the ordered goods or services have been received.

Financial assets are classified as one of:

- fair value through profit and loss – this category includes:
  - Money Market Funds (MMFs) and are initially measured and carried in the Balance Sheet at fair value; and
  - Investment in Church, Charities and Local Authorities (CCLA) Property Fund carried at fair value at 31 March 2026.
- amortised cost – this category includes debtors and are initially measured at fair value and carried in the Balance Sheet at their amortised cost.

The fair value of a financial instrument on initial recognition is generally the market price. Financial liabilities are measured in the Balance Sheet at amortised cost.

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 play a part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. If it is determined that no objective evidence of impairment exists for an individually assessed debtor balance, the debtor balance shall be included in a group of debtor balances that are individually assessed for impairment. No impairment is calculated for assets which are classified as fair value through profit and loss as the risk is reflected in the movement in their fair value.

The reconciliation of amounts based on accounting regulations charged to the Comprehensive Income & Expenditure Statement to the net charge required by statute against the General Fund balance, is accounted for by a transfer to or from the Pooled Fund Adjustment Account in the Movement in Reserves Statement.

(f) Government Grants and Other External Contributions

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 & 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 in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Receipts defined as grants and contributions for which conditions have not been satisfied are included on the Balance Sheet as creditors. When conditions are satisfied, grants specific to a service will be credited against that service expenditure line. General grants, e.g. Revenue Support Grant and the Council's share of business rates from the Collection Fund are credited and disclosed separately in the Comprehensive Income & Expenditure Statement under Taxation and Non-Specific Grant Income. Where capital grants are credited to the Comprehensive Income & 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.

(g) Heritage Assets

A Heritage Asset is a tangible or intangible asset that is intended to be preserved in trust for future generations because of its historical, artistic, scientific, technological, geophysical or environmental qualities and is held and maintained principally for its contribution to knowledge and culture. Heritage assets are carried at valuation (the majority are based on insurance valuations) rather than fair value, reflecting the fact that exchanges of heritage assets are uncommon.

(h) Intangible Assets

These are non-current assets that do not have physical substance but are identifiable and are controlled through custody or legal rights (eg software licences) and it is expected that future economic benefits or service potential will flow from the asset to the Council. An intangible asset is initially measured at cost and is not subject to revaluation. It is, however, subject to amortisation over its 'useful' life, which for computer software has been assessed as up to a maximum of 15 years. Amortisation is charged to the relevant service line in the Comprehensive Income and Expenditure Statement.

(i) Investment Property

Investment properties are those that are used primarily to earn rentals and/or for capital appreciation. They are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between parties at arm's length (i.e. market value, the amount that would be paid for the asset in its highest and best use). Properties are not depreciated but are revalued annually according to market conditions at the year-end and any gains or losses on revaluation or disposal are taken to the Comprehensive Income & Expenditure Statement and are reversed out of the General Fund balance via the Movement in Reserves Statement and posted to the Capital Adjustment Account.

(j) 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. The Code expands the scope of IFRS 16 to include arrangements with nil consideration, peppercorn or nominal payments.

Leases are recognised as right of use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year, but may have extension options.

The Council initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the Council's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- Amounts expected to be payable under a residual value guarantee
- The exercise price under a purchase option that the Council is reasonably certain to

exercise
- Lease payments in an optional renewal period if the Council is reasonably certain to exercise an extension option
- Penalties for early termination of a lease, unless the Council is reasonably certain not to terminate early.

The right of use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

The right of use asset is subsequently measured using the fair value model. The Council considers the cost model to be a reasonable proxy except for:

- Assets held under non-commercial leases
- Leases where rent reviews do not necessarily reflect market conditions
- Leases with terms of more than five years that do not have any provision for rent reviews
- Leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount.

The right of use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- There is a change in future lease payments arising from a change in index or rate
- There is a change in the estimate of the amount expected to be payable under a residual value guarantee
- The Council changes its assessment of whether it will exercise a purchase, extension or termination option, or
- There is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right of use asset, with any further adjustment required from remeasurement being recorded in the income statement.

As permitted by the Code, the Council excludes leases for low value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and with a term shorter than 12 months. The exception to the low value limit would be vehicles, which will always be accounted for as a lease unless the lease is shorter than 12 months.

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed. Depreciation and impairments are not charges against council tax, so these amounts are transferred to the capital adjustment account through the Movement in Reserves Statement.

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 asset from the lessor to the lessee. All other leases are classified as operating leases.

i) 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 carrying amount of the asset in the Balance Sheet (where Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the 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 (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve. The written-off value of disposals is not a charge against the 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.

ii) 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 Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Where the impact would be material, credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease term are charged as an expense over the lease term, on the same basis as the rental income.

(k) Long-Term Liabilities

Long-Term Liabilities are those due beyond the next 12 months. The current portion of any long-term liabilities due to be settled within 12 months after the Balance Sheet date are included within current liabilities.

(l) Material Items of Income and Expense

Material items of income and expense are required by the Code to be shown separately within the Statement of Accounts. The Council has decided that for this purpose an item is judged to be financially material if it is in excess of £1.5m.

(m) Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year are classified as PPE. Assets which are not being used to deliver services, but which do not meet the criteria to be classified as either Investment Assets or Assets Held for Sale, are recorded as Surplus Assets.

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

Assets are initially measured at cost, comprising:

• the purchase price

• any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The authority does not capitalise borrowing costs incurred while assets are under construction.

The Council operates a de-minimus level of £10,000 for non-current assets. Any expenditure below this level is charged to revenue in the year of acquisition.

Each of the PPE asset classifications are revalued periodically in stages in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS), as follows:

- infrastructure, assets under construction and community assets are valued at historic cost, net of depreciation (where applicable), and
- other land and buildings, vehicles, plant, furniture, equipment and surplus assets are valued at current value.

For assets that are carried in the Balance Sheet at current value, the measurements reflect the economic environment prevailing for the service or function the asset is supporting at the reporting date. The current value measurement bases include:

- Depreciated Replacement Cost, for assets where there is no market and/or the asset is specialised;
- Existing Use Value defined in accordance with RICS Valuation – Professional Standards for assets providing service potential to the Council where an active market exists; and
- Fair Value, for surplus assets that are not being used to deliver services, but which do not meet the criteria to be classified as either Investment Assets or Assets Held for

Sale.

The value of any surplus property is measured at its fair value with the purpose being to return the highest possible valuation, the estimated use of the property being taken as that which best supports this highest value. Surplus property valuations are based on using pricing information derived from an accessible market with the highest volume and level of activity for property transactions available. The valuer will use one or several measurements and/or factors to determine the value of the property, some of which may be more significant in assessing the valuation than others. Many of these inputs are observable, e.g. they can be seen, measured or found from existing data and records. Other inputs however may not be observable, e.g. an input based solely on the judgement of the valuer or where data is not available and assumptions are made. The inputs used in valuations are classified into separate hierarchies, which are a guide in assessing the risk of the valuation being more based on subjective interpretation than fact. For building and land valuations, observable inputs are classed as Level 2 and unobservable inputs are classed as Level 3.

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

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

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

Indices that will be used for revaluation and indexation reviews are as follows:

Asset Type	**Proposed Revaluation Index**
Market Based Assets	COSTAR commercial real estate market index/MSCI index
Depreciated Replacement Cost (DRC) Assets	BCIS (Building Cost Information Service) index
Land Valuations	Knight Frank/Savills regional indices

The Council's principal assets are revalued regularly and any gains arising from revaluations are reflected in the Revaluation Reserve or, where previous losses have occurred, are credited to the Comprehensive Income & Expenditure Statement to the limit of the previous loss. A loss on valuation is charged to the Revaluation Reserve to the limit of that fund and thereafter is charged to the Comprehensive Income & Expenditure Statement. The programme of revaluations is continuing on this cyclical basis although material changes to asset valuations will be adjusted in the interim periods, as they occur. Where assets are valued at depreciated replacement cost, this has only been undertaken where there is no active market for that asset.

The Council applies the principles of component accounting where an asset has a gross book value in excess of £1m and a residual life of over 25 years.

Impairment – assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where impairment losses are identified, they are charged against the Revaluation Reserve up to the amount attributable to each specific asset held in that reserve. Any excess of this amount is then chargeable to the Comprehensive Income & Expenditure Statement. Any charges to the Comprehensive Income & Expenditure Statement are reversed out to the Capital Adjustment Account via the Movement in Reserves Statement.

Depreciation – depreciation is provided for on all PPE with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

- newly acquired assets are not depreciated in the year of acquisition where this does not have a material effect upon the accounts, and
- depreciation is calculated using the straight-line method.

The standard useful lives for each category of asset are as follows:

Asset	**Depreciation Methodology**
Operational buildings	Usually 50, although this can vary according to the individual asset
Operational land	30 to 50 years (usually relating to car parks)
Land	Depreciation is not normally provided for freehold land
Non-operational buildings	40 to 60 years depending on the individual asset
Community assets	According to whether it is land, building or equipment as above
Infrastructure assets	20 to 60 years
IT equipment	3 to 15 years depending on the nature of the asset
Non-IT furniture and equipment	10 to 20 years
Vehicles	Up to 10 years depending on the type of vehicle

Provision for depreciation is made by allocating the cost (or revalued amount) less estimated residual value of the assets, as fairly as possible over their useful lives.

Where an asset has major components with different estimated useful lives, the components are depreciated separately. If there is a change in the depreciation charge because of an impairment which is material, full year depreciation is charged in the year of impairment.

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 historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals – when an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Comprehensive Income & Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income & Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

When infrastructure assets are replaced, the underlying assumption is that the part replaced was worn out and fully depreciated. As such, there will be no accounting transactions for the derecognition of the replaced or renewed part of the infrastructure asset. The exception to

this is where the asset renewed or replaced is distinctly recognisable and valued, or where an infrastructure asset is fully removed from use (not replaced or renewed).

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 transferred to the Capital Adjustment Account from the Comprehensive Income & Expenditure Statement. The costs of disposal up to 4% of the capital receipts are met from the sale proceeds.

The concept of materiality is fundamental to the preparation of the financial statements. In the public sector, as entities tend to be primarily 'spending' to provide public services rather than profit making or asset holding, it is common practice to use gross revenue expenditure as the appropriate financial reporting metric to apply materiality. However, for the purposes of disclosure requirements and adherence to relevant accounting principles and statutory requirements for non-current assets it is more appropriate to apply a materiality level of 2% of net non-current asset value which for 2025/26 is £2 million (2024/25 £2.1m).

(n) Charges to Revenue for Non-Current Assets

Service revenue accounts and trading accounts are charged an accounting estimate of the cost of holding non-current assets during the year. This comprises:

- depreciation attributable to the non-current assets used by the relevant service;
- revaluation and impairment losses, where they are in excess of the sum available in the Revaluation Reserve; and,
- amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement, the Minimum Revenue Provision (MRP) (normally equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance) and approved each year by Council.

These charges are therefore replaced by the contribution in the General Fund (MRP) by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

(o) Provisions, Contingent liabilities and contingent assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income & Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

(p) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund balance. When expenditure to be financed from a reserve is incurred, it is charged to the service revenue account within the Comprehensive Income & Expenditure Statement. The reserve is then transferred back into the General Fund balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable reserves for the Council.

(q) Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but which does not result in the creation of a non-current asset has been charged to the relevant service in the Comprehensive Income & Expenditure Statement. If the Council has decided to finance this expenditure from existing capital resources or by borrowing, then the cost is reversed out of the General Fund so there is no impact on the level of Council Tax, by a transfer in the Movement in Reserves Statement to the capital adjustment account.

(r) Shared Services

The Council maintains ‘shared service’ operations for a number of services. The shared service arrangements have been assessed against the definitions within the Code and the Council has decided that the Mid Kent Services (MKS) Board is a non-decision making body (decisions to enter into a shared service and the level of involvement and consequent cost lie with each council via its own decision making mechanism) and there is then a collaboration agreement in place for each shared service. Accordingly, all expenditure and income of these services is included within the Comprehensive Income & Expenditure Statement.

(s) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income.

(t) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service where the total cost needs to be reflected at service level. In those cases the total absorption costing principal is used – the full cost of overheads and support services are shared between users in proportion to the benefits received. Where the recharge of overheads and support services is not required for the calculation of total costs, the costs are reported against the support service that incurs those costs.

(u) Council Tax and Non-Domestic Rates

The Council is a billing authority and, as such, is required to bill local residents and businesses for council tax and non-domestic (business) rates (NDR). The Council collects council tax on behalf of the major precepting authorities - Kent County Council, Kent Police & Crime Commissioner, and Kent Fire and Rescue Service, and collects business rates on behalf of the Government, Kent County Council and Kent Fire and Rescue Service. The Council therefore acts as agent on behalf of these major preceptors. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities and major preceptors share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for council tax and NDR

The amounts shown as council tax/business rates in the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement (CIES) represent the Council's share of amounts due for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments, prepayments and appeals. Amounts owing for major precepting authorities are shown as net debtors or creditors on the balance sheet.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

(v) 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 not material or stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

3. Accounting Standards That Have Been Issued But Not Yet Adopted

Changes are expected in the 2026/27 Code regarding

- Amendments to the classification and measurement of financial instruments (Amendments to IFRS 9 and 7)
- Contracts referencing nature-dependent electricity (Amendments to IFRS 9 and 7)
- Annual improvements to IFRS accounting standards – Volume 11
- Amendments to FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* (Amendments to Heritage assets)

These updates will require a change to accounting policies for future years, where the policies are relevant. At this stage it is anticipated that there will be limited impact for Swale Borough Council.

4. Accounting Estimates

In order to prepare the accounts, the Council makes accounting estimates for the value of items such as pensions, property, plant and equipment, and the impairment allowance for debtors. These are supported by professional advice, and take into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the estimates.

The items in the Council's balance sheet at 31 March 2026 for which there is a significant risk to material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from estimates
Pensions liability (£6.082m)	The accounts are based on a roll forward approach in calculating the liabilities, rather than carry out a full valuation of member data. Any differences between estimates and actual experience will be incorporated once the next actuarial valuation of the fund is complete. From an accounting perspective, the current methodology in deriving assumptions continues to be appropriate with the current uncertainties in the market, and is in line with the current FRS102/IAS19 accounting standard.	
	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate would result in a decrease in the pension obligation of £5.4m. Changes to assumptions in

	actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	2024/25 have contributed to a decrease in the net liability of £1.6m.
Valuation of property, plant and equipment (PPE) (£129.911m)	All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. A firm of professional valuers is engaged to carry out this work, working closely with the finance team. The methodology used to value PPE is set out in note 25 to the accounts. When the fair value of investment properties, surplus assets, leased property assets and assets held for sale cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using the following valuation techniques: 1. For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date; 2.For Level 3 inputs, valuations based on most recent valuations adjusted to current valuation by the use of indexation and impairment review. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the valuers identify the most appropriate valuation techniques to determine fair value.	To reduce estimation uncertainty, the valuation date for investment and high value assets of the Council were as at 31 March 2026. In preparing the accounts the Council was not aware of any specific impact to the value of the assets within its portfolio because of the ongoing global conflicts. The economic climate has created uncertainty about the ability to maintain assets to the usual level. More details of the impact of this uncertainty can be found in Note 24. If the valuation of the overall PPE increased by 1% then impact to the council would be £1.3m.
Impairment allowance for non-payment of debt (£4.368m)	The Council has an impairment allowance of £4.368m for income relating to benefit overpayments, council tax, NNDR, and other general debtors. The provisions are based on previous history of collection rates based on aged debt analysis, debt recovery stage, and risk. However, future payment patterns could differ from historical trends.	The actual level of bad debts could be better or worse than the provision, leading to a need to increase or reduce it. Collection rates are monitored closely to allow early identification of changes to trends in payment patterns. If collection rates were to reduce

		by 1% an extra £44k would be required to be set aside as an allowance.

5. Events after the Reporting Period

The draft Statement of Accounts was authorised for issue by the Director of Resources on 4 June 2026. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date have provided information about conditions existing at 31 March 2026, the figures in the financial statements and notes have been adjusted if material to reflect the impact of this information.

Non-adjusting event

In July 2026 an announcement was made by Government on Local Government Reorganisation (LGR) that resulted in Swale becoming part of a unitary authority with Folkestone & Hythe District Council, Ashford Borough Council, and a proportion of Kent County Council. On 7 September 2026 the Government made a further announcement that following legal advice, the July 2026 decisions on LGR are to be paused for further review to ensure that the decisions made are the right ones. This includes the Kent and Medway decision.

6. Authorisation of Accounts for Issue

The Statement of Accounts was authorised for issue by Lisa Fillery, the Director of Resources, on 4 June 2026.

Pay and Pensions

7. Officers' Remuneration and Termination Benefits

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more, in bands of £5,000, was:

2024/25 Number of Employees	Remuneration Band	2025/26 Number of Employees
8	£50,000 - £54,999	7
6	£55,000 - £59,999	6
5	£60,000 - £64,999	8
2	£65,000 - £69,999	2
1	£70,000 - £74,999	1
0	£75,000 - £79,999	2
1	£80,000 - £84,999	0
1	£85,000 - £89,999	0
3	£90,000 - £94,999	2
1	£95,000 - £99,999	4
2	£110,000 - 114,999	0
0	£115,000 - £119,999	2
1	£140,000 - £144,999	0
0	£145,000 - £149,999	1
31	**Total**	**35**

Remuneration comprises:

- all sums paid to or receivable by an employee including non-taxable termination payments, redundancy pay and pay in lieu of notice;
- the monetary value of any other benefits.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

2024/25 Number of Compulsory Redundancies	2024/25 Number of Other Departures Agreed	2024/25 Total Cost of Exit Packages £	Band	2025/26 Number of Compulsory Redundancies	2025/26 Number of Other Departures Agreed	2025/26 Total Cost of Exit Packages £
1	2	12,824	£0 - £20,000	0	0	0
0	0	0	£20,001 - £40,000	0	0	0
0	0	0	£40,001 - £60,000	0	0	0
0	0	0	£60,001 - £80,000	0	0	0
1	**2**	**12,824**	**Total paid to employees**	**0**	**0**	**0**
		0	Total paid to KCC for contracted payments for pension scheme			0
		12,824	**Total**			**0**

The table below reports the details of officers with statutory responsibilities and those reporting direct to the Chief Executive.

2024/25				2025/26		
Salary, Fees & Allowances	Pension Contribution	Total		Salary, Fees & Allowances	Pension Contribution	Total
£'000	£'000	£'000		£'000	£'000	£'000
147	29	176	Chief Executive	156	32	188
114	23	137	Director of Resources	117	24	141
113	23	136	Director of Regeneration & Neighbourhoods	117	24	141
95	20	115	Head of Legal Partnership	98	20	118
77	17	94	Deputy Head of Legal Partnership	83	18	101
546	**112**	**658**	**Total**	**572**	**117**	**689**

8. Members' Allowances

2024/25		2025/26
£'000		£'000
315	Basic allowance	319
70	Special responsibility allowance	72
2	Members' travel, subsistence & IT allowance	2
388	**Total**	**393**

The Members' Allowances Scheme can be inspected on the Council website http://www.swale.gov.uk/members-allowances/.

9. Defined Benefit Pension Scheme

a) Nature of Benefits of Defined Benefit Pension Schemes

The Council is a member of the Local Government Pension Scheme (LGPS) which is a national scheme that is administered locally on its behalf by KCC – all employees have the right to join the scheme. This is a funded defined benefit career average salary scheme, so that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets. The fund provides index linked pensions and other retirement benefits based upon employees' pay and length of service and these benefits are determined independently from investments of the scheme. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. Employee contribution rates are set by Government and range from 5.5% to 12.5%. The fund actuary, Barnett Waddingham, sets the employer contribution rate, and for 2025/26 the rate was 20.5%, plus an annual fixed sum.

b) Regulatory Framework of Defined Benefit Pension Schemes

The Kent Pension Fund is operated under the regulatory framework for the LGPS and the governance of the scheme is the responsibility of the Superannuation Committee of KCC. This committee is responsible for setting investment strategy, appointing professional fund managers, carrying out regular reviews, monitoring of investments, monitoring the administration of the Pension Fund and determining Pension Fund policy with regard to employer admission arrangements. Policy is determined in accordance with the Pensions Fund Regulations.

c) Risks of Defined Benefit Pension Schemes

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

d) Other Factors Affecting Pension Payments

The Council has arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

e) Revenue Transactions Relating to Post-Employment Benefits

The costs of retirement benefits are recognised in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the accounting based cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income & Expenditure Statement and the General Fund balance via the Movement in Reserves Statement:

2024/25 £'000	Comprehensive Income & Expenditure Statement	2025/26 £'000
	Cost of services comprising:	
1,406	Current service cost	1,124
92	Administration expenses	102
462	Net interest expense	368
1,960	**Total post-employment benefits charged to the provision of services**	**1,594**
	Post-employment benefits charged to Other Comprehensive Income & Expenditure:	
0	Other Actuarial gains/(losses) on assets	5,249
1,515	Return on plan assets in excess of interest	(5,337)
(280)	Change in demographic assumptions	1,288
(239)	Experience loss on defined benefit obligation	(3,633)
(13,056)	Change in financial assumptions	(3,531)
9,758	Changes as a result of asset ceiling	5,559
(2,302)	**Total remeasurements recognised in Other Comprehensive Income & Expenditure**	**(405)**
(342)	**Total post-employment benefits credited to the Comprehensive Income & Expenditure Statement**	**1,189**

2024/25 £'000	Movement in Reserves Statement	2025/26 £'000
719	Reversal of items for post-employment benefits taken to the surplus or deficit on the Provision of Services (see Note 46)	1,241
2,679	**Employers' contributions payable to the scheme**	**2,835**
(1,515)	**Actual return on scheme assets less interest**	5,337

f) Pension Assets and Liabilities Recognised in the Balance Sheet

The amounts included in the Balance Sheet arising from the Council's obligation in respect of its defined benefits plans are as follows:

2024/25 £'000		2025/26 £'000
94,244	Present value of the defined benefit obligation	90,061
(97,798)	Fair value of plan assets	(101,401)
(3,554)	**Deficit/(Surplus)**	**(11,340)**
9,758	Impact of asset ceiling	15,883
1,524	Present value of unfunded obligation	1,539
7,728	**Net defined liability in the balance sheet**	**6,082**

g) Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets and Liabilities (Defined Benefit Obligation)

The Pensions Reserve figure in the Balance Sheet consists of the total assets plus liabilities detailed below:

2024/25 £'000	Reconciliation of present value of the scheme liabilities	2025/26 £'000
(107,845)	**Opening balance as at 1 April - defined benefit obligation**	**(95,768)**
(1,406)	Current service cost	(1,124)
0	Past service cost	0
(5,162)	Interest cost	(5,417)
(541)	Contributions by scheme participants	(595)
13,056	Changes in financial assumptions	3,531
239	Experience gain/(loss) on defined benefit obligation	3,633
280	Changes in demographic assumptions	(1,288)
5,611	Benefits paid including unfunded pension payments	5,428
(95,768)	**Closing balance as at 31 March - defined benefit obligation**	**(91,600)**

2024/25 £'000	Reconciliation of fair value of scheme assets	2025/26 £'000
97,096	**Opening balance as at 1 April - fair value of scheme assets**	**97,798**
4,700	Interest on assets	5,615
(1,515)	Return on assets less interest	5,337
(92)	Administration expenses	(102)
2,679	Employer contributions	2,835
541	Contributions by scheme participants	595
0	Other actuarial gains/(losses)	(5,249)
(5,611)	Benefits paid including unfunded pension payments	(5,428)
97,798	**Closing balance as at 31 March - fair value of scheme assets**	**101,401**

2024/25 £'000	Reconciliation of pension asset ceiling	2025/26 £'000
0	**Opening impact of asset ceiling**	**9,758**
0	Interest on impact of asset ceiling	566
9,758	Actuarial losses/(gains)	5,559
9,758	**Closing impact of asset ceiling**	**15,883**

h) Pension Fund Assets

The Pension Fund's assets consist of the following categories, by proportion of the total assets held: The estimated asset allocation for the Employer at 31 March 2026 and 31 March 2025 is as follows (noting that due to rounding they may not total 100%):

31 March 2025			31 March 2026	
£'000	%		£'000	%
55,690	57	Equity investments	59,440	59
5,797	6	Gilts	5,595	6
14,538	15	Bonds	14,161	14
8,009	8	Property	9,906	10
3,868	4	Cash	2,796	3
4,995	5	Absolute return fund	5,061	5
4,901	5	Infrastructure	4,443	4
97,798	**100**	**Total**	**101,402**	**100**

i) Basis for Estimating Assets and Liabilities

Estimates of the liability are based on the rolled forward value of the employer's liabilities calculated for latest full funding valuation, allowing for the different assumptions required under IAS 19. These values are based on the triennial valuation carried out at 31 March 2025.

31 March 2025		31 March 2026
	Mortality assumptions	
	Longevity at 65 if retiring today:	
20.7	Men	21.6
23.3	Women	23.9
	Longevity at 65 if retiring in 20 years:	
22.0 years	Men	23.2
24.7 years	Women	25.6
3.20%	Rate of inflation (Retail Price Index (RPI) increases)	3.30%
2.90%	Rate of inflation (Consumer Price Index (CPI) increases)	2.90%
3.90%	Rate of increase in salaries	3.90%
2.90%	Rate of increase in pensions	2.90%
5.80%	Rate of discounting scheme liabilities	6.10%

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2026 is calculated to be 11.3% (3.32% for the year 31 March 2025).

The estimation of the defined benefit obligations is sensitive to the assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

Uncertainty	Sensitivity Analysis				
	£'000	£'000	£'000	£'000	£'000
Adjustment to discount rate	**+0.5%**	**+0.1%**	**0.0%**	**-0.1%**	**-0.5%**
Present value of total obligation	86,211	90,476	91,600	92,750	97,611
Projected service cost	859	997	1,034	1,073	1,239
Adjustment to long-term salary increase	**+0.5%**	**+0.1%**	**0.0%**	**-0.1%**	**-0.5%**
Present value of total obligation	91,909	91,661	91,600	91,540	91,302
Projected service cost	1,034	1,034	1,034	1,034	1,034
Adjustment to pension increases and deferred revaluation	**+0.5%**	**+0.1%**	**0.0%**	**-0.1%**	**-0.5%**
Present value of total obligation	97,076	92,759	91,600	90,742	86,968
Projected service cost	1,254	1,075	1,034	994	846
Adjustment to life expectancy assumptions		**+1 Year**	**None**	**-1 Year**	
Present value of total obligation		95,376	91,600	87,994	
Projected service cost		1,071	997	998	

j) Funding and Investment Strategy

KCC as administering authority for the Kent Pension Fund maintains a Funding and Investment Strategy as required by the pensions and (where relevant) investment regulations. The funding objectives are to ensure the long-term solvency of the Fund, ensure that sufficient funds are available to meet all benefits as they fall due for payment and enable employer contribution rates to be kept as nearly constant as possible and at a reasonable cost to taxpayers. The aim of its investment strategy is to minimise the risk of an overall reduction in the Fund's value and to maximise the opportunity for gains across the whole portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Funding and Investment Strategy is reviewed annually or more frequently if necessary.

k) Impact of Pension Fund on Council's Cash Flows

An objective of the scheme is to keep employers' contributions at as constant a rate as possible and funding levels are monitored on an annual basis. The Fund is valued once every three years and the valuation as at 31 March 2025 disclosed a net deficit of £5.7m on Swale Borough Council's share of the fund, a reduction of £2.8m from the 2022 valuation deficit of £8.5m. The last actuarial valuation took place on 31 March 2025 and the change in contribution rates as a result of that valuation will take effect from 1 April 2026. The primary rate will decrease from 20.5% to 16.4%, and the secondary rate will reduce to an annual amount of £713,000 per year for the 3 year valuation period (previously £850,000 per year).

The movement in financial assumptions is due to the change in the discount rate and inflation forecasts.

The total contributions (not including unfunded) expected to be made to the Kent Pension Fund by the Council in 2025/26 is £2.852m (£2.472m in 2024/25).

The weighted average duration of the defined benefit obligation for scheme members is 13.2 years for 2025/26 (2024/25 average was 14 years).

Day to Day Spending – Revenue

10. Expenditure and Income Analysed by Nature

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

24/25 (Restated) Net Expenditure £'000		2025/26 Net Expenditure £'000
28,542	Housing Benefit payments	22,184
13,936	Employee costs	14,289
23,434	Business rates paid to Government and pool	23,499
27,876	Other service expenses	23,687
11,667	Major contracts	11,894
1,955	Parish precepts	2,166
1,000	Drainage board levy	1,037
293	Trading undertakings losses	34
71	Investment properties	55
961	Other items	863
109,735	**Total expenditure**	**99,708**
(27,861)	Housing Benefit income (Note 12)	(21,580)
(27,118)	Business rates income	(27,538)
(9,569)	s31 retail relief grant	(9,208)
(14,261)	Fees, charges and other service income	(15,100)
(11,998)	Council tax	(12,637)
(674)	New homes bonus	(988)
(1,716)	Trading undertakings gains	(1,771)
(338)	Revenue support grant	(363)
(10,736)	Grant income credited to cost of services (Note 12)	(9,857)
(4,968)	Other grants and contributions	(11,133)
(1,738)	Other items	(1,611)
(110,977)	**Total income**	**(111,786)**
(1,242)	**(Surplus) on provision of services**	**(12,078)**

11. Financing and Investment Income and Expenditure

2024/25 Net Expenditure (Restated) £'000		Note	2025/26 Net Expenditure £'000
763	Interest payable & similar charges		863
462	Net interest on the net defined pension liability	9	368
160	Write down of financing long-term debtors		95
(1,037)	Interest receivable & similar income		(952)
(1,423)	Net gains on trading undertakings		(1,738)
(254)	Income – investment properties	28	(257)
(88)	Change in fair value of investment properties	28	1
(53)	Net (gains) / losses on financial assets through profit and loss	42	0
(1,470)			**(1,620)**

The 2024/25 figures have been restated to include £160,000 in relation to long-term debtors. This was previously included within Other Comprehensive Income & Expenditure within the Comprehensive Income & Expenditure Statements.

12. Grant Income

a) Grants Credited to Taxation and Non-Specific Grant Income

These are detailed in the Comprehensive Income & Expenditure Statement.

b) Revenue Grants – Receipts in Advance

The revenue grants receipts in advance at 31 March 2026 were £468,000 (£492,000 at 31 March 2025).

c) Capital Grants and Contributions

Please see Note 36 for a breakdown of Capital Grants and Contributions.

d) Grants Credited to Services

2024/25			2025/26
£'000	Grant Area	Provider	£'000
(27,861)	Housing benefit grant	DWP	(21,580)
(2,783)	Levelling Up Fund	MHCLG	(2,768)
(1,392)	Housing repair grants - disabled facilities	MHCLG	(1,366)
(1,342)	Homelessness grant	Various	(1,516)
(577)	UK Shared Prosperity Fund	MHCLG	(224)
(48)	Council Tax and Elections New Burdens	MHCLG	0
(500)	Household Support Fund	KCC	(446)
(437)	Coronavirus revenue grants - other	Various	0
0	Resettlement Schemes	Various	(767)
(775)	Rough sleeper initiative	MHCLG	(706)
(386)	Housing benefit admin subsidy	DWP	(371)
(133)	Council Tax Support Scheme Admin Grant	KCC	0
(261)	Discretionary housing payment	DWP	(261)
(228)	Local Plans Delivery Fund	MHCLG	0
(112)	Implementing welfare reform changes	DWP	(83)
(54)	Open spaces & play areas - commuted sums	Various	(49)
(1,708)	Other grants	Various	(1,300)
(38,597)			**(31,437)**

13. External Audit Costs

The Council's auditors are Grant Thornton UK LLP.

2024/25		2025/26
£'000		£'000
202	Fees payable for external audit service	184
90	Fees payable for the certification of grant claims and returns	47
292	**Total**	**232**

14. Gains and Losses on Disposal of Non-Current Assets

Total assets valued at £505,000 were written out in 2025/26 as a result of disposals and asset transfers. A total net gain of £239,000 was realised for 2025/26 for all derecognised assets.

No investment properties were disposed of in 2025/26 or 2024/25. Gains and losses on investment properties are shown within Financing and Investment Income and Expenditure in the Comprehensive Income & Expenditure Statement.

Council Resources – Reserves

15. Usable Capital Receipts Reserve

This reserve holds the income from the disposal of land and other assets, which can only be used to fund new capital expenditure or to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied at year-end.

2024/25 £'000		2025/26 £'000
(392)	**Balance as at 1 April**	**(648)**
(246)	Capital receipts in year from sale of assets	(828)
(10)	Capital receipts in year from repayment of grants	(3)
0	Capital receipts applied during the year - financing long-term assets	224
(648)		**(1,255)**

16. Capital Grants Unapplied Account

This reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance at 31 March 2026 of £2.238m (£2.043m at 31 March 2025) is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

17. Revenue Earmarked Reserves

This note sets out the amounts set aside from the General Fund to earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2024/25 and 2025/26.

	Balance 31 March 2024 £'000	Transfers out 2024/25 £'000	Transfers in 2024/25 £'000	Balance 31 March 2025 £'000	Transfers out 2025/26 £'000	Transfers in 2025/26 £'000	Balance 31 March 2026 £'000
Budget Contingency Reserve	(1,837)	1,217	(432)	(1,052)	492	(787)	(1,347)
Kent Pool Economic Development Business Rates	(2,717)	855	(1,081)	(2,944)	895	(1,041)	(3,090)
North Kent Housing & Commercial Growth Business Rates	(1,129)	179	0	(950)	194	0	(756)
Business Rates Volatility	(4,041)	896	(1,017)	(4,162)	1	(786)	(4,947)
Building and Asset Maintenance	(741)	0	(35)	(776)	101	(39)	(714)
Service Reserves	(1,569)	138	(75)	(1,506)	40	(46)	(1,512)
Waste and Environment	(859)	1,120	(1,853)	(1,592)	169	(1,205)	(2,628)
ICT Equipment Reserve	(464)	172	(84)	(376)	115	0	(261)
Repairs and Renewals	(341)	0	(25)	(366)	22	(15)	(359)
Miscellaneous	(2,667)	721	(933)	(2,879)	300	(884)	(3,463)
Total Earmarked (Excl General Fund)	**(16,366)**	**5,298**	**(5,535)**	**(16,603)**	**2,329**	**(4,803)**	**(19,078)**
Ring Fenced / Accounting / Collection Fund							
Collection Fund & Grants In Advance	(170)	28	(31)	(174)	0	0	(174)
Accounting Adjustments	(332)	0	(100)	(433)	0	0	(433)
	(16,869)	**5,326**	**(5,666)**	**(17,210)**	**2,329**	**(4,803)**	**(19,685)**
Net transfer (to) / from reserves			**(341)**			(2,475)	

Budget Contingency Reserve	Cabinet 16 March 2022 approved the creation of this reserve. The purpose of the reserve is to support the revenue budget over future years, smoothing the impact of unexpected events, and providing a level of resilience.
Kent Pool Economic Development Business Rates	This fund was established as a result of the Council joining the Kent Business Rates Pool. It is to fund economic development as agreed by the Council and KCC. As agreed by Cabinet on 16/12/2020 the balance on this reserve is to be retained for potential top ups and for new initiatives or pressures.
North Kent Housing & Commercial Growth Business Rates	Under the Kent Business Rates 2018/19 Pilot there was to be an allocation of funds called the Housing & Commercial Growth Business Rates which was allocated among “clusters” of authorities for each cluster to determine the final allocation. SBC is in the “North Kent” cluster. Cabinet on 16/12/2020 agreed that this fund was to be used to fund the Local Housing Company, for set up costs and future investment, including possible investment in Sheppey.
Business Rates Volatility	To assist the Council in managing the volatility of business rate income as a result of business rate localisation and the business rate reset.
Building and Asset Maintenance	To meet items of backlog building maintenance as well as urgent or unexpected items. Each year the reserve is topped up by any underspend on the building maintenance revenue budget.
Service Reserves	Savings made in a number of services have been transferred to reserve over time. These reserves are then used to cover future additional costs, shortfalls in government grants, or required system developments.
Waste & Environment	This is used for work relating to the collection of waste, including service improvements. It also contains income from Fixed Penalty Notices that can be used to support environmental initiatives, ensuring this income is used to create a cleaner and greener environment.
ICT Equipment Reserve	This funds future IT expenditure. Underspends on ICT expenditure are transferred to this reserve, allowing the cost of replacement equipment to be smoothed.
Repairs and Renewals	Regular contributions are made to this fund for a number of services to fund the future cost of significant items of expenditure.
Miscellaneous	This consists of a number of smaller reserves, some of which have been fully committed. They have been earmarked for a number of different purposes such as election costs and car park investment.
Collection Fund and Grants In Advance	These reserves are fully committed to offset the business rate collection fund deficit arising from timing differences due to the receipt of Government awarded rate relief and the collection fund accounting requirements.
Accounting adjustments	These are reserves created by accounting entries but are not available to support general Council expenditure.

18. Revaluation Reserve

This reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment assets, heritage assets and frozen gains re investment assets (incurred prior to the assets being classified as investment assets).

The balance is reduced when assets with accumulated gains are revalued downwards or impaired and the gains are lost; used in the provision of services and the gains are consumed through depreciation; or disposed of and the gains are realised.

The gains and losses greater than £250,000 in 2025/26 are shown below.

(Gains) or losses on revaluation		**2025/26 £'000**
Cross Street Car Park, Sheerness	Gain	(316)
The Promenade Car Park, Leysdown	Gain	(596)
Central Car Park, Faversham	Gain	(1,728)
Queens Hall Car Park, Faversham	Gain	(336)
Sheerness Sports Hall & Leisure Centre	Gain	(498)
Partridge Lane Car Park, Faversham	Gain	(254)
Central Swallows Car Park, Sittingbourne	Gain	(870)
Shellness Road Car Park, Leysdown	Gain	(418)
Beachfields Car Park, Sheerness	Gain	(272)
STC Hotel Bourne Place	Gain	(1,023)
Swallows Leisure Centre	Loss	1,249

Some of the large value properties are split between their components e.g. roof, structure, electrics, heating etc. which are all separately valued. The gains and losses shown above are the net change in value of the whole asset.

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

2024/25 £'000		**2025/26 £'000**
(32,695)	**Balance as at 1 April**	**(33,811)**
(3,551)	(Upward) revaluation of assets	(8,467)
1,998	Downward revaluation of assets and impairment losses not charged to the deficit on the provision of services in the Comprehensive Income & Expenditure Statement	1,416
(1,553)	**Sub total of revaluations**	**(7,051)**
431	Write down re gains derived from depreciation differences, between historic costs and current value	413
7	Write down of accumulated gains on disposed assets	476
(33,811)	**Balance as at 31 March**	**(39,973)**

19. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. It is debited with the cost of acquisition/enhancement as depreciation, revaluation and impairment losses and amortisations are charged to the Comprehensive Income & Expenditure

Statement. It is credited with the amounts set aside to finance the costs of acquisition/enhancement. The account also contains accumulated gains/losses on assets pre-dating 1 April 2007.

2024/25 £'000		Note	2025/26 £'000
(20,492)	**Balance as at 1 April**		(20,258)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
2,397	Depreciation of tangible non-current assets		2,648
15	Amortisation of intangible assets		11
4,401	Write down Revenue Expenditure Funded by Capital Under Statute (REFCUS)	30	4,787
3,966	Revaluation losses taken to Comprehensive & Expenditure Statement - other assets		381
1	Revaluation losses taken to Comprehensive & Expenditure Statement - investment assets		1
(681)	Revaluation gains and reversal of prior losses taken to Comprehensive Income & Expenditure Statement - other assets		(1,453)
(89)	Revaluation gains taken to Comprehensive Income & Expenditure Statement - investment assets		0
14	Disposal & derecognition of assets - write out of notional net book value		588
	Write down of Revaluation Reserve:		
(431)	Write down of Revaluation Reserve depreciation (gains)	18	(413)
(7)	Write down of Revaluation Reserve accumulated gains on disposed assets	18	(476)
	Capital financing applied in the year:		
0	Capital financing - capital receipts	32/15	(224)
(7,765)	Capital financing - Government grants and external contributions	32	(12,837)
(130)	Capital financing - capital reserves	32	(292)
0	Capital financing - direct revenue funding	32	0
(1,617)	Minimum revenue provision	32	(1,887)
160	Write down of financing long-term debtors		95
(20,258)	**Balance as at 31 March**		(29,327)

20. Collection Fund Adjustment Account

This manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income & Expenditure Statement as it falls due from council taxpayers and business ratepayers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. The balance effectively shows the Council's share of the overall Collection Fund deficit of £367,000, plus any surplus or deficit for renewable energy income retained by the Council (£0 for 2025/26). The balance at 31 March 2026 was therefore a net deficit of £367,000 (£242,000 net surplus in 2024/25).

21. Pooled Fund Adjustment Account

The movement in year of less than £1,000 represents a decrease in value of the CCLA Property Fund. The fair value is based on public price quotations in an active market for this financial instrument and without this investment counting as capital expenditure.

22. Accumulated Absences Account

This absorbs the differences that would otherwise arise on the General Fund from accruing for compensated absences earned but not taken in the year, e.g. annual leave due carried

forward at 31 March 2026. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to or from this Account. The movement on this reserve in 2025/26 was an increase of £13,000 (decrease of £6,000 in 2024/25).

23. Pensions Reserve

This reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for these benefits in the Comprehensive Income & Expenditure Statement as the benefits are earned by employees. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the Kent Pension Fund or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve of £6,082,000 (reduced from £7,728,000 in 2024/25) therefore shows a shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them under accounting regulations. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Details on the movement in 2025/26 are shown in Note 9(f).

2024/25		2025/26
£'000		£'000
10,749	**Balance at 1 April**	7,728
(2,302)	Remeasurements of the net defined benefit liability	(405)
1,960	Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the Comprehensive I&E Statement	1,594
(2,679)	Employer's pension contributions	(2,835)
7,728	**Balance at 31 March**	**6,082**

Long-Term Spending – Capital

24. Property, Plant and Equipment (PPE) Assets

Movements in 2025/26:

	Operational Assets				Non-Operational Assets		Total	
	Land & Buildings £'000	Vehicles & Equipment £'000	Infrastructure £'000	Community £'000	Assets Under Construction £'000	Surplus Assets £'000	Property, Plant & Equipment £'000	Right of Use £'000
Cost or Valuation								
As at 1 April 2025	**87,643**	**12,446**	**1,448**	**7,933**	**2,365**	**1,200**	**113,035**	**2,444**
Additions	2,393	397	0	32	7,180	0	**10,001**	0
Remeasurement	0	0	0	0	0	0	**0**	61
Disposals	(14)	(30)	0	0	0	(462)	**(505)**	0
Depreciation written out	(1,162)	0	0	0	0	(5)	**(1,167)**	(32)
Revaluation to Reval Reserve	6,965	0	0	0	0	(82)	**6,883**	168
Revaluation to CIES	410	0	0	0	0	(5)	**405**	667
Reclassified	41	0	0	0	(150)	109	**0**	0
As at 31 March 2026	**96,278**	**12,813**	**1,448**	**7,964**	**9,394**	**755**	**128,652**	**3,308**
Accumulated Depreciation and Impairment								
As at 1 April 2025	**(288)**	**(4,826)**	**(617)**	**(1,232)**	**0**	**0**	**(6,962)**	**(25)**
Depreciation charge	(1,332)	(1,118)	(33)	(90)	0	(0)	**(2,574)**	(73)
Disposals	1	16	0	0	0	0	**17**	0
Depreciation written out	1,162	0	0	0	0	5	**1,167**	32
Reclassified	5	0	0	0	0	(5)	**0**	0
As at 31 March 2026	**(452)**	**(5,929)**	**(650)**	**(1,322)**	**0**	**0**	**(8,352)**	**(67)**
Net Book Value								
As at 31 March 2026	**95,826**	**6,884**	**798**	**6,642**	**9,394**	**755**	**120,300**	**3,241**
Net Book Value								
As at 31 March 2025	**87,356**	**7,620**	**832**	**6,701**	**2,365**	**1,200**	**106,073**	**2,419**

Movements in 2024/25:

	Operational Assets				Non-Operational Assets		Total	
	Land & Buildings	Vehicles & Equipment	Infrastructure	Community	Assets Under Construction	Surplus Assets	Assets	Right of Use
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
As at 1 April 2024	**79,549**	**12,683**	**1,445**	**7,848**	**816**	**1,575**	**103,915**	**0**
Opening balance adjustment	0	0	0	0	0	0	**0**	3,200
Additions	9,929	801	3	85	1,549	0	**12,367**	27
Disposals	(14)	(1,038)	0	0	0	0	**(1,052)**	0
Depreciation written out	(1,198)	0	0	0	0	(0)	**(1,199)**	(48)
Revaluation to Reval Reserve	3,028	0	0	0	0	(375)	**2,653**	(1,100)
Revaluation to CIES	(1,893)	0	0	0	0	0	**(1,893)**	(1,393)
Reclassified	(1,757)	0	0	0	0	0	**(1,757)**	1,757
As at 31 March 2025	**87,643**	**12,446**	**1,448**	**7,933**	**2,365**	**1,200**	**113,035**	**2,444**
Accumulated Depreciation and Impairment								
As at 1 April 2024	**(307)**	**(4,848)**	**(583)**	**(1,136)**	**0**	**0**	**(6,875)**	**0**
Depreciation charge	(1,179)	(1,016)	(33)	(95)	0	0	**(2,324)**	(73)
Disposals	0	1,038	0	0	0	0	**1,038**	0
Depreciation written out	1,198	0	0	0	0	0	**1,198**	48
Reclassified	0	0	0	0	0	0	**0**	(0)
As at 31 March 2025	**(288)**	**(4,826)**	**(617)**	**(1,232)**	**0**	**0**	**(6,962)**	**(25)**
Net Book Value								
As at 31 March 2025	**87,356**	**7,620**	**831**	**6,701**	**2,365**	**1,200**	**106,072**	**2,419**
Net Book Value								
As at 31 March 2024	**79,242**	**7,835**	**862**	**6,711**	**816**	**1,575**	**97,041**	**0**

The main additions in the year came from the purchase of properties to be used as temporary accommodation (£1,708,000), the building of new beach huts (£224,000) and spend on the Sheerness Revival development (£7,178,000).

Asset disposals included the sale of vacant land at Fountain Street and Frognal Gardens and the transfer of the TS Hazarde to Faversham Town Council, as well as beach hut sales. A number of plant, vehicle and equipment assets were also derecognised.

Surplus Land & Buildings

The Council's surplus assets have been revalued this year and the inputs used to measure their fair value have been assessed as being within hierarchy Level 2 for valuation purposes (see accounting policies note for explanation of fair value valuation input levels).

This confirms that no significant unobservable inputs have been used in the valuation of the Council's surplus assets and that they are all valued to their highest and best value.

Significant changes in any of the judgements made on fair values could result in a significantly lower or higher fair value measurement for these assets. If the value of the Council's surplus assets were to reduce by 10% this would result in £75,000 being charged to the Comprehensive Income & Expenditure Statement.

Right of Use Assets

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

Right of Use Assets	Land and Buildings	Vehicles, plant and equipment	Total
	£'000	£'000	£'000
Balance at 1 April 2025	2,369	50	**2,419**
Additions	0	0	**0**
Remeasurement	25	36	**61**
Revaluations	834	0	**834**
Depreciation and amortisation	(34)	(40)	**(73)**
Balance at 31 March 2026	**3,195**	**46**	**3,241**

25. Non-Current Asset Valuation

The Council carries out a rolling programme that ensures that all property, plant and equipment which is required to be measured at current value is revalued at least every five years. The freehold and leasehold properties which comprise the Council's property portfolio have, for this and past years, been valued by Wilks, Head and Eve Chartered Surveyors.

In 2025/26 Wilks, Head and Eve valued Property, Plant and Equipment assets, and also Investment assets, to a total value of £83,090,000. This total value comprises of valuations carried out on 1 January 2026 totalling £15,079,000 and 31 March 2026 totalling £68,011,000.

An impairment and market review was also carried out by Wilks, Head and Eve as part of the valuation contract. The impairment review considered if there were material differences to the

valuations performed at 1 January 2026 which would require these to be updated at 31 March 2026, but the result was that there were no material changes to the valuations advised. David Johnson MRICS, a member of the Royal Institution of Chartered Surveyors and an employee of the Council, reviewed both tasks.

Assets that are carried at valuation, but that we're not valued in year were assessed against appropriate indices to ensure that the valuations within the accounts are materially correct. Having carried out this calculation, the total value of indexation amounted to £8,000. As this is not material, these changes have not been made to the assets. In calculating indexation in 2026/27, this movement that has not been actioned will be factored into the calculation.

As set out in the accounting policies, high value assets continued to be valued on an annual basis for the accuracy of the accounts, and to ensure a true and fair view. As this more accurate valuation process is not in line with the amended accounting code a comparison exercise was completed to compare the desk based indexation methodology to the specific professional valuations. The results of that analysis showed a difference between indexation and the asset values provided amounts to £406,000.

The table below shows the progress of the rolling programme of revaluation of the Council's non-current PPE assets:

	Land & Buildings £'000	Vehicles & Equipment £'000	Leased Assets £'000	Infrastructure £'000	Community £'000	Assets Under Construction £'000	Surplus Land & Buildings £'000	Total Property, Plant & Equipment £'000
Carried at historical cost	1,871	0	0	798	6,642	9,394	0	**18,706**
Carried at depreciated historical cost	2,232	6,884	119	0	0	0	0	**9,236**
Valued at current value as at:								
2021/22	2,259	0	11	0	0	0	0	**2,270**
2022/23	1,959	0	22	0	0	0	0	**1,981**
2023/24	1,511	0	82	0	0	0	0	**1,593**
2024/25	10,586	0	63	0	0	0	0	**10,649**
2025/26	75,408	0	2,944	0	0	0	755	**79,107**
Total cost/value at 31 March 2026	**95,827**	**6,884**	**3,241**	**798**	**6,642**	**9,394**	**755**	**123,542**

Using Wilks, Head and Eve market data, the Council has undertaken a review of all assets that were valued before 2025/26 to ensure that their carrying value does not differ materially from current value.

As previously advised, each of the PPE asset classifications are revalued periodically in stages on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by RICS. In order to ensure consistency in the valuation o0f the varying types of property within the different asset classifications, all assets of the same type are valued at the same time, using the same valuation technique.

The above table shows that Infrastructure and Community Assets are held at historical cost. There is a reducing usefulness to the reader of the accounts of the historical cost of long-lived assets and as a local authority, the Council's capital financing is not dependent on the outstanding historical value of these assets. The historical value of these assets could not be reliably used to inform any decision considered by a reader of the Accounts.

26. Losses and Impairments on Non-Current Assets

The Code requires disclosure by class of assets of the amounts for losses and impairments, and subsequent reversals, charged to the Provision of Services and to Other Comprehensive Income & Expenditure (net total reversals being credited to these CIES items). These disclosures are consolidated in Notes 24 and 28, reconciling the movement over the year in the asset balances for property, plant and equipment and investment properties.

During 2025/26 the Council has recognised net gains of £1,072,000 in respect of its non-current assets (net loss of £3,198,000 in 2024/25).

2024/25 Total £'000		Note	PPE Assets £'000	Investment Assets £'000	2025/26 Total £'000
499	Revaluation - increase recognised in the Provision of Services		1,140	0	**1,140**
271	Depreciation written out to the Provision of Services		313	(1)	**312**
770	**Total Gain (credit to deficit)**		**1,453**	**(1)**	**1,452**
(4,080)	Revaluation - decrease recognised in the Provision of Services		(417)	0	**(417)**
112	Depreciation written out to the Provision of Services		36	0	**36**
(3,968)	**Total Loss (debit to deficit)**	19	**(381)**	**0**	**(381)**
(3,198)	**Net Total (Loss)/Gain Debited/Credited to the Provision of Services**		**1,072**	**(1)**	**1,072**

The greatest revaluation gains were incurred across the council's car parks notably Central Car Park, Faversham (£1,730,000), Swallows Car Park (£870,000) and the Forum Car Park (£665,000). Other assets with an increase in value were Bourne Place Hotel and Cinema (£1,200,000), Sheerness Leisure Centre (£455,000) the Princes Street Retail Park (£229,000).

The greatest revaluation loss on PPE assets was incurred on Swallows Leisure Centre (£1,500,000) with five other assets averaging a loss of £32,000 per asset.

27. Heritage Assets

Reconciliation of the carrying value of Heritage Assets held by the Council:

	War Memorials & Public Statues £'000	Civic Regalia £'000	Historical Items of Cultural Interest £'000	Civic Clocks £'000	Total Heritage Assets £'000
Cost or Valuation					
As at 1 April 2025	165	401	115	1,651	**2,332**
Additions	0	0	0	0	**0**
Revaluations	0	0	0	0	**0**
As at 31 March 2026	**165**	**401**	**115**	**1,651**	**2,332**
Accumulated Depreciation & Impairments					
As at 1 April 2025	0	0	0	(3)	**(3)**
Depreciation charge	0	0	0	(1)	**(1)**
As at 31 March 2026	**0**	**0**	**0**	**(3)**	**(3)**
Net Book Value As at 31 March 2026	**165**	**401**	**115**	**1,647**	**2,328**
Net Book Value As at 31 March 2025	**165**	**401**	**115**	**1,648**	**2,329**

The War Memorials and Public Statues include the Rushenden Hill stone sculpture "Shoalstone", the bronze wreath and stone plinth war memorial at Central Avenue, Sittingbourne and 'The Bargee' sculpture in Sittingbourne High Street.

The Civic Regalia includes the Great Mace of the Borough of Queenborough and other multiple items of regalia.

The Historical Items includes the Battle of Britain commemorative lace panel, collections of furniture, silverware and paintings and multiple other items of historic and cultural interest.

The civic clocks include six clocks located at Faversham, Sittingbourne (2), Milton, Queenborough and Sheerness. The highest clock value of £1.4 million is for the clock and tower in Sheerness High Street, a grade II listed structure of cast iron construction, built in 1902 to commemorate the coronation of King Edward VII.

28. Investment Properties

The following items of income and expenditure in relation to investment properties have been included within Financing and Investment in the Comprehensive Income & Expenditure Statement (Note 11):

2024/25 £'000		2025/26 £'000
(325)	Rental income	(312)
71	Direct operating expenses	55
(254)	**Net gain**	**(257)**

The net loss on revaluation for investment properties in the year was £1,000 (£88,000 gain in

2024/25). The Council's investment property portfolio has been assessed as input hierarchy Level 2 for valuation purposes (see accounting policies note for explanation of fair value valuation input levels).

2024/25 £'000		2025/26 £'000
3,896	Balance as at 1 April	3,984
0	Disposals	0
89	Gains from revaluations	0
(1)	Losses from revaluations	(1)
3,984	**Balance as at 31 March**	**3,983**

The fair value of investment properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the Council area. Market conditions for these assets are such that the level of observable inputs are significant with no significant Level 3 inputs used, leading to the properties being categorised as Level 2 in the fair value hierarchy. In estimating the fair value of the Council's investment properties, the highest and best use of the properties has been applied.

Significant changes in any of the judgements made on fair values could result in a significantly lower or higher fair value measurement for these assets. If the value of the Council's investment assets were to reduce by 10% this would result in £398,000 being charged to the Comprehensive Income & Expenditure Statement.

29. Assets Held for Sale

There were no assets held for sale as at 31 March 2026. (£100,000 in 2024/25).

30. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

REFCUS relates to capital expenditure for which the Council does not hold any non-current assets (for example, grants paid to external organisations). As there is no continuing benefit derived from this expenditure, it is treated as revenue expenditure and allocated in the Comprehensive Income & Expenditure Statement in the same year that it was incurred.

2024/25			2025/26
£'000	**Grant Area**	**Funding Provider**	**£'000**
1,358	Disabled Facilities Grants	MHCLG	1,336
2,528	Levelling Up Project	MHCLG	2,697
4	IT replacements	SBC	0
235	Rural England Prosperity Fund Grants	SBC	72
63	UK Shared Prosperity Fund Grants	MHCLG	1
34	Housing Repair Grants (over 60)	SBC	29
0	Homelessness TA grant	MHCLG	653
178	Faversham Pool	Sport England	0
4,401			**4,787**

31. Commitments under Capital Contracts

The major commitments to spend at 31 March 2026 were:

2024/25 £'000	Project	2025/26 £'000
4,004	Levelling Up Fund Sheerness Revival Project	5,441
60	Waste Vehicle Fleet	0
0	Cockleshell Walk Housing Development	11,400
579	Disabled Facilities Grants	881
4,643		**17,722**

32. Capital Expenditure and Capital Financing

The table below shows the total amount of capital expenditure incurred in the year, together with the resources that have been used to finance it. The actual Capital Financing Requirement is a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

2024/25 £'000		2025/26 £'000
52,113	**Opening Capital Financing Requirement**	**62,654**
15,653	Property, plant and equipment	10,062
4,401	Revenue expenditure funded from capital under statute	4,787
0	Long-term loans	3
20,054		14,852
	Sources of Finance:	
0	Capital receipts	(224)
(7,765)	Government grants & external contributions	(12,837)
	Sums set aside from revenue:	
(130)	Reserves funding	(292)
0	Direct revenue funding	0
(1,617)	Minimum revenue provision (MRP)	(1,887)
(9,513)	**Total Sources of Finance**	**(15,239)**
62,654	**Closing Capital Financing Requirement**	**62,267**
	Explanation of Movements in Capital Financing Requirement in Year:	
12,158	Capital expenditure to be funded from future MRP when assets are operational	1,500
(1,617)	Reduction in underlying need to borrow (MRP)	(1,887)
10,541	**Total increase/(decrease) in Capital Financing Requirement**	**(387)**

Creditors and Debtors

33. Long-Term Creditors

As consideration for the extension of a current lease of 99 years, tenants have paid the Council a premium of £60,000.

34. Short-Term Creditors and Capital Grant Receipts in Advance

31 March 2025 £'000 Restated	Short-Term Creditors	31 March 2026 £'000
(3,667)	Business rates - pool share	(7,138)
(4,733)	Business rates - Central government, KCC and Kent Fire and Rescue shares	(3,408)
(1,037)	Business rates and council tax payers	(1,325)
0	Capital costs - Sheerness Revival Beachfields	(886)
(329)	Business rates - transitional protection payments	(576)
(108)	Interest due on external borrowing	(485)
(979)	Waste contract	0
(3,632)	Other	(3,119)
(14,485)	**Total Creditors**	**(16,937)**
(188)	Receipts in advance - Other	(150)
(14,673)		**(17,087)**

31 March 2025 £'000	Capital Grants Receipts in Advance	31 March 2026 £'000
(1,578)	S106 - Short term	(3,413)
(3,651)	Receipts in advance - Capital grants	(3,839)
(5,230)		**(7,252)**

The increase in the business rates pool share is because there were two years settlement outstanding as at 31 March 2026. At 31 March 2025 only one year was outstanding.

The 31 March 2025 figure for Other has been restated to split out Interest due on external borrowing for comparison.

35. S106 Deferred Revenue Receipts

Section 106 (S106) of the Town and Country Planning Act 1990 and Section 278 of The Highways Act 1980 permits local planning authorities to enter into enforceable 'planning obligations' with landowners and/or developers. Each agreement has a deed setting out its purpose. Each agreement has been examined to determine when assets and liabilities need to be recognised on the Balance Sheet or income should be recognised. These sums represent monies received from developers as part of an agreement to maintain a designated piece of land, typically for leisure/recreation purposes, split between short and long-term use.

36. Capital Grants and Contributions

The Capital Grants and Contributions account is a creditor account used for grants and contributions where conditions are outstanding. It is used for the funding of future capital

expenditure. This includes monies received for S106 purposes (see Note 35) to fund new facilities provided as part

31 March 2025 £'000		Expenditure £'000	Income £'000	31 March 2026 £'000
(10,802)	S106 held for Third Parties	6,101	(8,153)	(12,855)
(6,510)	Disabled Facilities Grants	1,907	(3,353)	(7,955)
(9,077)	Levelling Up Fund	10,232	(5,963)	(4,808)
(923)	Local Authority Housing Fund	922	0	(0)
(943)	Brownfield Land Release	0	0	(943)
(20)	UKSPF	20	0	(0)
0	Pride in Place	0	(285)	(285)
0	Pride in Place impact funding	41	(750)	(709)
(357)	Other	276	(697)	(777)
	S106 Capital Funding:			
(1,026)	Housing	0	0	(1,026)
(548)	Open Spaces	18	(187)	(717)
(642)	Play Areas	0	(5)	(647)
(244)	Air Quality & Ecology	12	(212)	(443)
(2,330)	Other	29	(101)	(2,402)
(33,421)	**Total**	**19,559**	**(19,706)**	**(33,568)**

31 March 2025 £'000		31 March 2026 £'000
(5,230)	Due to spend within one year (short-term creditors)	(7,252)
(28,191)	Due to spend in more than one year (long-term liabilities)	(26,316)
(33,421)	**Total**	**(33,568)**

In 2025/26 nothing was repaid. The S106 monies held for third parties is largely due to developments (£12,854m) where the S106 monies being held are to fund services such as education, social care, health care and highways to be provided by other public bodies and not Swale Borough Council.

37. Provisions

	NNDR Appeals £'000	Other £'000	Total £'000
Balance at 31 March 2025	(2,388)	(59)	(2,448)
Amounts used	1,068	0	1,068
Additional provisions made	(887)	0	(887)
Balance at 31 March 2026	**(2,208)**	**(59)**	**(2,267)**
Long term	(883)	(59)	(942)
Short term	(1,325)	0	(1,325)
	(2,208)	**(59)**	**(2,267)**

NNDR Appeals

This provision is the Council's share of the provision for appeals against NNDR ratings, based on estimates of the actual liability at 31 March 2026. An estimation is also made about how much is likely to be settled within 12 months (short term), and how much may take longer to agree and settle. Further information is provided in Note 51.

Other Provisions

Other provisions cover the potential liabilities arising from the insurance claims with the former Municipal Mutual Insurance Company (MMI).

In 1992 MMI declared that it would be going into “run off” (similar to a company going into administration) and control was passed to a scheme administrator, who has implemented a “Scheme of Arrangement”.

38. Contingent Liabilities

The Council has been successful in a Planning enforcement case. However, if the enforcement notice is not complied with, the Council may need to address the issue directly and incur significant costs in doing so. At this time, the potential cost cannot be reliably measured.

The Council is also 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 Swale Borough Council. The background to the case is that where rules of a contracted-out defined benefit scheme were amended, the Scheme Actuary would provide a section 37 confirmation that the scheme continues to meet the contracting-out requirements. The original court case decided that certain rule amendments were invalid in absence of the actuarial certification.

As a result, there may be a further liability to Swale Borough Council’s share of the Kent Pension Fund for benefits that were reduced by previous amendments, if those amendments prove invalid (i.e. were made without obtaining s37 confirmation). The Government Actuary’s Department is currently undertaking a review to confirm whether such changes occurred in Local Government Pension Schemes. At this point it is not possible to estimate the potential impact, if any, on Swale Borough Council and thus the obligation and liability shown in the Council’s accounts.

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

39. Long-Term Debtors – Other

Long-term debtors are those that fall due after a period of at least one year.

31 March 2025 £'000		31 March 2026 £'000
1,598	Housing repair loans	1,508
290	Rent deposit scheme	358
118	Opportunities for Sittingbourne Limited	0
44	Other long-term loans	42
2,050	**Total debtors**	**1,908**
	Impairment for doubtful debt	
(201)	Rent deposit scheme	(251)
(201)	**Total impairment for doubtful debt**	**(251)**
1,849	**Net long-term debtors**	**1,657**

Opportunities for Sittingbourne is now included within Short-term debtors as this is expected to be settled in the next 12 months.

40. Short-Term Debtors

31 March 2025 £'000 Restated		31 March 2026 £'000
7,573	Council tax - KCC, Kent Fire and Rescue Service, and Kent Police and Crime Commissioner shares	7,664
2,163	Business rates - pool share	4,245
420	Housing benefits - Department for Work and Pensions	3,819
2,966	Council tax payers	3,481
1,677	Sundry debtors	2,021
1,437	Business rates payers	1,905
1,608	Housing benefits overpayments	1,459
575	VAT - HM Revenue and Customs	974
352	Waste and Street Cleansing	620
253	Household Support Fund - Department for Work and Pensions	351
0	Opportunities for Sittingbourne	118
1,242	Other	1,498
20,265	**Total debtors**	**28,155**
103	Payments in advance	178
20,368		**28,334**
	Impairment for doubtful debt	
(1,076)	Housing benefit overpayments	(972)
(1,551)	Council Tax	(1,858)
(1,015)	Business Rates	(1,208)
(269)	Other	(329)
(3,911)	**Total impairment for doubtful debt**	**(4,368)**
16,458	**Net short term debtors**	**23,965**

The 31 March 2025 provision has been restated to separate Business Rates and Council Tax impairment for doubtful debts from other debts. This was previously all shown as Other in the impairment section of the table above. The 31 March 2025 Debtors figures have also been restated to separate out Business Rates and Council Tax payers, and Waste and Street Cleansing has been split out from 'Other' debtors to show comparisons.

The increase in the business rates pool share is because there are now two years settlement outstanding as at 31 March 2026. At 31 March 2025 only one year was outstanding.

The increase in Housing Benefits – Department for Work & Pensions reflects an increase in the variance between payments received on account during the year and the final settlement due at 31 March 2026.

There are no non-financial assets (e.g. housing benefit overpayments, council tax or business rate payers) that are outstanding debt as at the reporting date that have not been impaired. Housing benefit overpayments provision for debt impairment is based on the recovery action, the percentage of debt paid to date and the age of the debt. Further details for council tax and business rate payers can be found within the Collection Fund note 50.

41. Cash and Cash Equivalents

Cash is defined as cash in hand and deposits repayable on demand, less overdrafts.

Cash and cash equivalent assets comprise the balance on the council's bank current account, plus short term, highly liquid investments that are readily convertible to cash.

Cash and cash equivalent liabilities comprise any overdraft on the council's bank current account, plus the value of payments in transit at the accounting date. Payments in transit are not available for use by either party, and the cash is essentially in a state of limbo, reflected in the accounting system as 'payments in transit'.

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

31 March 2025		31 March 2026
£'000		£'000
122	Cash at bank	79
7,910	Money market funds (Note 42 table 4)	10,755
8,031	Cash and cash equivalent assets	10,834
153	Payments in transit	(466)
8,184	**Net cash and cash equivalents**	**10,368**

Financial Instruments

42. Financial Instruments

a) Categories of Financial Instruments.

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

Financial Assets	**Non-Current**				**Current**					
	Investments		**Debtors**		**Investments**		**Debtors**		**Total**	Total
	2026	2025	**2026**	2025	**2026**	2025	**2026**	2025	**2026**	2025
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Amortised cost	**0**	0	**1,657**	1,849	**0**	0	**3,846**	2,338	**5,503**	4,187
Fair value through profit and loss	**2,804**	2,805	**0**	0	**0**	0	**0**	0	**2,804**	2,805
Cash and cash equivalents	**0**	0	**0**	0	**0**	0	**10,834**	8,184	**10,834**	8,184
Total financial assets	**2,804**	2,805	**1,657**	1,849	**0**	0	**14,680**	10,522	**19,141**	15,176
Non-financial assets	**0**	0	**0**	0	**0**	0	**20,113**	14,120	**20,113**	14,120
Total	**2,804**	2,805	**1,657**	1,849	**0**	0	**34,792**	24,642	**39,253**	29,296

Financial Liabilities	**Non-Current**				**Current**					
	Borrowings		**Creditors**		**Borrowings**		**Creditors**		**Total**	Total
	2026	2025	**2026**	2025	**2026**	2025	**2026**	2025	**2026**	2025
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Amortised cost	**(3,000)**	0	**(60)**	(60)	**(14,100)**	(13,000)	**(9,482)**	(2,040)	**(26,642)**	(15,100)
Cash and cash equivalents	**0**	0	**0**	0	**0**	0	**(466)**	0	**(466)**	0
Total financial liabilities	**(3,000)**	0	**(60)**	(60)	**(14,100)**	(13,000)	**(9,948)**	(2,040)	**(27,108)**	(15,100)
Non-financial liabilities	**0**	0	**0**	0	**0**	0	**(14,883)**	(17,863)	**(14,883)**	(17,863)
Total	**(3,000)**	0	**(60)**	(60)	**(14,100)**	(13,000)	**(24,831)**	(19,903)	**(41,991)**	(32,963)

b) Gains and Losses on Financial Instruments

The gains and losses recognised in the Comprehensive Income & Expenditure Statement under Financing and Investment Income and Expenditure are as follows:

Table 3 – Gains and Losses

2024/25 £'000		2025/26 £'000
	Financial liabilities	
585	Interest costs on loans	684
	Financial assets - interest income:	
(37)	Amortised cost: fixed term deposits and call accounts	(54)
(996)	Fair value through profit and loss: money market funds and CCLA	(895)
(53)	(Gains)/losses from change in fair value (note 11)	0
(501)	**Net (gain)/loss for the year**	**(265)**

c) Fair Value of Assets and Liabilities

Financial instruments assets which are classified at amortised cost and financial instruments liabilities are carried in the Balance Sheet at amortised cost. Financial instruments which are not classified at amortised cost, are carried in the Balance Sheet at fair value. For money market funds and the Church, Charities and Local Authorities (CCLA) Property Fund, their fair value is taken from the market price. The Council has invested £3m in the CCLA Property Fund which is carried in the Balance Sheet at its fair value as at 31 March 2026 of £2.804m the difference being posted to the Pooled Fund Adjustment Account. When comparing the Balance Sheet value of financial instruments valued at amortised cost to what their value would be at fair value, the only difference is for the seven external loans whose fair value at 31 March 2026 is £17.451m (£13.137m at 31 March 2025).

d) Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The Council's overall risk management programme takes account of the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out under policies approved by the Council in the annual Treasury Management Strategy.

The Treasury Management Strategy requires frequent review of interest rate exposure that feeds into the setting and monitoring of the annual budget. This allows any adverse changes to be accommodated. The analysis will also advise as to whether new borrowing taken out should be at fixed or variable rates. It is the aim of the Council to minimise interest paid on borrowing and maximise the interest earned on investments but, in the case of investments, protection of the capital sum must take precedence over the rate of return.

The 2025/26 Treasury Management Strategy was initially approved by Council on 19 February 2025. It was amended during the year, and the updated strategy was approved by Council on 1 October 2025, and the updated strategy can be obtained from the Council's website:

https://ws.swale.gov.uk/meetings/documents/s31675/Treasury%20Management%20Strategy%20update%202025-26%20Council%20October%202025%20-%20Final.pdf

The Council provides written principles for overall risk management as well as written policies within its Treasury Management Strategy covering the following risks and the investment of surplus cash balances:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity Risk – the possibility that the Council might not have the funds available to meet its payment commitments; and,
- Market Risk – the possibility that a financial gain or loss might arise for the Council due to movements in interest rates, market prices, foreign currency exchange rates, etc. The Council's investment in the CCLA is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £3m. A 5% fall in commercial property prices would result in a £150,000 charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Fund Adjustment Account.

Credit Risk

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with the Prudential Code for Capital Finance in Local Authorities.

Credit risk arises from deposits with banks and financial institutions (counterparties), as well as credit exposure to the Council's customers. The Council protects the security of the cash it deposits with counterparties using a number of risk management techniques. Principal among these is the evaluation of counterparty risk, which uses a combination of credit ratings and limits on the term and maximum value of any deposits.

The Council seeks to reduce counterparty risk by adjusting the maximum amounts that may be invested with institutions, details can be found in the Council's Treasury Management Strategy.

The CCLA Property Fund is a long term investment and is not likely to be surrendered in the near future and where the expectation is that values will return to or exceed the original sum insured over the medium to long-term.

The table below summarises the Council's investment and borrowing portfolio at 31 March 2026. All investments made were in line with the Council's approved credit rating criteria at the time of placing the investment, and still met those criteria at 31 March 2026.

Table 4 – Investments and Borrowing

Balance Invested at 31 March 2025	Counterparty MMF = Money Market Funds	Long-Term Rating	Fair Value Level	Balance Invested at 31 March 2026 Up to 1 month	Up to 3 months	Greater than 3 months	Total
£'000				£'000	£'000	£'000	£'000
3,000	Invesco MMF	AAAmmf	1	3,000			3,000
0	BNP Paribas	AAAmmf	1	3,000			3,000
1,910	Black Rock MMF	AAAmmf	1	3,000			3,000
3,000	Aberdeen MMF	AAAmmf	1	1,755			1,755
7,910	**Total cash & cash equivalents**			**10,755**	**0**	**0**	**10,755**
2,804	CCLA property fund		1			2,804	2,804
2,804	**Total long-term investments**			**0**	**0**	**2,804**	**2,804**
10,714	**Total investments**			**10,755**	**0**	**2,804**	**13,559**
(5,000)	PWLB Loan		2			(3,000)	(3,000)
(3,000)	Spelthorne Borough Council		2	(2,000)			(2,000)
(2,000)	Ashfield District Council		2			(2,000)	(2,000)
0	Ashfield District Council		2		(3,000)		(3,000)
(3,000)	Middlesbrough Council		2				0
0	Amber Valley Borough Council		2			(2,000)	(2,000)
0	Maidstone Borough Council		2	(2,100)			(2,100)
0	Tamworth Borough Council		2	(3,000)			(3,000)
(13,000)	**Total external borrowing**			**(7,100)**	**(3,000)**	**(7,000)**	**(17,100)**

The long-term rating is the benchmark measure of probability of default. The default based on the experience gathered over the last five financial years is nil and the default adjusted for current market conditions is nil. Therefore, the estimated maximum exposure to default is nil as at 31 March 2026 (nil as at 31 March 2025).

The rating above is from the Fitch credit rating agency. A description of the grading is provided below:

- AAAmmf Funds have very strong ability to meet the dual objectives of providing liquidity and preserving capital.

Descriptions of the fair value level ratings are given below:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – measurements other than quoted prices included within Level 1 that are observable (e.g. they can be measured or found from existing data and records) for the asset, either directly or indirectly.

Leases

43. Leases

Council as Lessee

The Council has examined its leases and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In assessing the leases for IFRS 16 the Council has estimated implied interest rates to calculate interest and principal payments, unless they are explicit within the lease.

Transactions under leases

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

2024/25 £'000		2025/26 £'000
	Comprehensive Income and Expenditure Statement	
174	Interest expense on lease liabilities	175
1	Expense relating to short-term leases	0
1	Variable lease payments not included in the measurement of lease liabilities	1
	Cash Flow Statement	
234	Total cash outflows for leases	240

The cash outflow for leases includes the full amounts paid in lease/rental payments for the year. Under IFRS 16 this is split between interest, which is charged to the comprehensive income and expenditure statement, and repayment of principal which reduces the lease liability. The repayment of principal element of £64,000 is the difference between expenses charged in the comprehensive income and expenditure statement, and the total cashflows included in the cashflow statement.

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):

2024/25 £'000	Maturity analysis of lease liabilities	2025/26 £'000
203	Less than one year	209
765	One to five years	763
11,582	More than five years	11,407
12,550	**Total undiscounted liabilities**	**12,378**

Council as Lessor

The Council owns property which is leased to third parties. These leases have been classed as operating leases as the risks and rewards of ownership remain with the Council as lessor.

The authority received the following income from operating leases during the year.

2024/25 £'000	Operating leases	2025/26 £'000
(631)	Total lease income	(634)

The lease receivables are due to be collected over the following time bands (measured at the undiscounted amounts of expected cash receipts):

31 March 2025 £'000		31 March 2026 £'000
2,085	Less than one year	2,281
2,055	One to two years	1,808
1,960	Two to three years	1,628
1,784	Three to four years	1,592
1,748	Four to five years	1,548
33,894	More than five years	35,434
43,526	**Total undiscounted receivables**	**44,292**

This note has been updated to reflect the undiscounted lease payments to be received on an annual basis for each of the first five years and a total amount for the remaining years, as required by the Code of Practice for 2025/26.

The Council's Relationship with Other Organisations

44. Related Parties

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

Central Government

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, providing funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, business rates, housing benefits). Un-ringfenced grants received from Government departments are set out in the Comprehensive Income & Expenditure Statement and ring-fenced grants credited to services are shown in Note 12.

Members and Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2025/26 is shown in Note 8. The Council maintains a 'Register of Members' Interests' which can be found on the Council website at: https://swale.gov.uk/news-and-your-council/performance-and-transparency/councillors-and-elected-members/register-of-interests

There has been an approach to elected Members and senior management seeking from them a declaration that neither they, nor their close family, nor anyone in the same household, have been involved in any material transactions with the Council. Returns were received in respect of the 2025/26 financial year from Members and senior officers and there were no transactions considered of material significance to warrant separate disclosure in the Annual

Accounts. During 2025/26, no officers declared a pecuniary interest in accordance with section 117 of the Local Government Act 1972 with the exception that two senior officers and two Members are the Directors of Swale Rainbow Homes, a senior officer and a member are Directors of Opportunities for Sittingbourne, and one senior officer is a Director of SBC Holding Company 1. These are all companies owned by the Council (see Note 45).

Precepting Authorities

The Council collects council tax on behalf of its three major precepting authorities who in turn precept the Council. In addition, Kent County Council and Kent Fire and Rescue Service receive its share of business rates collected by the Council. Details are set out in the Collection Fund on pages 82 – 86. Kent County Council also administers the Kent Pension Fund on behalf of Swale and other Kent districts (see pages 45 – 50).

45. Group Accounts

The Code contains detailed requirements for the production of group accounts and a review was undertaken to identify any subsidiaries, associates, or joint ventures, which would establish whether a group relationship exists for the purposes of the Council's Statement of Accounts. Three interests were identified and details of these are set out below:

- Opportunities for Sittingbourne Limited (Company Number 09400214) – This company was incorporated in 2015 and is a joint venture between the Council and U&I, the lead partner in the Spirit of Sittingbourne consortium. The only transactions undertaken have been the purchase and recent sale of 34 High Street Sittingbourne. The Council's interest in the entity has been assessed to be non-controlling but having a significant influence and so needs to be accounted for as an Associate. One senior officer and one member are Directors of the company. The company is due to be dissolved.
- SBC Holding Company 1 Limited (Company Number 12417065) – This company was registered on 21 January 2020. The Council set-up this company as a nominee company to hold a property jointly with the Council to enter into and manage the lease arrangements. A Declaration of Trust has been executed by the Council and the Company whereby the Company stated that its interest is wholly under the Council's control. One senior officer is a Director of SBC Holding Company 1.
- Swale Rainbow Homes Ltd (Company Number 13338973) – This company was registered on 15 April 2021. The company is to deliver affordable homes. It is wholly owned by the Council. In 2025/26 the Council paid £195,000 in relation to this company to fund development and assessment costs. The Company will publish its own separate accounts for 2024/25. Two senior officers and two Members are the Directors of Swale Rainbow Homes.

Further information on all the above companies is available from the Companies House website https://www.gov.uk/government/organisations/companies-house. As at 31 March 2026 the total investment in these entities has been assessed as immaterial and the Council has decided that group accounts are not required.

Further Adjustments Between Accounting Basis and Funding Basis

46. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total Comprehensive Income & Expenditure Statement recognised by the Council in the year in accordance with proper accounting practices, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

Accounting and funding basis adjustments 2025/26	Usable Reserves			
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments to Revenue Resources				
Pension Costs	1,241	0	0	(1,241)
Pooled Fund Adjustment Account	0	0	0	0
Holiday Pay	(13)	0	0	13
Council Tax and Business Rates	(609)	0	0	609
Capital Grants moved to Capital Grants Unapplied	96	0	(96)	0
Reversal of entries for capital expenditure	(6,273)	0	(102)	6,375
Total Adjustment to Revenue Resources	**(5,558)**	**0**	**(198)**	**5,756**
Adjustments between Revenue & Capital Resources				
Transfer of sale proceeds from non-current assets to CRR	239	(827)	0	588
Receipts from LT Debtors	(95)	0	0	95
Statutory provision for financing of capital investment (MRP)	1,887	0	0	(1,887)
Capital expenditure charged to the General Fund	292	0	0	(292)
Total Adjustments between Revenue & Capital Resources	**2,323**	**(827)**	**0**	**(1,496)**
Use of the Capital Receipts Reserve to finance capital expenditure	0	224	0	(224)
Capital grants used to finance capital expenditure	12,837	(4)	3	(12,836)
Total Adjustments to Capital Resources	**12,837**	**220**	**3**	**(13,059)**
Total Adjustments	**9,602**	**(608)**	**(196)**	**(8,799)**

Accounting and funding basis adjustments 2024/25 (Restated)	Usable Reserves			
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments to Revenue Resources				
Pension Costs	719	0	0	(719)
Pooled Fund Adjustment Account	53	0	0	(53)
Holiday Pay	7	0	0	(7)
Council Tax and Business Rates	260	0	0	(260)
Capital Grants moved to Capital Grants Unapplied	190	0	(190)	0
Reversal of entries for capital expenditure	(9,923)	0	(88)	10,011
Total Adjustment to Revenue Resources	**(8,694)**	**0**	**(278)**	**8,972**
Adjustments between Revenue & Capital Resources				
Transfer of sale proceeds from non-current assets to CRR	236	(250)	0	14
Receipts from LT Debtors	(160)	0	0	160
Statutory provision for financing of capital investment (MRP)	1,617	0	0	(1,617)
Capital expenditure charged to the General Fund	126	0	0	(126)
Total Adjustments between Revenue & Capital Resources	**1,819**	**(250)**	**0**	**(1,569)**
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	0
Capital grants used to finance capital expenditure	7,776	(6)	0	(7,770)
Total Adjustments to Capital Resources	**7,776**	**(6)**	**0**	**(7,770)**
Total Adjustments	**901**	**(256)**	**(278)**	**(367)**

Collection Fund

As a billing authority, Swale Borough Council collects council tax and business rates from taxpayers and redistributes them to other local authorities and the Government. Because the Council is collecting these taxes on behalf of others, under statute, it has to hold these transactions in a separate account known as the Collection Fund.

The amount credited to the General Fund under statute is the Council's precept or demand for the year, plus or minus the Council's share of the surplus/deficit on the Collection Fund for the previous year.

Surpluses and deficits declared by the Council as the billing authority in relation to the Collection Fund are apportioned to the Government and other local authorities as appropriate in the subsequent financial year in their respective proportions.

The council tax and business rate income included in the Comprehensive Income & Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The Council collects council tax on behalf of the major precepting authorities – KCC, Kent Police & Crime Commissioner, and Kent Fire and Rescue Service, and collects business rates on behalf of the Government, KCC, and Kent Fire and Rescue Service. Parish precepts are paid from the Council's General Fund and are disclosed on the face of the Comprehensive Income & Expenditure Statement.

Collection Fund Income and Expenditure Statement

2024/25 Business Rates £'000	2024/25 Council Tax £'000	2024/25 Total £'000		Note	2025/26 Business Rates £'000	2025/26 Council Tax £'000	2025/26 Total £'000
			Income				
0	(112,067)	(112,067)	Council tax receivable	48	0	(118,475)	(118,475)
0	(34)	(34)	Transfer for S13A(1)(C) Reliefs		0	(12)	(12)
(64,520)	0	(64,520)	Business rates receivable	49	(67,439)	0	(67,439)
(1,619)	0	(1,619)	Transitional protection payments receivable		0	0	0
(66,140)	**(112,100)**	**(178,240)**	**Sub Total**		**(67,439)**	**(118,488)**	**(185,926)**
			Contribution towards previous year's Collection Fund forecast deficit				
0	(31)	(31)	Swale Borough Council		0	(44)	(44)
0	(208)	(208)	Kent County Council		0	(295)	(295)
0	(12)	(12)	Kent Fire & Rescue Service		0	(16)	(16)
0	(33)	(33)	Kent Police & Crime Commissioner		0	(47)	(47)
0	**(283)**	**(283)**	**Sub Total**		**0**	**(402)**	**(402)**
(66,140)	**(112,384)**	**(178,523)**	**Total Income**		**(67,439)**	**(118,890)**	**(186,328)**
			Expenditure				
			Precepts, demands and shares:				
30,041	0	30,041	Central Government		31,614	0	31,614
24,032	12,064	36,097	Swale Borough Council		25,291	12,605	37,897
5,407	81,134	86,541	Kent County Council		5,691	85,436	91,126
601	4,529	5,129	Kent Fire & Rescue Service		632	4,792	5,424
0	12,902	12,902	Kent Police & Crime Commissioner		0	13,647	13,647
60,081	**110,628**	**170,709**	**Sub Total**		**63,229**	**116,481**	**179,710**
193	0	193	Cost of collection		196	0	196
218	0	218	Interest charged to Collection Fund		188	0	188
(105)	2,083	1,978	Allowance for debt impairment	50	483	1,716	2,199
0	0	0	Transitional protection payments payable		217	0	217
4,446	0	4,446	Disregard amounts - renewable energy		4,560	0	4,560
(2,128)	0	(2,128)	Appeals charged to the Collection Fund		(2,670)	0	(2,670)
2,406	0	2,406	Change in provision for check, challenge & appeal	51	2,218	0	2,218
5,029	**2,083**	**7,112**	**Sub Total**		**5,191**	**1,716**	**6,907**
			Contribution towards previous year's Collection Fund forecast surplus				
172	0	172	Central Government		367	0	367
137	0	137	Swale Borough Council		293	0	293
31	0	31	Kent County Council		66	0	66
3	0	3	Kent Fire & Rescue Service		7	0	7
343	**0**	**343**	**Sub Total**		**733**	**0**	**733**
65,454	**112,711**	**178,164**	**Total Expenditure**		**69,153**	**118,197**	**187,350**
(686)	**327**	**(359)**	**Movement for the Year**		**1,714**	**(693)**	**1,021**
(110)	**365**	**255**	**(Surplus)/Deficit as at 1 April**		**(796)**	**692**	**(104)**
(796)	**692**	**(104)**	**(Surplus)/Deficit as at 31 March**	47	**919**	**(1)**	**917**

47. Collection Fund Surplus / Agency Arrangements

Swale Borough Council's element of the Collection Fund deficit is £367,000 at 31 March 2026 (£243,000 surplus in 2024/25) and is shown in the Balance Sheet within the Collection Fund Adjustment Account (Note 20). Amounts relating to precepting authorities and Government are shown in the Balance Sheet as a net debtor or creditor. This reflects that billing authorities are acting as agents of the precepting authorities and Government.

The collection fund balance at 31 March 2026 split into its attributable parts is shown below:

2024/25 Total £'000		2025/26 Business Rates £'000	2025/26 Council Tax £'000	2025/26 Total £'000
(398)	Central Government	459	0	459
(243)	Swale Borough Council	367	(0)	367
436	Kent County Council	83	(1)	82
20	Kent & Medway Fire & Rescue Service	9	(0)	9
81	Kent Police & Crime Commissioner	0	(0)	(0)
(104)	**Balance as at 31 March**	**919**	**(1)**	**917**

48. The Calculation of the Council Tax Base

Council Tax is primarily a property-based tax and is calculated for an average Band D property by dividing the net expenditure (to be met by the tax) of KCC, Kent Police & Crime Commissioner, Kent Fire and Rescue Service and Swale Borough Council by the tax base for Swale which is 50,518.20 (50,367.85 in 2024/25). This figure is the equivalent number of Band D properties in the area after allowing for the relative proportions payable by all other bands and the fact that some of those properties may pay a reduced amount because of discounts.

The basic Council Tax payable for each band in 2025/26 is listed below:

Band	Basic Tax £	Proportion of Band D Charge	Number of Band D Equivalent Dwellings
A	137.76	6/9	4,262.66
B	160.72	7/9	9,566.23
C	183.68	8/9	12,970.54
D	206.64	9/9	10,826.73
E	252.56	11/9	6,888.99
F	298.48	13/9	3,762.12
G	344.40	15/9	2,028.43
H	413.28	18/9	212.50
		Total	**50,518.20**

More detail on the calculation of the Council Tax base can be found here: Calculation of Council Tax Base 2025-26.pdf

Additional amounts are payable for precepts levied by the Parish and Town Councils within the Borough.

The level of non-payment provided for in the calculation of the tax base for 2025/26 was 2.3% (1.3% in 2024/25). The original anticipated income from the tax base of 50,518.20, (calculated on 3 December 2024), and Band D of £2,305.72 (Band D £2,262.84 plus average

parish precept of £42.88) was £116,481,000. The actual income was £118,475,000.

49. Income Collectable from Business Ratepayers

The Council initially retains 40% of business rates collected during the year, after deductions for mandatory and discretionary reliefs, the cost of income collections including losses, disregard amounts, and the cost of changes to rateable values. It is subject to a tariff that significantly reduces the actual amount retained by the Council.

The remaining business rates income is paid to the Government (50%), KCC (9%), and Kent Fire and Rescue Service (1%).

2024/25 £'000		2025/26 £'000
(64,520)	Business rates receivable	(67,439)
(1,619)	Transitional Protection Payments	217
(105)	Movement on allowance for debt impairment	483
193	Cost of Collection	196
218	Cost of Interest	188
277	Movement in Appeals Provision	(452)
4,446	Renewable energy disregard amount	4,560
(61,110)	**Business Rates Income**	**(62,248)**

The rateable value for the Council's area at the end of the financial year 2025/26 was £168,949,000 (£164,037,000 for 2024/25).

The business rate multiplier set for 2025/26 was 55.5p (54.6p in 2024/25). Small businesses have a lower rate multiplier of 49.9p (49.9p in 2024/25).

50. Debt Impairment

It is the policy of the Council that impairment for debt provisions for council tax and business rates are charged to the Collection Fund. The following provisions have been made against the possible non-collection of Collection Fund debt:

2024/25			2025/26	
Business Rates £'000	Council Tax £'000		Business Rates £'000	Council Tax £'000
(2,763)	(5,117)	Balance as at 1 April	(2,537)	(6,845)
122	354	Less amounts written off	(1)	387
105	(2,083)	(Increase)/decrease in provision	(483)	(1,716)
(2,537)	**(6,845)**	**Balance as at 31 March**	**(3,021)**	**(8,173)**
(1,015)	(741)	Swale Borough Council's share	(1,208)	(890)

Amounts written off are charged directly to the provision for debt impairment. Any amounts written off in excess of the provision will be a charge to the Collection Fund.

Council tax provision for debt impairment is based on an analysis of the age of the debt and their recovery stage. At 31 March 2026, the total council tax outstanding debt was £19.137m (£16.394m in 2024/25) of which debt one year old was £6.129m, debt between two to five years old was £9.779m and debt over five years old was £3.229m.

Business rates provision for debt impairment is based on an analysis of the age of the debt, and an assessment of the likelihood of recovery of debt in respect of each financial year

including the recovery action to date, the legal status of the debtor and potential absconders. At 31 March 2026, the total business rates outstanding debt was £4.705m (£3.487m in 2024/25) of which debt one year old was £1.844m, debt between two to five years old was £1.723m and debt over five years old was £1.138m.

51. Provision for Check, Challenge and Appeals for Business Rates

2024/25		2025/26
£'000		£'000
(5,694)	Balance as at 1 April	(5,971)
2,128	Less amounts charged to appeals	2,670
(2,406)	(Increase)/decrease in provision	(2,218)
(5,971)	**Balance as at 31 March**	**(5,519)**
(2,388)	Swale Borough Council's share	(2,208)

Any amounts refunded as a result of the Check, Challenge and Appeal (CCA) process are charged directly to the provision for alteration of lists and appeals. Any amounts refunded in excess of the provision will be a charge to the Collection Fund.

There is a regular reassessment of the Rateable Value (RV) of businesses, carried out by the Valuation Office Agency. The last two were in 2017 and 2023. The 2017 RV list is now closed, and there are no outstanding appeals for this list. For the 2023 RV list, the list is now closed, and the value of outstanding appeals are now known. Therefore, a prudent percentage has been applied to this value for the provision. The previous years provision used the assumption made at national level of potential appeals amended to reflect local circumstances and the likelihood of appeals.

Business rates appeals are particularly difficult to forecast and the outcome of appeals and their financial impact on the Council are monitored regularly. If the rateable value of outstanding appeals changes, the provision for appeals would require an additional £52,000 for every 1% increase in potential yield loss.

Glossary

Accruals	The inclusion of outstanding debtors and creditors in the year's income, expenditure and capital expenditure.
Amortised Cost	Amortised cost (in relation to financial instruments) is the amount on initial recognition plus the interest taken to income and expenditure less cash paid or received for both interest and principal.
Asset	An item having value measurable in monetary terms. A non-current asset has use and value for more than one year; a current asset is expected to be converted into cash within a year.
Capital Expenditure	Expenditure on the acquisition of a non-current asset or expenditure, which adds to and not merely maintains the value of an existing non-current asset.
Capital Financing	The raising of money to pay for capital expenditure, including borrowing, revenue financing, usable capital receipts, capital grants and capital contributions.
Capital Receipts	The proceeds of the sale of capital assets.
Code of Practice on Local Authority Accounting in the UK 2025/26 (the Code)	This specifies the principles and practices of accounting required to prepare a Statement of Accounts which presents "a true and fair view" of the financial position and transactions of the Council.
Collection Fund	A separate fund maintained by a billing council which records the expenditure and income relating to council tax and business rates.
Community Assets	Non-current assets that the local council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal.
Comprehensive Income & Expenditure Statement	This records all the income the Council has received to fund the day-to-day expenditure on the services it has provided during the financial year.
Creditor	Amounts owed by the Council for works done, goods received or services rendered before the end of the accounting period but for which payments have not been made by the end of that accounting period.
Current Value	The value of a non-current asset which reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.
Debtor	Amounts due to the Council for works done, goods received or services rendered before the end of the accounting period but for which payments have not been received by the end of that accounting period.

Glossary

Depreciation	The measure of the cost or revalued amount of the benefits of the non-current assets that have been consumed during the period.
Fair Value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Impairment	A reduction in the value of an asset below its carrying amount on the Balance Sheet.
Indexation	A tool used to apply an inflationary increase to assets in the years between professional valuations.
Infrastructure Assets	Non-current assets whose life is of indefinite length and which are not usually capable of being sold, such as highways and footpaths.
Intangible Assets	These are non-financial assets that do not have physical substance but are identifiable and controlled by the Council through custom legal rights (e.g. software).
Internal Borrowing	If capital expenditure is spent which is not immediately financed through capital receipts or grants, the Council's underlying need to borrow (its Capital Financing Requirement) increases, resulting in a Minimum Revenue Provision (MRP). When the Council reduces its cash balances to cover this expenditure then this is called 'internal borrowing'.
International Financial Reporting Standards	Guidelines and rules set by the International Accounting Standards Board that companies and organisations can follow when compiling financial statements.
Investment Properties	Investment properties are those that are used primarily to earn rentals and/or for capital appreciation.
Liabilities	Amounts which will become payable by the Council in the short or long-term.
Materiality	Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about the Council.
Minimum Revenue Provision (MRP)	A charge to the Council's General Fund balance to make provision for the repayment of the Council's past unfunded capital expenditure.
Non-Operational Assets	Non-current assets which are not used or consumed in the delivery of services or for the service or strategic objective of the Council.
Operating Lease	A lease where the ownership of the long-term asset remains with the lessor.

Glossary

Operational Assets	Non-current assets held and occupied, used or consumed by the local council in the direct delivery of those services for which it has either a statutory or a discretionary responsibility or for the service or strategic objectives of the Council.
Precept	The levy made by those authorities which do not run the local taxation system, e.g. KCC, Kent Fire and Rescue Service, Kent Police & Crime Commissioner, on Swale Borough Council which collects the required income from local taxpayers on their behalf.
Property, Plant and Equipment	An asset that has physical substance which is used in the provision of services and is expected to be in use for longer than one year. The value is depreciated over the estimated life of the asset.
Provision	A provision is made when the Council has a present obligation as a result of a past event and it is probable that the Council will be required to settle that obligation.
Reserves	The accumulation of surpluses and deficits over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council.
Revenue Expenditure Funded from Capital under Statute (REFCUS)	Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in a non-current asset on the Balance Sheet. Such expenditure is charged to the Comprehensive Income & Expenditure Statement.
Useful Economic Life	The period over which the Council derives benefits from the use of a non-current asset.

Acronyms Used:

CCA	Check, Challenge, Appeal
CCLA	Church, Charities and Local Authorities
CIES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
CRR	Capital Receipts Reserve
DFG	Disabled Facilities Grants
DWP	Department of Works and Pensions
IAS	International Accounting Standard

IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
KCC	Kent County Council
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LGPS	Local Government Pension Scheme
MBC	Maidstone Borough Council
MHCLG	Ministry for Housing, Communities and Local Government

Glossary

MIRS	Movement in Reserves Statement
MKS	Mid Kent Services
MMF	Money Market Funds
MRP	Minimum Revenue Provision
MTFP	Medium Term Financial Plan
NNDR	National Non-Domestic Rates (Business Rates)
PPE	Property, Plant and Equipment
PWLB	Public Works Loan Board
REFCUS	Revenue Expenditure Funded from Capital under Statute
RICS	Royal Institution of Chartered Surveyors
RV	Rateable Value
S106	Section 106 – See Note 35
SBC	Swale Borough Council
SMT	Strategic Management Team
SOLACE	Society of Local Authority Chief Executives
TWBC	Tunbridge Wells Borough Council
VAT	Value Added Tax