

GOVERNANCE AND AUDIT COMMITTEE

Thursday, 15th October, 2026

2.00 pm

Darent Room, Sessions House, County Hall, Maidstone





AGENDA

GOVERNANCE AND AUDIT COMMITTEE

Thursday, 15th October, 2026, at 2.00 pm
Darent Room, Sessions House, County Hall,
Maidstone

Ask for: **James Clapson**
Telephone: **0300 041 7387**

Membership (15)

Reform (7):	Mr M Brown (Chairman), Mr M Paul (Vice-Chair), Mr A Cecil, Mr A Kibble, Mr J Finch, Mr T Mallon and Mr R Mayall
Liberal Democrat (2):	Mr M Munday and Mr G R Samme
Conservative (1):	Mr H Rayner
Green (1):	Mr R Yates
Labour (1):	Mr A Brady
Restore Britain (1):	Mr O Bradshaw
Independent Members (2):	Ms C Black (plus 1 vacancy)

UNRESTRICTED ITEMS

(During these items the meeting is likely to be open to the public)

1. Apologies and Substitutes
2. Declarations of Interest in items on the agenda for this meeting
3. Declarations of Interest
4. Minutes of the meeting held on 23 July 2026 (Pages 1 - 12)
5. Kent County Council – Auditor's Annual Report 2025-26
Report to follow.

6. Kent County Council – Audit Findings Report 2025-26 (Pages 13 - 66)
7. Kent Pension Fund – Audit Findings Report 2025-26 (Pages 67 - 108)
8. Annual Governance Statement
Report to follow.
9. Draft Statement of Accounts (Pages 109 - 318)
10. Letters of Representation - Kent County Council and Kent Pension Fund (Pages 319 - 328)

EXEMPT ITEMS

(At the time of preparing the agenda there were no exempt items. During any such items which may arise, the meeting is likely NOT to be open to the public)

Benjamin Watts
Deputy Chief Executive
03000 416814

Wednesday, 7 October 2026

Please note that any background documents referred to in the accompanying papers maybe inspected by arrangement with the officer responsible for preparing the relevant report.

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KENT COUNTY COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Council Chamber, Sessions House, County Hall, Maidstone on Thursday, 23 July 2026.

PRESENT: Ms C Black, Mr M Brown (Chairman), Mr A Cecil, Mr M Paul (Vice-Chair), Mr G R Samme, Mr H Rayner, Mr M A J Hood, Mr A Kibble, Mr J Finch, Mr A Brady, Mr T Mallon, Mr O Bradshaw and Mr R Mayall

ALSO PRESENT: Mr B Collins

IN ATTENDANCE: Brendan Arnold (Corporate Director of Finance & S151 Officer), Petra Der Man (Head of Law and Monitoring Officer), Simon Jones (Corporate Director of Growth, Environment and Transport), Rebecca Spore (Director of Infrastructure), Clare Maynard (Chief Procurement Officer), Ben Sherreard (Project Manager), Andy Jeffery (Head of Resilience and Emergency Planning), Sangeeta Surana (Pension Fund and Investment Manager), Katy Reynolds (Senior Governance Manager), James Flannery (Interim Head of Counter Fraud), Russell Smith (Interim Head of Internal Audit), Debbie Chisman (Audit Manager), Lee Jones (Audit Manager), Bobby Scargill (Counter Fraud Intelligence Assistant), David Mackins (Business Support Manager for CYPE) and Sarah Ironmonger (Grant Thornton).

IN VIRTUAL ATTENDANCE: Caroline Smith (Assistant Director for Corporate Parenting)

UNRESTRICTED ITEMS

385. Apologies and Substitutes

(Item 2)

Apologies were received from Mr Mark Munday.

386. Declarations of Interest in items on the agenda for this meeting

(Item 3)

There were no Member declarations of interest.

387. Minutes of the meeting held on 19 May 2026

(Item 4)

RESOLVED that the minutes of the meeting held on the 19 May 2026 were a true and accurate record and a paper copy should be signed by the Chair.

388. Verbal Update on Committee Business

(Item 5)

1. The Verbal Update was presented by the Senior Governance Manager, Ms Katy Reynolds. The following key points were highlighted:
 - a) It was reported that interviews had been conducted for a second Independent Member and that a conditional offer had been made to a successful candidate. Pre-employment checks were underway, with the expectation that the candidate would be in post for the September meeting.
 - b) Members were advised that mandatory induction training for members and substitutes wishing to sit on the Committee had been scheduled for 3 September 2026. Existing Committee members who had already completed the training were not required to attend again, although they were welcome to do so. Members were also encouraged to promote the training within their groups.
 - c) The Committee was informed that a workshop-style training session on the purpose of the Governance and Audit Committee had been arranged for 21 September 2026 and would be delivered by an external facilitator.
 - d) Updates were provided on the action tracker. It was noted that:
 - (i) Action GA029 (Money Markets) had been partially covered under Item 7, with a further update to be brought to the November meeting once implementation had commenced.
 - (ii) Action GA033 (Peppercorn Rents) would be brought to the September meeting.
 - (iii) Action GA052 (External Audit Progress Report queries) had been partially addressed through responses circulated to Members, with outstanding responses to follow.
 - e) During discussion, a Member requested that the wording of Action GA046 be updated to reflect that the proposed project tracker related to all major projects rather than a specific project. It was agreed that a draft version of the tracker format would be shared with Members at the next meeting to provide an indication of the proposed approach.
 - f) A question was raised regarding invitations to pre-meetings held in advance of Governance and Audit Committee meetings. The Committee was advised that invitations were issued to all Committee Members and that any Member experiencing difficulties receiving invitations should raise this with the Chair or Clerk.
2. RESOLVED Members noted the verbal update on Committee business.

389. External Audit Sector Update and Progress Report for Kent County Council & Kent Pension Fund
(Item 6)

1. The report was presented by Sarah Ironmonger, from Grant Thornton. The following key points were highlighted:

- a) Members were advised that the unaudited financial statements had been received in accordance with the audit timetable and that audit work had commenced. It was reported that progress was satisfactory and that the findings of the audit would be presented to a future meeting.
 - b) The Committee noted the sector updates contained within the report, including information relating to the use of backstop disclaimers by some local authorities. It was noted that this did not apply to either the Council or the Pension Fund.
 - c) During discussion, Members raised concerns regarding the Oracle Cloud programme, including its overall cost, value for money, funding arrangements and the implications of Local Government Reorganisation. The external auditors advised that the implementation formed a significant risk area within the audit and that conclusions on value for money could not be reached until audit work had been completed. Members were informed that a separate review of the programme was underway and that the findings would be reported to the Committee when available.
 - d) Questions were also raised regarding the Dedicated Schools Grant (DSG) deficit, SEND reform arrangements and the potential impact on successor authorities. The external auditors confirmed that these matters formed part of their ongoing Value for Money assessment and that the position was being monitored through audit work currently in progress.
 - e) Members expressed significant concerns regarding both the Oracle programme and the DSG deficit and requested that these concerns be expressly recorded in the minutes.
 - f) It was proposed and seconded that a dedicated agenda item on the DSG deficit should be included on the Work Programme for future meetings. Following a vote, the motion failed.
 - g) The Committee was advised that updated technical guidance relating to devolution and Local Government Reorganisation could be provided and that governance arrangements formed part of the auditors' Value for Money assessment.
2. RESOLVED Members noted the sector update and progress report for Kent County Council and the Kent Pension Fund

390. Treasury Management Update

(Item 7)

- 1. The report was presented by the Pension Fund and Treasury Investments Manager, Sangeeta Surana. The following key points were highlighted:
 - a) The Committee received the Treasury Management Annual Review and noted that the Council had complied with its Treasury Management Strategy and all prudential indicators relating to liquidity, security and interest rate risk. It was further noted that external borrowing had reduced during the year, no new borrowing had been undertaken, and savings had been achieved against the

interest cost budget.

- b) Regarding liquidity management, the Committee was advised that the Council sought to maintain a minimum cash balance for operational purposes and that any temporary reduction below the target level had been minor and attributable to the timing of cash flows.
 - c) The Committee discussed the Council's remaining LOBO loans, including their maturity dates, associated risks and the likelihood of lenders exercising call options. Members were advised that only two LOBO loans remained and that current market conditions made it likely that call options would be exercised in the near future. Assurance was provided that sufficient liquidity arrangements were in place to meet any resulting repayments.
 - d) Questions were raised regarding the repayment of debt, investment balances and the Council's approach to treasury management. It was explained that some loan repayments had occurred in accordance with existing repayment schedules and that reductions in minimum liquidity balances had enabled investment in higher yielding but suitably liquid instruments.
 - e) The Committee discussed the rationale for reducing investment holdings and sought assurance regarding the Council's ability to meet future liabilities. It was confirmed that investment balances remained sufficient and that arrangements were in place to generate the liquidity required to meet future debt repayments.
 - f) Members also considered the future expiry of the IFRS 9 statutory override and were advised that a programme was underway to reduce exposure by transitioning investments out of affected pooled funds. A further update would be provided later in the financial year.
 - g) The Committee discussed previous arrangements for member oversight of treasury management and noted differing views on their effectiveness.
2. RESOLVED Members ENDORSED and RECOMMENDED that the report be submitted to the Council.

391. Counter Fraud Update *(Item 8)*

1. The report was presented by the Interim Head of Counter Fraud, James Flannery. The Following key points were highlighted:
- a) It was reported that the Counter Fraud Team had substantially delivered its 2025–26 Action Plan, with one action relating to the use of artificial intelligence for document verification deferred pending identification of an appropriate pilot area. Members noted that reported irregularities had increased compared with the previous year, reflecting improved awareness and reporting, while actual losses had reduced.
 - b) Members were advised that a recent anti-corruption self-assessment had identified several good practices within the Council, together with opportunities to improve transparency. A fuller report, including

recommendations and an action plan, would be presented at a future meeting.

- c) During discussion, Members received an update on the financial impact of the Kent Card provider outage. It was reported that work was ongoing to assess any additional costs incurred and to seek recompense from the outgoing provider where appropriate.
 - d) Members discussed the deferred action relating to the use of artificial intelligence and were advised that further work was required to assess potential applications and ensure that any investment would provide value for money.
 - e) The Committee considered the effectiveness and resourcing of the Counter Fraud Team. It was noted that the service continued to work closely with management teams across the authority and that existing resources were considered sufficient to address current fraud risks. Members were advised that future efficiencies were likely to be achieved through greater use of data analytics.
 - f) The Committee discussed Blue Badge misuse and variations in referral levels across district councils. It was reported that work was underway with district councils and parking managers to share best practice and improve awareness, detection and reporting arrangements.
 - g) Members received an update on the Kent Intelligence Network and its work in identifying business rates irregularities. It was noted that intelligence gathered from individual cases was shared across partner authorities to support wider fraud prevention activity.
 - h) Questions were raised regarding the recovery of losses arising from reported irregularities. The Committee was advised that recovery action was pursued through the Council's debt recovery processes and that lessons learned were used to strengthen controls and reduce the risk of recurrence.
 - i) The Committee discussed arrangements for monitoring declarations of interest and gifts and hospitality. It was reported that work was underway to improve management information and reporting, with enhanced monitoring expected to be introduced during the year.
 - j) An update was provided on the National Fraud Initiative and the use of data matching to identify potential overpayments following the death of service users. Further matching exercises were due to be undertaken during 2026–27, with results to be reported to a future meeting.
 - k) The Committee also considered fraud risks associated with Local Government Reorganisation. It was confirmed that these risks were being incorporated into programme risk management arrangements and that a further report would be brought to a future meeting.
2. (i) RESOLVED Members NOTED the Counter Fraud Annual Report inclusive of quarter 4 progress for 2025/26, reported irregularities from 1 January 2026 – 13 March 2026 and completion of the Counter Fraud Action Plan for 2025/26.

(ii) RESOLVED Members REVIEWED, COMMENTED on and APPROVED the Counter Fraud Action Plan for 2026/27

(iii) RESOLVED Members NOTED the outcome of KCC's Compliance to the Fighting Fraud and Corruption Locally Checklist.

Post Meeting Note

Following a Member's question, the Interim Head of Counter Fraud confirmed that KCC have not, and are not, funding the litigation which is being progressed by Dover DC. This is the responsibility of Dover DC as the billing authority and administrator of business rates in that area.

392. Annual Review of Counter Fraud Policies

(Item 9)

1. The report was presented by the Interim Head of Counter Fraud, James Flannery. The Following key points were highlighted:
 - a) The Committee received a report setting out amendments to the Council's counter fraud and anti-corruption related policies following a review undertaken in consultation with Legal Services.
 - b) Members discussed the governance arrangements for the approval of these policies and noted that responsibility for approval had moved from the Governance and Audit Committee to the Corporate Management Team. Concern was expressed that the Committee had not been formally informed of this change and questions were raised regarding the rationale for the revised arrangements and the impact on member oversight.
 - c) The Committee was advised that the approval arrangements had been reviewed against the Committee's terms of reference. Officers undertook to provide a written explanation outlining the reasons for the change in governance arrangements.
 - d) A motion was proposed and seconded requesting that the administration consider amending the Committee's terms of reference to allow continued Member oversight of the relevant policies. Following a vote, the motion was carried.
 - e) During discussion, members also raised the potential for greater information sharing between Trading Standards, district councils and other partners where enforcement activity identified possible fraud, financial irregularities or other offences. It was agreed that this matter would be raised through the Kent Intelligence Network partnership arrangements for further consideration.
 - f) Members further noted that the discussion highlighted broader governance and communication issues which would be relevant to forthcoming consideration of the Annual Governance Statement and the effectiveness of the Committee.
2. (i) RESOLVED Members made a formal request that the Administration consider amending the Committee's Terms of Reference to allow

continued Member oversight of the relevant Counter Fraud policies

- (ii) RESOLVED that Members NOTED the amendments to the policies following approval at the Corporate Management Team.

393. Internal Audit Progress Report (Item 10)

1. The item was presented by Audit Manager, Lee Jones. The following key points were highlighted:
 - a) The Committee received the Internal Audit Progress Report, noting completion of 33 audits and delivery of the annual audit programme.
 - b) Members noted that Business Continuity Planning and Essential Living Allowance (ELA) had received limited assurance opinions. Officers advised that improvements had been made in both areas, with compliance rates increasing for Business Continuity Planning and outstanding actions expected to be completed within agreed timescales. It was confirmed that all services had business continuity plans in place, with audit findings primarily relating to corporate system compliance.
 - c) In relation to ELA, officers explained that the review had expanded following a previous counter-fraud investigation, identifying additional risks. Members sought assurance regarding outstanding recommendations and controls. Officers advised that significant progress had been made, including the introduction of strengthened controls, staff training, enhanced monitoring arrangements and dedicated oversight. A follow-up audit would be undertaken once all actions had been completed.
 - d) The Committee noted that the overall assurance position remained mixed, reflecting resourcing pressures, service demand and increased organisational risk. Members were informed that implementation of agreed management actions stood at 57%.
 - e) Members raised concerns regarding budget manager training, Resource Accountability Statements and the Council's financial resilience. Officers agreed to provide a formal response outside the meeting. Assurance was provided that reserve levels had improved and remained above the Council's minimum benchmark.
 - f) The Committee discussed the findings of the Adult Social Care audit, including provider failure risks and monitoring arrangements. The Head of Internal Audit advised that weaknesses had been identified in risk assessment and monitoring processes, and that a detailed action plan had been agreed to strengthen governance and oversight.
 - g) Members also considered risks associated with the Oracle programme, receiving assurance that progress continued to be monitored and that findings would be reported through the appropriate governance arrangements.

- h) The Committee noted the consultancy review relating to SEND payments, with officers outlining plans to reduce reliance on manual processes, strengthen controls and increase automation by March 2027.
 - i) Members sought assurance regarding procurement controls and purchasing procedure exceptions. Officers advised that the area remained under review and that further updates would be provided.
 - j) Members expressed concern that officers from services subject to significant audit findings had not been present to answer detailed questions and suggested that relevant service representatives attend future meetings where significant audit issues were being considered.
2. Members indicated that they had questions regarding the exempt appendix. It was not possible to continue the debate in a close session due to time constraints and therefore the Chair agreed to defer the resolution of the item until such time as the questions had been addressed, at the next appropriate meeting.

394. Internal Audit Annual Report

(Item 11)

1. The item was presented by the Interim Head of Internal Audit, Russell Smith. The following key points were highlighted for Members:
 - a) It was reported that the overall assurance opinion for 2025/26 had been assessed as Adequate. Fifty per cent of audit coverage had received either High or Substantial Assurance ratings. An assessment against the eight pillars of corporate health found that five pillars were rated as adequate overall. While the overall opinion was noted to be close to substantial assurance, adequate assurance was considered an appropriate reflection of the Council's current position and the significant challenges it continued to face.
 - b) Members were advised that there had been no restrictions on audit scope and no impairments to the independence of Internal Audit.
 - c) The report included a new section on root cause analysis, introduced following recommendations from the External Quality Assessment (EQA). Key themes identified during the year related to assurance monitoring and risk, governance and management oversight, processes and procedures, and resources.
 - d) The Committee noted that implementation rates for agreed audit actions had been broadly maintained. Work was underway to introduce a management dashboard intended to improve oversight of audit recommendations and support improved implementation rates across the Council.
 - e) Performance against Internal Audit service measures, including outcome-based metrics, had been assessed as best practice by the EQA. Members also noted improved results from the annual perception survey and the ongoing Quality Assurance and Improvement Programme. Priority areas for further development included embedding data-driven assurance, reviewing the embedded assurance methodology and reviewing the prospects for improvement methodology.

- f) During discussion, Members welcomed the increase in income generated by the service and the positive outcome of the EQA assessment. However, concerns were raised regarding the deferral of a number of planned audits, particularly those relating to contract management and monitoring, adult social care contracts, economic strategy and safeguarding adults at risk.
 - g) Concern was also expressed regarding the continuation of an overall adequate assurance opinion, the proportion of management actions that remained in progress, and implementation rates for high-risk recommendations. Members highlighted the importance of ensuring that agreed audit actions were completed in a timely manner in order to secure improvements and maximise the value of the audit process
2. RESOLVED Members NOTED the report as a source of independent Assurance regarding the risk. Control and governance environment across the Council and NOTED the outcomes from the 2025-26 Internal Audit work and the resultant 'Adequate' opinion to the Annual Governance Statement.

395. Internal Audit Rolling Annual Plan (Item 12)

1. The report was presented by the Interim Head of Internal Audit. The following key points were highlighted:
- a) It was noted that the current plan did not include audit coverage of climate change risks. Officers explained that this area had been reviewed in previous years and that the focus of the proposed plan had been on risks requiring more immediate mitigation. However, following recent decisions relating to Local Government Reorganisation (LGR), the audit plan would be reviewed to ensure that sufficient coverage was provided for emerging LGR-related risks.
 - b) The Committee was also advised that the report included the Internal Audit Charter, for which no changes were proposed, and an updated Internal Audit Strategy incorporating performance measures.
 - c) During discussion, a Member noted that the Family Hub programme had been operating for several years and raised concerns that it did not appear to have been subject to a specific audit review. Reference was made to concerns previously raised through committee processes regarding the consistency of service delivery and planned scrutiny of decision-making arrangements. In response, officers advised that a review relating to Families First was included within the audit plan and that the scope would be reviewed to determine whether Family Hubs should be considered as part of that work.
 - d) Concern was also expressed regarding the absence of climate change from the proposed audit programme, given the significance of climate-related risks and their increasing impact on Council operations. Officers reiterated that the decision reflected previous audit coverage and the need to prioritise more immediate risks. It was further noted that the audit plan remained flexible and could be amended during the year should risk levels change or additional assurance be required

2. (i) RESOLVED Members AGREED the proposed Rolling Audit Plan for 2026/27;
- (ii) RESOLVED Members APPROVED the Internal Audit Strategy;
- (iii) RESOLVED Members APPROVED the Internal Audit Charter;
- (vi) RESOLVED Members NOTED the Key Performance Indicators for 2026/27.

396. Draft Annual Governance Statement (Item 13)

1. The report was presented by the Monitoring Officer and Head of Law, Petra Der Man. The following key points were highlighted:
 - a) It was noted that the Annual Governance Statement (AGS) was intended not only to reflect on governance during the previous year but also to identify future risks, challenges and improvement actions. Members were informed that the document would continue to evolve to reflect emerging issues, including those arising from Local Government Reorganisation (LGR), as well as the potential impact on organisational resources and capacity. Officers encouraged Members and officers to provide feedback to help inform the final version.
 - b) During discussion, concerns were raised regarding governance arrangements and the conduct of Council business. Some Members expressed the view that governance processes had deteriorated over the previous year and cited concerns relating to the operation of Council meetings, the opportunities available for Member participation in debate, and the effectiveness of governance arrangements more generally.
 - c) Members also raised concerns regarding transparency, accountability and the timeliness of responses to issues previously identified by the Committee. It was suggested that recurring concerns raised through governance and audit processes were not always followed by sufficiently detailed feedback or reporting on progress.
 - d) Reference was made to the AGS statement regarding incidents of poor behaviour involving Members. In response, officers advised that the reference was based on Standards complaints and feedback received through officer surveys. The Committee was informed that work was planned to strengthen awareness of Standards expectations and the Nolan Principles through future training and development activities. It was noted that the effectiveness of those measures would be monitored over time.
 - e) Discussion also took place regarding the attendance of Cabinet Members and senior officers at Committee meetings. Some Members highlighted the importance of ensuring that appropriate portfolio holders or officers were available to answer questions on significant governance, financial or audit matters. It was suggested that consideration be given to developing arrangements for identifying items where attendance may be required. Other Members noted the practical challenges associated with requiring Cabinet Member attendance across a broad range of agenda items and suggested

that advance notice of questions could assist in ensuring that relevant information was available.

- f) The Committee noted that all comments and observations made during the meeting would be considered as part of the ongoing development of the draft Annual Governance Statement ahead of its return for further consideration.
2. RESOLVED Members COMMENTED on the Draft Annual Governance Statement and the observations made during the meeting would be considered in the preparation of the final version.

397. Annual Review of Committee Effectiveness *(Item 14)*

1. The report was presented by Senior Governance Manager, Katy Reynolds. The following key points were highlighted:
 - a) The report had been prepared using responses from an anonymous Member survey and feedback obtained through an exit interview with a former independent Member.
 - b) Members were advised that the review formed part of good practice and demonstrated the Committee's commitment to continuous improvement. It was noted that the review identified areas where further development was required, and arrangements had already been made for additional training to enhance understanding of the Committee's role and purpose.
 - c) Committee Members raised concerns including perceived levels of Member engagement and participation; the level of challenge; attendance of key Officers and Cabinet Members; volume and complexity of papers and meeting culture. Other Members felt that the Committee had been given sufficient freedom to conduct its business and that individuals should reflect on their own contribution to discussions and questioning.
2. In response to questions raised by the Committee Members, the following points were made by Officers:
 - a) It was confirmed that consideration would be given to refining the survey methodology in future reviews.
 - b) The forthcoming training session would provide an opportunity to reflect further on the Committee's purpose and effectiveness and could help inform any additional actions required. It was also suggested that discussions take place regarding representation by relevant Officers and Cabinet Members at future meetings.
 - c) The scope of the training session would be reviewed to take into account the request for Cabinet and Deputy Cabinet Members to attend.
 - d) It was suggested that a dedicated discussion or workshop could be held to consider the Committee's future operation and identify improvements.

- e. Members were invited to submit any further suggestions for improving the effectiveness of the Committee outside the meeting in order that these could be considered before the next scheduled meeting.
- 3. RESOLVED Members CONSIDERED and COMMENTED on the Review of Effectiveness.

Audit Findings for Kent County Council Interim

Year ended 31 March 2026

15 October 2026



Governance and Audit Committee Members

Kent County Council
County Hall
Maidstone
Kent
ME14 1XQ

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15 October 2026

Audit Findings for Kent County Council for the 31 March 2026

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all misappropriations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Chartered Accountants

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We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2025-.pdf \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2025-.pdf).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Parah Ironmonger
Partner
For Grant Thornton UK LLP

Chartered Accountants

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Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Kent County Council (the 'Authority') and the preparation of the group and Authority's financial statements for the year ended 31 March 2026 for the attention of those charged with governance.

Financial statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to report whether, in our opinion, the group and Authority's financial statements:

- give a true and fair view of the financial position of the group and Authority and the group and Authority's income and expenditure for the year.
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed during July-September, as planned. Our findings are summarised on pages 15 to 27. We identified no adjustments to the financial statements, other than disclosure errors. These are set out at page 32. We have also raised recommendations for management, set out on page 35, and reported our follow up of prior year recommendations on page 37.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, subject to the following outstanding matters:

- receipt of component auditor confirmations on completion of subsidiary audits
- completion and clearance of technical points raised in financial statement hot review
- receipt and review of an updated Annual Governance Statement
- completion of final audit file quality reviews by engagement team
- receipt of signed management representation letter
- review of the final set of financial statements

We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement (subject to final review), is consistent with our knowledge of the Authority and with the audited financial statements.

Our anticipated financial statements audit report opinion will be unmodified. We anticipate issuing the auditors report shortly after the Governance and Audit Committee meeting on 15 October 2026.

Headlines

Value for money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Governance
- Financial sustainability
- Improving economy, efficiency and effectiveness

We have completed our VFM work.

We have identified four significant weaknesses

- Financial Sustainability – Adult Social Care spend
- Financial Sustainability – Special Educational Need (SEN) spend and Dedicated Schools Grant
- Governance – Governance and Audit Committee role and effectiveness incorporating member development, behaviours and cohesion.
- Economy, Efficiency and Effectiveness – Oracle Cloud Programme

Detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

Headlines

Statutory duties

The Local Audit and Accountability Act 2014 (the ‘Act’) also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act
- certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of our work required under the Code. However, we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until the following matter(s) are resolved:

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- where a local authority also has a pension fund for which the opinion on the financial statements in the pension fund annual report has not yet been issued
- where there is outstanding work in relation to consolidation returns
- where confirmation has not been received from the NAO that the group audit (Whole of Government Accounts) has been certified by the Comptroller and Audit General, and therefore no further work is required to be undertaken in order to discharge the auditor’s duties in relation to consolidation returns under paragraph 2.11 of the Code

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2026.

Significant matters

We experienced significant delays in obtaining supporting transaction information for debtors and creditors at the beginning of the audit, with significant balances unable to be substantiated. These issues were resolved successfully but took some time. These delays were primarily due to user inexperience with the new Oracle Fusion system.

Our approach to materiality

As communicated in our Audit Plan dated 25 March 2026, we determined **materiality at the planning stage** as **£59.5 million** and **group materiality** as **£60.5 million** based on **1.8%** of prior year gross expenditure. At year-end, we have reconsidered planning materiality based on the draft consolidated financial statements. On review of the draft financial statements, the audit team did not consider that the movement in gross expenditure was significant enough to change materiality levels. Our materiality levels, therefore, remain unchanged from the assessment made at the planning stage of the audit.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

We have determined materiality at **£59.5 million** and group materiality at **£60.5 million** based on professional judgement in the context of our knowledge of the Authority and the group.

We have used **1.8%** of gross expenditure as the basis for determining materiality.

We use a benchmark of gross expenditure as the Authority prepares an expenditure-based budget for the financial year with the primary objective of providing services to the local community.

The benchmark for gross expenditure remains steady at 1.8%, consistent with the prior year. The engagement has not increased in risk compared to 2024/25, and no significant issues were encountered during that period. Within the broader sector, Kent County Council is positioned at the lower end of risk, benefiting from a stable business environment despite current financial pressures. Therefore, we have decided to use a benchmark percentage at the higher end of the permissible scale as outlined by the firm.

Performance materiality

We have determined performance materiality at **£37 million**, based on **65%** of headline materiality. This percentage has not changed from the planning phase of the audit.

Component Performance materiality

Where audit work on components are being performed using component performance materiality, this has been set at **£33.15 million**, with the component performance materiality used reflecting the relative risk and size of that component to the group.

Specific materiality

Senior officer remuneration is an area of interest to the readers of financial statements. A lower level of materiality in these areas are appropriate due to the nature of these disclosure notes.

We have therefore assessed a specific materiality for senior officer remuneration that is **£34.5k** per each senior officer. Note this is not a cumulative amount and has been applied to each senior officer.

Reporting threshold

We will report to you all misstatements identified in excess of **£2.975 million**, in addition to any matters considered to be qualitatively material.

Our approach to materiality

A summary of our approach to determining materiality is set out below.

	Group	Authority	Qualitative factors considered
Materiality for the financial statements	£60.5m	£59.5m	We considered materiality from the perspective of the users of the financial statements. The Authority prepares an expenditure-based budget for the financial year with the primary objective to provide services to the local community; therefore, gross expenditure was deemed the most appropriate benchmark. We assessed a rate of 1.8% as appropriate to apply to the gross expenditure benchmark. This is consistent with the prior year and is at the higher end of the allowable range established by the firm.
Performance materiality	£39.0m	£37.0m	Performance Materiality is based on a percentage of the overall materiality and reflects the level at which we perform substantive audit testing. We have determined to apply 65% of overall materiality considering the requirements of ISA 320.
Specific materiality for senior officer remuneration	-	£34.5k per senior officer	Senior officer remuneration is an area of interest to readers of financial statements. A lower level of materiality in these areas is appropriate due to the nature of these disclosure notes. We have therefore assessed a specific materiality for senior officer remuneration that is £34.5k per each senior officer. This has been calculated by applying the benchmark percentage used for financial statement materiality to the total of officer remuneration. Note this is not a cumulative amount and will be applied to each senior officer.
Reporting threshold	£2.975m	£2.975m	This is assessed as 5% of the Authority's financial statement materiality

Overview of audit risks

The below table summarises the significant risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor’s judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	G
The revenue cycle includes fraudulent transactions	Significant	↔	✓	Low	G
The expenditure cycle includes fraudulent transactions	Significant	↔	✓	Medium	G
Valuation of land and buildings	Significant	↔	x	High	G
Valuation of the pension fund net asset / liability	Significant	↔	x	High	G
Oracle system implementation and data migration	Significant	↔	x	Low	G

- ↑ Assessed risk increase since Audit Plan
- ↔ Assessed risk consistent with Audit Plan
- ↓ Assessed risk decrease since Audit Plan

- G Not likely to result in material adjustment or change to disclosures within the financial statements
- A Potential to result in material adjustment or significant change to disclosures within the financial statements
- R Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks (1)

Risk identified	Audit procedures performed	Key observations
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities. We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	We have: • evaluated the design and implementation of management controls over journal entries • reviewed and gained understanding of accounting estimates, judgements and decisions made by management • analysed the journals listing and determined the criteria for selecting high risk unusual journal entries • identified and tested unusual journal entries made during the year and the accounts production process for appropriateness and corroboration • reviewed unusual significant transactions identified through risk criteria, or other areas of audit testing.	Our audit work has not identified any issues relating to management override of controls. During our review, we have noted that the journal authorisation workflow functionality within Oracle Fusion has not been implemented. As a result, journals can be posted without system enforced-review and approval controls. Whilst a risk exists, based on the sample of journal entries tested, we did not identify that had been inappropriately posted. We have raised a recommendation on page 30.

Significant risks (2)

Risk identified	Audit procedures performed	Key observations
The revenue cycle includes fraudulent transactions Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. Having considered the risk factors set out in ISA240 and the nature of the Authority and the Group’s revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: There is little incentive to manipulate revenue recognition. • Opportunities to manipulate revenue recognition are very limited. • The culture and ethical frameworks of local authorities, including that of Kent County Council, mean that all forms of fraud are seen as unacceptable.	We have evaluated the Authority and Group’s accounting policy for recognition of income for appropriateness and compliance with the Code 2025/26, updated our understanding of the Authority and Group’s system for accounting for income and evaluated the design and implementation of associated relevant controls. We have sample tested transactions around the year-end to ensure that income has been recorded in the correct financial year. We have sample tested grant income receipts to ensure that they have been appropriately categorised and only recognised when conditions have been met.	Our audit work has not identified any issues in respect of revenue recognition. Our audit has not identified any circumstances that would cause us to change our rebuttal of the presumed risk. We experienced significant delays in obtaining supporting transaction information for debtors at the beginning of the audit, with significant balances unable to be substantiated. These issues were resolved successfully but took some time. These delays were primarily due to users being inexperienced with the new Oracle Fusion system. We have raised a recommendation on page 29.

Significant risks (3)

Risk identified	Audit procedures performed	Key observations
Presumed risk of fraud in expenditure recognition Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure. At the planning stage, we considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the expenditure streams both individually and collectively.	We have evaluated the Authority and Group’s accounting policy for recognition of expenditure for appropriateness and compliance with the Code 2025/26, updated our understanding of the Authority and Group’s system for accounting for income and evaluated the design and implementation of associated relevant controls. We have sample tested transactions around the year-end to ensure that expenditure has been recorded in the correct financial year.	Our audit work has not identified any issues in respect of expenditure recognition. Our audit has not identified any circumstances that would cause us to change our rebuttal of the presumed risk. We experienced significant delays in obtaining supporting transaction information for creditors at the beginning of the audit, with significant balances unable to be substantiated. These issues were resolved successfully but took some time. These delays were primarily due to user inexperience with the new Oracle Fusion system. We have raised a recommendation on page 29.

Significant risks (4)

Risk identified	Audit procedures performed	Key observations
Valuation of land and buildings The valuation of land and buildings represents a significant estimate in the financial statements. It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions. We have therefore identified it as a significant risk for the audit. We therefore identify the valuation of land and buildings as a significant risk of material misstatement due to the inherent risk of material misstatement arising from error. Assets are subject to a rolling five-yearly valuation cycle in accordance with the CIPFA Code. From 2025-26, in intervening years, current value will be updated using appropriate indexation, unless a desktop valuation is required due to absence of a suitable index. The Authority has adopted this approach for the first time in 2025-26.	We have: - evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation expert and the scope of their work. - evaluated management's indexation methodology, including the process for identifying assets subject to indexation and appropriateness of indices selected for each asset class. - evaluated the competence, capabilities and objectivity of the valuation expert engaged by the Authority. - evaluated the consistency of the disclosure with the valuation report. - evaluated the basis on which the valuations were carried out, including challenging the information and assumptions used by the valuer. - evaluated the reasonableness of the assumptions used to form the estimate. - engaged our own valuation expert to assess the instructions sent to the Authority's valuer, the Authority's valuer's report and the assumptions that underpin the valuation - reviewed indices used and application to asset classes - evaluated the accounting entries for the valuation. - tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register and financial statements.	Our audit work has not identified any issues in respect of the valuation of land and buildings. We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology As in prior years, the Authority's accounting policy is not to depreciate assets in the year of acquisition, which is not in line with usual practice. The Authority have demonstrated that the resulting charge, had depreciation been charged in the year of acquisition, would not be material. We are content with this consideration.

Significant risks (5)

Risk identified

Valuation of net pension liability/asset

The Authority’s share of the pension fund net liability, as reflected in its Balance Sheet as the net liability arising from defined benefit obligation, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£39m in the Authority’s Balance Sheet at 31 March 2026, falling from £29m at 31 March 2025 and £38m at 31 March 2024) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

(continued)

Audit procedures performed

We have:

- Updated our understanding of the processes and controls put in place by management to ensure that the Authority’s pension fund net liability is not materially misstated and evaluate the design of the associated controls.
- Evaluated the instructions issued by management to their actuary (Barnett Waddingham) for this estimate and the scope of the actuary’s work.
- Assessed the competence, capabilities and objectivity of the actuary who carried out the Authority’s pension fund valuation.
- Assessed the reasonableness of the actuary’s assumptions and calculations in-line with the relevant standards.
- Assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability.
- Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary.
- Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor’s expert) and performing any additional procedures suggested within the report.

(continued)

Key observations

We have obtained assurances from the auditor of the Kent Pension Fund on the adequacy of controls and source data and ultimately, the valuation of Kent County Council’s share of the net pension liability.

We have reviewed the requirements of IFRIC 14 and are content that the Authority has applied them appropriately to the year end pension value.

Our audit work has not identified any issues in respect of the valuation of the net pension liability as at 31 March 2026.

Significant risks (6)

Risk identified	Audit procedures performed	Key observations
Valuation of net pension liability/asset (continued) The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.	Obtained assurances from the auditor of Kent Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. The actuarial valuation of Kent Pension Fund at 31 March 2026 showed an overall pension surplus, and hence, the Authority results showed a pension surplus amounting to £735m. IAS 19 and IFRIC 14 require that the pension asset / surplus is limited to the present value of economic benefits available as a refund or lower future contributions as contributions are assumed to continue for the full period of the Authority’s participation in the Pension Fund. The application of the asset ceiling means that a pension liability of £39m, reflecting the unfunded deficit element of the scheme, has been recorded at 31 March 2026. We have completed appropriate work to ensure that the requirements of the accounting standards and Code have been met. We have suggested that management make additional disclosures in the accounts to further enhance the understandability of the impact of the asset ceiling. We have also requested inclusion in the accounting policy on judgement and uncertainty to explain the uncertainty associated with an asset ceiling. These amendments have both been made.	

Significant risks (7)

Risk identified

Oracle system implementation and data migration

In August 2025, the Authority transitioned its core financial system from Oracle EBS to Oracle Fusion.

Data migration is fundamental to any business technology transformation and there is a risk of error when data is moved from one system to another.

New systems are often evolving and present a greater risk of material misstatements. Given the nature of this transition, we have identified a risk of material misstatement in relation to the system migration at financial statements level.

System migration can introduce inherent risks due to changes in financial reporting functionality, workflow configuration, access controls and the transfer of large volumes of financial data. Errors during data migration or new system configuration may result in incomplete, inaccurate or misstated financial balances in the 2025/26 financial statements.

As this is the first year of operating the new system there is a heightened risk of control weaknesses, configuration errors and instability of newly implemented processes.

Audit procedures performed

We have:

- Reviewed the governance and controls the Authority put in place over the system migration
- Assessed how management ensured data transferred from the old system to the new one was complete and accurate
- Reviewed reconciliations between opening balances in Oracle Fusion and closing balances in Oracle EBS
- Tested samples of migrated data back to source records
- Considered whether changes to workflows, access rights or reporting introduce new financial statement risks
- Evaluated whether the financial reporting outputs from the new system support

Further details on the work performed on the Oracle Cloud Programme are included on page 24.

Key observations

We have not identified any significant issues with the Oracle system implementation and data migration and consider the risk mitigated.

The 2025/26 financial statements were produced on the new Oracle system and we have not identified any material errors in our audit testing.

We have identified from our work that the privileged access within Oracle Fusion is appropriately restricted, with the exception of one user from outside the Financial Analysis and Support Team with access to the Financial Application Administrator role, where we have confirmed the privileged access has not been used inappropriately during the review period.

We have identified a significant weakness in relation to the Authority’s arrangements to secure value for money with regard to the Oracle Cloud Programme. Full details are in our Auditor’s Annual Report, presented alongside this report.

Other risks (1)

Risk identified	Audit procedures performed	Key observations
Going Concern In common with other local authorities, our value for money work in recent years has identified significant risks regarding the financial sustainability of the Authority. In the prior year, our concerns were focused on the continuing adult social care overspends and overspends with regard to SEND and High Needs Block. The S25 report, issued by the S151 Officer in February 2026 recognises the risks that the Authority faces in the future, with 2026-27 being balanced through planned use of reserves and capital receipts, which are non-recurring. The report also recognises the lost income to the Authority through the decision not to use full Authority Tax flexibilities.	We have: considered the ongoing and future financial pressures faced by the Authority in planning the audit. We are satisfied that the going concern basis of accounting remains the correct basis behind the preparation of the accounts. We have identified significant weaknesses relating to Authority’s financial sustainability and reported separately through our VFM work and included within the Auditor’s Annual Report.	Our audit work is complete and has not identified any material issues in respect of going concern. Our value for money work has identified significant weaknesses with regard to the Authority’s financial sustainability relating to Adult Social Care costs and SEND spend.

Other risks (2)

Risk identified	Audit procedures performed	Key observations
Local Government Reorganisation On 16 December 2024, the Minister for State for Local Government and English Devolution Jim McMahon, wrote to all Authorities in remaining two-tier areas and neighbouring small unitaries to set out the plans for a joint programme of devolution and local government reorganisation (LGR). All authorities in Kent submitted plans to MHCLG for LGR by 28 November 2025, resulting in five options for reorganisation which were publicly consulted on before a government decision. On 16 July 2026 the Government published LGR decisions for 14 areas of England. Together with decisions already announced for Surrey, Essex, Hampshire, Norfolk and Suffolk, this took the total programme to 134 existing Authorities being replaced by 38 new unitary authorities. The Authorities of Kent and Medway were included in these decisions. On 7 September 2026, the Government announced that it is reviewing and pausing LGR proposals in 14 areas, including Kent and Medway, following updated legal advice regarding the reorganisation process. The Government confirmed that decisions previously announced for Kent and other affected areas will be reviewed as part of this process.	Prior to the Government announcement on 7 September 2026, we had detailed conversations across the Authority regarding the steps being taken to implement LGR. All discussions were positive, in particular the appointment of an SRO for LGR, being the Authority Chief Executive, and the appointment of a programme director for LGR, while employed by the Authority, had a Kent and Medway wide remit.	We will continue to monitor the outcome of the Government LGR review and the impact on the Authority's financial planning, governance arrangements and workforce planning.
<u>Implications for Kent</u> • The Government's July 2026 decision to replace existing Kent Council with four unitary authorities is now subject to review. • Planned implementation arrangements and transition activity may be delayed pending the outcome of the review. • There are currently no immediate changes to Authority services, and Kent County Council continues to operate under existing governance arrangements.		

Other findings – significant matters

Issue	Commentary	
Oracle Cloud Programme	In 2023, the Authority approved a business case that would see the replacement of the Oracle EBS system in use, to an upgraded Oracle Fusion (cloud) system. This covered the finance system and the payroll system and was to be approached in two phases. A budget of £15m was approved based on a business case provided by the finance and IT teams. Phase 1 of the Oracle upgrade took place in August 2025. An initial view had been to change over on 1 April 2025 but was moved to a less disruptive time of August. A black-out period, when neither Oracle EBS or Oracle Cloud would be available was implemented and well advertised. Naturally, a backlog formed in the black-out period but was rectified in a reasonable time frame. The 2025-26 financial statements were produced using the new finance system, which was successful, bar initial issues with debtors and creditors reporting. Our IT Audit team performed work on the data migration between EBS and Fusion and identified no significant issues. In recent months, a strategic review of the programme and the aims of phase 2 (payroll system) have been undertaken, resulting in project management changes. We understand that the payroll system is planned to go live in early 2027. As the new finance system is classed as transformation activity, the Authority have used flexibility in funding from capital receipts and funded the project through those receipts. The budget for the project has increased since inception in 2023, with a recent report to Cabinet setting out that the project was now expected to cost £43m. Further information on the Oracle Cloud Programme has been included in our Auditor's Annual Report which is presented alongside this report.	Auditor view The Authority must ensure that any lessons learned from the implementation of phase 1 of the Oracle Cloud Programme are applied to the phase 2 implementation. Similarly, any recommendations for improvement from the strategic review of the programme should be implemented. Financial reporting on the programme progress should be tightened and provided to Members on a regular basis. Management response The Council is in the process of implementing improvements to reflect lessons learnt including a review of governance, programme decision making, partnership working and related aspects of programme operations. A new contract variation has been signed with the Council's Implementation Partner and effective progress is being made. Financial oversight has been strengthened, and Finance is represented in the Core Team that is now driving delivery.

Other findings – significant matters

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Issue	Commentary											
Dedicated Schools Grant	In common with other authorities across England and Wales, Kent County Council continues to experience significant and increasing demand pressures and therefore costs, relating to Special Educational Needs and Disabilities (SEND). This is funded through the Dedicated Schools Grant (DSG) High Needs Block. The deficits recorded against the DSG for the last five years are shown below: <table><tr><th>2021-22</th><th>2022-23</th><th>2023-24</th><th>2024-25</th><th>2025-26</th></tr><tr><td>£97.616m</td><td>£61.353m</td><td>£67.167m</td><td>£97.483m</td><td>£130.463m</td></tr></table> The deficit reduced in 2022-23 with significant financial support from the Department for Education, the ‘safety valve’ agreement. Currently, a statutory override requires that the DSG deficits are shown within unusable reserves and therefore do not impact the general fund, which requires to be taken into account when setting council tax. This override will cease in March 2028. The Authority have submitted a SEND Reform plan to the Department for Education, which has been approved and agrees a £162.5m grant, covering 90% of the existing deficit, with adjustments for safety valve payments. It is currently unclear how the inevitable deficits for 2026-27 and 2027-28 will be funded, and what impact, if any there will be on general fund balances – albeit the government have indicated that there should not be an impact on general fund balances. Given the low levels of usable reserves held by the Authority (see page 22), any element of the deficit that is not funded will be a significant issue going forward. Work continues in the Children and Young People directorate to maintain or reduce spend, whilst still meeting statutory requirements.	2021-22	2022-23	2023-24	2024-25	2025-26	£97.616m	£61.353m	£67.167m	£97.483m	£130.463m	Auditor view The increasing deficits in SEND spend have been recognised as a significant weakness in the Authority’s arrangements for achieving financial sustainability. Further information is included in our Auditor’s Annual Report presented alongside this report. Management response The DfE approved the SEND Reform Plan on 02/10/26. The Council is due to receive £162.5m High Needs Sustainability Grant in the Autumn of 2026. The SEND Reform Plan will be closely monitored by the DfE. We are still waiting confirmation on how future deficits will be covered and local authority responsibilities, and this has been identified as a budget risk. The statutory override continues to be in place until the end of the 2027/28 financial year.
2021-22	2022-23	2023-24	2024-25	2025-26								
£97.616m	£61.353m	£67.167m	£97.483m	£130.463m								

Other findings – significant matters

Issue

Commentary

Reserves

We have performed analysis on the level of usable reserves held by the Council, considering the amounts which are earmarked in those reserves for specific purposes and therefore not fully available for general use. As has been set out in our value for money reporting in prior years, the level of general reserves held by the Council has been falling, as overspends occurring have been covered by general reserves.

It is common that within useable reserves, amounts will be earmarked for specific purposes. However, the amounts which are earmarked for use in comparison to the total useable reserves is particularly high at 31 March 2026.

	31 March 2025	31 March 2026
Total Useable reserves	£252.033m	£209.927m
Amounts earmarked	£186.376m	£184.471m
Actual useable reserves	£65.657m	£25.456m

Of the £210m held in useable reserves, only 12% of that total is available for general use, should there be unplanned and unexpected expenditure that the Authority is required to fund – such as SEND deficits. We understand that future budgets are expected to replenish the general reserves of the Council and we encourage the continued build back of general reserves.

The Authority’s Treasury Management policy sets out that the aim is to hold general reserves between 5% and 10% of the net revenue budget. The General Fund balance at 31 March 2026 represents 4% of the net revenue budget for 2026/27.

Auditor view

Our value for money reporting has identified significant weaknesses in arrangements for the achievement of financial sustainability – primarily linked to Adult Social Care and SEND spend. While reserves have been used to support and balance the financial position in prior years, this is no longer an option for Kent County Council and steps must be taken to build back the general reserves.

Management response

The Council's reserves position fell just below 5% at the end of the 2025/26 year after funding the in-year revenue overspend. The 2026/27 budget includes contributions to the General Fund to repay the drawdown required in 2024/25 and a contribution to rebuild financial resilience and provide for future risks. Reserves are monitored closely and reported to Cabinet quarterly as part of the budget monitoring process.

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Oracle EBS - General Ledger	ITGC assessment (design and implementation effectiveness only)	Green	Green	Green	Green	Management override of control
Oracle Cloud - General Ledger	ITGC assessment (design and implementation effectiveness only)	Amber	Amber	Green	Green	Management override of control

Further details on the work performed on the Oracle Cloud Programme are included on page 21.

Assessment:

- [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
- [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- [Black] Not in scope for assessment

Other findings – Information Technology

We also performed specific procedures in relation to the events that occurred during the audit period, specifically the new system implementation and related data migration.

We observed the following results:

Work performed	Results
Project setup, initiation and planning A formal governance structure was in place to oversee and approve the scope of the project. The structure included adequate representation from appropriate business and IT users. The objectives and deliverables of the project are clearly defined, documented and approved.	Our work is complete and has not identified any issues.
System design and specification The process are appropriately designed to meet business requirements. Functional and technical solution design documents were formally considered and approved. Changes to solution design were formally managed and approved.	Our work is complete and has not identified any issues.
Security Segregation of duties was formally considered and approved for the structure and assignment of user access. Access rights assigned to users in the new system are in line with job role and responsibilities with the exception of one user from the Financial Analysis and Support Team with access to the Financial Application Administrator role.	Our work is complete. Privileged access within Oracle Fusion is appropriately restricted, with the exception of one user from outside the Financial Analysis and Support Team with access to the Financial Application Administrator role. We have inspected a user population report and verified that none of the users identified in the finding had created, modified, or maintained Oracle Cloud user accounts during the review period. We have raised a recommendation on page 30.

Other findings – Information Technology (continued)

Work performed

Results

Data conversion and migration

Data conversion was formally documented and approved prior to go live. A defect management process was established to ensure the conversion and migration process does not miss key data.

Our work is complete and has not identified any issues.

Data migration

Standing and transactional data was migrated completely and accurately. Data checked and reconciliations performed were formally documented and approved.

Our work is complete and has not identified any issues.

Chart of accounts mapping

Chart of accounts mapping was documented, reconciled and authorised

Our work is complete and has not identified any issues.

Reporting

Key custom reports used in financial reporting were developed, tested and approved prior to go live.

Not in scope as no key custom reports in financial reporting were developed

Interfaces

Key interfaces moving key data used in financial reporting were developed, tested and approved.

Not in scope as no key custom reports in financial reporting were developed

Go live authorisation

The decision to go live was formally documented prior to go live in accordance with approved go live criteria.

Our work is complete and has not identified any issues.

Other communication requirements

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Governance and Audit Committee. We are aware of the work of the Counter Fraud team and continue to discuss their work and findings on a regular basis.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Authority, including specific representations in respect of the Group covering the financial statements, annual governance statement and narrative report which is included in the Governance and Audit Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Authority’s banking and treasury partners. This permission was granted and the requests were sent. All banking requests were returned with positive confirmation, albeit some with significant delays.
Disclosures	Our review found no material omissions in the financial statements. Details of disclosure changes made to the financial statements following audit review have been set out on page 29.
Significant difficulties	We experienced significant delays in obtaining supporting transaction information for debtors and creditors at the beginning of the audit, with significant balances unable to be substantiated. These issues were resolved successfully but took some time. These delays were primarily due to user inexperience with the new Oracle Fusion system.
Other matters	There are no other matters that we are required to bring to the attention of those charged with governance.

Other responsibilities

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Authority recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • The use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • For many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Authority and the environment in which it operates • the Authority’s financial reporting framework • The Authority’s system of internal control for identifying events or conditions relevant to going concern • management’s going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified; and • management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix D.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Authority exceeds the specified group reporting threshold of £2 billion, we examine and report on the consistency of the WGA consolidation pack with the Authority's audited financial statements. Note that work is not yet completed and the planned timescale for the work is to be completed by 30 November 2026. In line with National Audit Office (NAO) guidance, audit certificates are required to remain open pending confirmation that the WGA group audit has been certified by the Comptroller and Auditor General (C&AG), including where no issues exceed reporting thresholds. Accordingly, we cannot formally conclude the audit and issue an audit certificate until this confirmation is received. We are satisfied that this does not have a material effect on the financial statements for the year ended 31 March 2026. This is reflected in our audit report (see Appendix C)
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2025/26 audit of Kent County Council and its group as detailed in Appendix C, due to the WGA matters described above.

Audit adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Misclassification or change identified	Adjusted?
Note 28 Pension Cost	As set out on page 15 , the impact of the pension asset ceiling at 31 March 2026 is material to the financial statements, we suggested an enhancement to disclosures by including a reconciliation of the opening and closing asset ceiling positions and the impact of the latest triennial valuation at 31 March 2026 to the asset ceiling.	✓
Note 5 Estimation uncertainty	We requested additional disclosures to be added to this note regarding the pension asset ceiling, reflecting the estimation and judgement used in the calculation.	✓
Note 35 Audit Fees	The audit fee disclosure has been updated to include non-audit service fees and is now consistent with the Audit Plan.	✓
Note 17 Property, plant and equipment	We have identified disclosure omission regarding the disclosure of indexed assets, specifically noting that the additions made during the fiscal year 2025/26 are not separately indexed. It is essential for management to clarify this in the disclosure to ensure transparency and compliance with reporting standards.	✓
Note 39 Financial instruments	A misclassification error has been identified relating to amount of £18,071k that was disclosed in fee income where the amount should have been disclosed in fee expense.	✓
Throughout	A number of typographical errors have been identified throughout the financial statements.	✓
Throughout	A number of immaterial accounting policies and disclosures have been included in the financial statements. These should be removed to avoid obscuring material information within the financial statements.	✓

Impact of unadjusted misstatements

We have not identified any adjustments during the audit, that were over our reporting threshold that were not made in the final set of financial statements.

Impact of unadjusted misstatements in the prior year

The table below provides details of misstatements identified during the prior year audit which were not adjusted for within the final set of financial statements for 2024/25, and the resulting impact upon the 2025/26 financial statements. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2025/26 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on surplus/deficit of the provision of services £'000	Impact on general fund £'000	Reason for not adjusting
Calculation of depreciation not charged in the year of acquisition	Dr Depreciation expense 2,996	Cr Accumulated depreciation (2,996)	2,996	-	Immaterial, projected audit difference
Projected error arising from schools bank reconciliations not performed at 31 March 2025	Dr Income 3,207	Cr Cash (3,207)	3,207	(3,207)	Immaterial, projected audit difference
Difference arising from audit calculation for provision for doubtful social care debts using more prudent assumptions	Dr Expenditure 19,292	Cr Provision for doubtful debt (19,292)	19,292	(19,292)	Immaterial, projected audit difference
Impact of prior year unadjusted misstatements on the current year's financial statements	25,495	(25,495)	25,495	(22,499)	
Cumulative impact of prior year and current year unadjusted misstatements on 2025/26 financial statements	25,495	(25,495)	25,495	(22,499)	

Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

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Assessment	Issue and risk	Recommendations
● High	1. Year end debtor and creditor listings Management experienced difficulties in generating complete and accurate debtors and creditors listings following the implementation of Oracle Fusion. This resulted in delays to the audit process of sample selections during the year. Risk – there is a risk that incomplete or inaccurate system generated reports could lead to material misstatement in the preparation of financial statements including recognition of income and expenditure.	We recommend that management implement periodic soft closes at month 6 or 9 and perform routine reconciliations between Oracle Fusion reports and the general ledger. This will enable the finance team to develop familiarity with system reporting functionality, identifying reporting issues earlier in the financial year, and ensure that complete and accurate year end listings can be generated efficiently. This should improve the quality of financial reporting and reduce the risk of audit delays. Management response A project will be completed to develop knowledge and understanding of the reporting functionality, ensuring that this dataset is available to the external auditors in an efficient and timely manner. This will enable sampling of these areas to commence earlier in the audit timetable. We will also engage with the external auditors, as required, to improve the quality of this financial reporting wherever possible.

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Action plan

Assessment	Issue and risk	Recommendations
● Green	2. Journals authorisation The journal authorisation workflow functionality within Oracle Fusion has not been implemented. As a result, journals can be posted without system enforced-review and approval controls. Risk – in the absence of an automated workflow, there is an increased risk of unauthorised or inappropriate journals being posted, which could result in errors or management override of controls not being detected on a timely basis.	Whilst implementation of Oracle Fusion’s journal approval workflow represents good practice, KCC has established compensating controls whereby journals are reviewed and approved outside the system prior to posting. Based on the audit procedures performed, we did not identify any exceptions and assessed the residual control risk in this area as low. Management response As per the external auditors comments, there is an established control method outside of the Oracle system itself, and no exceptions were identified. The Oracle Cloud Programme and management considered alternatives. The current procedures are commensurate with the risk associated to unauthorised or inappropriate journals being posted.
● Medium	3. Oracle Fusion security management Privileged access within Oracle Fusion is appropriately restricted, with the exception of one user from outside the Financial Analysis and Support Team with access to the Financial Application Administrator role. Further documentation has been reflected on page 21 Risk – inappropriate assignment of highly privileged access rights increases the risk of unauthorised changes to system configurations, user access and financial data which could result in segregation of duties conflict, management override of controls and unauthorised transaction.	Management should review the appropriateness of privileged access assignments on a periodic basis and ensure that administrative roles are restricted to authorised personnel with a demonstrable business requirement. Management response Agreed

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Follow up of prior year recommendations

We identified the following issues in the audit of the Authority’s 2024/25 financial statements, which resulted in 8 recommendations being reported in our 2024/25 Audit Findings Report. We further follow up on 4 recommendations reported in our 2024/25 Audit Findings Report which were not fully implemented at the point of reporting for 2025/26.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Formal impairment review of assets under construction Audit work identified that the Authority do not perform a formal, documented impairment review of assets under construction as part of the year-end processes. There is a risk that with not performing and formalising this review, assets under construction may be materially misstated in the financial statements, if for example, projects have been aborted, but a capital value remains for them in the financial statements.	A formal, documented review of assets under construction, considering the risk of impairment was performed by the Authority for the year ended 31 March 2026.
✓	Provision for doubtful debts – Adult Social Care Audit work reviewing the estimate made by management concluded that the assumptions used are overly optimistic, leading to an understatement in the provision for doubtful debt. There is a risk that this value continues to rise and may become material.	We have reperformed our analysis of the adult social care provision for doubtful debts, using percentages from other, similar local authorities. We are content that the provision is materially accurate and fairly stated.
✓	School bank account reconciliations As reported in prior years (since 2021/22), schools bank reconciliations are not always being performed as at 31 March. This results in a projected misstatement on the schools bank accounts. This year the error is projected to be £4.8m. We note that the recommendation made in the 2024/25 Audit Findings Report has yet to be addressed. We have therefore projected an error on the schools bank balances again.	We have noted a significant improvement in the number of school bank account reconciliations that are performed as at 31 March, however, anomalies remain. A projected misstatement of £424k has been identified for reconciliations performed for 31 March 2026. We have closed the recommendation but will continue to monitor this going forward.

Assessment

✓ Action completed

X Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Cash reconciliation – school salaries account As part of the work conducted on cash and cash equivalents, we selected for testing the school’s salaries bank account. A reconciling item of £2.8m for PAYE was included erroneously in the reconciling items and was not a true reconciling item. We recommended that management ensure bank reconciliations are performed and reviewed on a monthly basis to ensure the financial statements are complete and accurate. During our 2023/24 audit we identified that reconciliations have not been completed during the year or at year-end as the prior year recommendation was issued after 2023/24 year-end instructions had been issued. Further, we identified that the correcting journal entry for the £2.8m identified in 2022/23 had been duplicated in the ledger but has not been paid twice. We continue to flag the lack of reconciliation in our Audit Findings Report to ensure there is complete transparency of the issue with the Governance and Audit Committee and to encourage best practice.	No errors were identified in the reconciling items as part of our audit testing. Reconciliations were not completed for the schools salary account, on the basis that the schools salary balance is part of the overall balance that is reconciled. We continue to recommend that a separate reconciliation is performed so management are content that schools and Authority funds are allocated and accounted for appropriately.

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Assessment

- ✓ Action completed
- X Not yet addressed

Value for Money arrangements

Approach to Value for Money work for the year ended 31 March 2026

The National Audit Office issued its latest Value for Money guidance to auditors in March 2026. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30 November each year from 2025-26. Our draft AAR will be reported to the Governance and Audit Committee on 15 October 2026.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.

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Governance

How the body ensures that it makes informed decisions and properly manages its risks.



Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

In undertaking this work, we have retained the two significant weaknesses identified in prior years, regarding Adult Social Care and SEN expenditure. A further two significant weaknesses have been identified during 2025-26.

Independence considerations

As part of our assessment of our independence we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority or group that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Authority or group or investments in the group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Authority or group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Authority or group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Authority/group, senior management or staff

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Authority’s Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Fees and non-audit services

The following tables below sets out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to 31 March 2026, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the group’s policy on the allotment of non-audit work to your auditor.

None of the below services were provided on a contingent fee basis.

We confirm that the fees from non-audit services to the audited entity and its controlled entities do not exceed 70% of the total audit fee for the year.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Kent County Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

Audit fees		£
Kent County Council Audit – PSAA Scale Fee		475,501
Use of experts – Data migration		5,000
Total		480,501

Our 2024-25 Audit Findings Report and 2025-26 Audit Plan noted we were in the process of agreeing a fee variation for the 2024-25 audit with PSAA for the implementation of IFRS 16 and legal fees arising from technical accounting issues encountered. This is still in the process of being agreed with PSAA.

This covers all services provided by us and our network to the group /Authority, its senior officers and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

Fees and non-audit services

Audit-related non-audit services

Service	£	Threats Identified	Safeguards applied
Certification of Teachers Pensions Return 2024-25	12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the scale fee for the audit of £475,501 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Department for Transport – Local Transport Plan Major Projects 2024-25	7,875	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,875 in comparison to the scale fee for the audit of £475,501 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total	20,375		

Total audit and non-audit fee

Audit fee - £475,501	Non-audit fee - £20,375
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The above fees are exclusive of VAT and out of pocket expenses.

The fees agree to the financial statements

This covers all services provided by us and our network to the group /Authority, its senior officers and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

Appendices

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

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ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all members of the Governance and Audit committee and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

B. Group audit

In accordance with ISA (UK) 600 Revised, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

The table below summarises our final group scoping, as well as the status of work on each component.

Component	Risk of material misstatement to the group	Scope – planning	Scope – final	Auditor	Responsible Individual	Status	Comments
Kent County Council	Yes	Scope 1	Scope 1	Grant Thornton UK	Sarah Ironmonger	●G	The work has been completed and reviewed with no unresolved issues identified.
Global Commercial Services Group Ltd	Yes	Scope 3	Scope 3	UHY Hacker Young	Allan Hickie	●G	The work has been completed, and we have reviewed the work on 10 September 2026 with no unresolved issues identified.
Commercial Services Kent Ltd	Yes	Scope 2	Scope 2	UHY Hacker Young	Allan Hickie	●G	The work has been completed, and we have reviewed the work on 10 September 2026 with no unresolved issues identified.

Scope 1

Scope 2

Scope 3

Out of scope

Audit of entire financial information of the component, either by the group audit team or by component auditors (full-scope)

Specific audit procedures designed by the group auditor (specific scope)

Specific audit procedures designed by a component auditor (specific scope)

Out of scope components are subject to analytical procedures performed by the Group audit team to group materiality.

●G

●A

●R

Planned procedures are substantially complete with no significant issues outstanding.

Planned procedures are ongoing/subject to review with no known significant issues.

Planned procedures are incomplete and/or significant issues have been identified that require resolution.

Group audit continued

Component	Risk of material misstatement to the group	Scope – planning	Scope – final	Comments
Gen2 Property Ltd	No	Out of scope	Out of scope	All entities are audited along with the consolidation of all entities into Global Commercial Services Group Ltd by UHY Hacker Young
Invicta Law Ltd	No	Out of scope	Out of scope	
EDSECO Ltd (The Education people)	No	Out of scope	Out of scope	
Cantium Business Solution Ltd	No	Out of scope	Out of scope	
Commercial Services Trading Ltd	No	Out of scope	Out of scope	
CSG Global Education Ltd	No	Out of scope	Out of scope	
Landscapes for Learning Ltd	No	Out of scope	Out of scope	
Lifecycle Management Group	No	Out of scope	Out of scope	
Prospect Payroll Ltd	No	Out of scope	Out of scope	
Kent Waste Management LLP	No	Out of scope	Out of scope	
UK Teach Ltd	No	Out of scope	Out of scope	
Groupe WF Education	No	Out of scope	Out of scope	
Commercial Services Education Holdings Ltd (WF Education Group Holdings Ltd)	No	Out of scope	Out of scope	
Bowerhouse II Solar Ltd	No	Out of scope	Out of scope	
Hampshire & Kent CS LLP	No	Out of scope	Out of scope	
Luton & Kent CS LLP	No	Out of scope	Out of scope	
Surrey & Kent CS LLP	No	Out of scope	Out of scope	
Dudley & Kent CS LLP	No	Out of scope	Out of scope	
Dorset & Kent CS LLP	No	Out of scope	Out of scope	
Halton & Kent CS LLP	No	Out of scope	Out of scope	
Hackney & Kent CS LLP	No	Out of scope	Out of scope	
Commercial Services Education Ltd (WF Education Group Ltd)	No	Out of scope	Out of scope	
Impact Energy People Partners Ltd (People Tech Services Ltd)	No	Out of scope	Out of scope	

Involvement in the work of component auditors

Scope	Component auditors involved	Summary of involvement	Changes compared to planned involvement
Scope 1	Grant Thornton UK	The Group Engagement Lead led a planning meeting with the group engagement team which included a discussion on risks and guidance on designing procedures. Throughout the audit the group engagement team participated in meetings and reviewed all audit documentation in respect of significant risks, including the underlying workpapers. A formal internal standback meeting with the group engagement team will be attended by the Group Engagement Lead and Engagement Quality Control Reviewer (EQCR).	No changes to planned involvement
Scope 2	UHY Hacker Young	The Group Engagement Lead has sent group instructions to the component auditor which have been received and responded to, as appropriate. The group audit instructions set out expected materiality levels, scope of work and indicative sample sizes.	No changes to planned involvement
Scope 3	UHY Hacker Young	The Group Engagement Lead led a planning meeting with the component auditor which included a discussion on risks and guidance on designing procedures. The Group Engagement Lead has sent group instructions to the component auditor which have been received and responded to, as appropriate. The group audit instructions set out expected materiality levels, scope of work and indicative sample sizes. Work was completed to the requirements of the component auditor. Audit work has been reviewed by the component audit team with no issues arising	No changes to planned involvement

C: Draft Audit Opinion

Independent auditor's report to the members of Kent County Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Kent County Council (the 'Authority') and its subsidiaries and joint ventures (the 'group') for the year ended 31 March 2026, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including material accounting policy information. The notes to the financial statements include the Expenditure and Funding Analysis. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2026 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Corporate Director Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

C: Draft Audit Opinion

In our evaluation of the Corporate Director Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 that the Authority's and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2024) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

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In auditing the financial statements, we have concluded that the Corporate Director Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Corporate Director Finance with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the financial statements and our auditor's report thereon and our auditor's report on the pension fund financial statements. The Corporate Director Finance is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

C: Draft Audit Opinion

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

C: Draft Audit Opinion

Responsibilities of the Authority and the Corporate Director Finance

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority 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 authority, that officer is the Corporate Director Finance. The Corporate Director Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director Finance is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks, the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 (as amended), the Local Government Act 2003 and the Local Government Act 1972.
- We enquired of management and the Governance and Audit Committee concerning the group and Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, internal audit and the Governance and Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

C: Draft Audit Opinion

- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. We determined that the principal fraud risk was in relation to:
 - management override of controls, specifically posting inappropriate journals to manipulate results for the year ended 31 March 2026
- Our audit procedures to address the principal fraud risk included:
 - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
 - journal entry testing, with a focus on unusual journal entries and those considered to be high risk; and
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings and defined benefit pension scheme valuations.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it or recognise non-compliance.

- We communicated relevant laws and regulations and potential fraud risks to all engagement team members. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the group and Authority audit team members included consideration of their:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector in which the group and Authority operates
 - understanding of the legal and regulatory requirements specific to the Authority and group including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.

C: Draft Audit Opinion

- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority and group’s operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority and group’s control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

For components at which audit procedures were performed, we requested component auditors report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Report on other legal and regulatory requirements – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2026.

We have nothing to report, except that we identified four significant weaknesses in the Authority’s arrangements for the year ended 31 March 2026:

Significant weakness in arrangements identified	Recommendations
Financial Sustainability	
1. Managing cost and savings within adult social care Persistent overspends in Adult Social Care and Health (ASCH) have significantly reduced levels of reserves, creating increased risk for ongoing financial sustainability.	Key recommendation The Authority must place an organisational focus on developing and implementing effective mitigations to manage its financial sustainability risks within ASCH.
This is a continuing significant weakness.	

C: Draft Audit Opinion

Significant weakness in arrangements identified	Recommendations
Financial Sustainability	
2. Managing the Dedicated Schools Grant deficit	Key recommendation
The Dedicated Schools Grant (DSG) funds education services, but the Authority has been spending more than the provided funding. The Authority’s forecast DSG deficits for 2026/27 and 2027/28 are unresolved and this creates risk to ongoing financial sustainability. This is a continuing significant weakness	The Authority must continue to work urgently with partners to deliver the SEND Reform Plan, and to implement and embed the changes it is making, to ensure that the growing DSG deficit is mitigated and the financial risk to the Council relating to the forecast deficits for 2026/27 and 2027/28 is reduced as far as possible to a sustainable level across the medium term.

Significant weakness in arrangements identified	Recommendations
Governance	
3. Governance and Audit Committee (GAC) effectiveness, member development, member behaviours and cohesion	Key recommendation
A review of GAC effectiveness highlighted a number of areas for further development. We have identified opportunities for wider member training and targeted activity to help foster member cohesion. Good governance is an integral part of the Authority’s effectiveness. This is a new significant weakness.	The Authority should consider the development and implementation of a governance improvement programme.
Improving economy, efficiency and effectiveness	
4. Implementation of the Oracle Cloud Programme	Key recommendation
The Authority’s planned implementation of phase two of the Oracle Cloud Programme has been delayed; additional funding has been agreed and a lessons learnt review has been commissioned. Oracle Programme slippage and cost acceleration identifies arrangements in programme delivery have not been optimal and any rebasing of the project will need to be carefully managed by the Authority This is a new significant weakness	The Authority must ensure that the findings of the Oracle Cloud Programme Lessons Learned Review are fully incorporated into the governance and delivery arrangements to reduce the risk of further delays and cost escalation. We also recommend the Policy and Resources Cabinet Committee receive regular formal updates to the Oracle Cloud Programme until implementation has been assured.

C: Draft Audit Opinion

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the relevant guidance issued by the Comptroller and Auditor General. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Kent County Council for the year ended 31 March 2026 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to the Authority's consolidation returns and we have received confirmation from the National Audit Office that the audit of the Whole of Government Accounts is complete for the year ended 31 March 2026. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2026.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed

Sarah Ironmonger, Key Audit Partner



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Audit Findings (ISA 260) Report for Kent Pension Fund

Year ended 31 March 2026

15th October 2026



Kent Pension Fund

Sessions House
County Hall
Maidstone, Kent
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Dear Members of the Governance and Audit Committee,

Audit Findings for Kent Pension Fund for the 31 March 2026

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This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent.

Chartered Accountants

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We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [grant-thornton-transparency-report-2025.pdf](#).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

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Parris Williams
Public Sector Audit Director
For Grant Thornton UK LLP

Chartered Accountants

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Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Kent Pension Fund (the ‘Pension Fund’) and the preparation of the Pension Fund’s financial statements for the year ended 31 March 2026 for the attention of those charged with governance, the Governance and Audit committee.

Financial statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice (the ‘Code’), we are required to report whether, in our opinion, the Pension Fund’s financial statements:

- give a true and fair view of the financial transactions of the Pension Fund year ended 31 March 2026 and of the amount and disposition at that date of the fund’s assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the year.
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), the Narrative Report and the administering authority’s financial statements), is materially consistent with the Pension Fund’s financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Audit planning work was completed between February and March 2026. During 2025/26, we introduced interim audit procedures and also performed additional work in April 2026 in relation to the 2025 triennial actuarial valuation. We presented our Audit Plan to the Governance and Audit Committee on 25 March 2026. There have been no changes to the audit risks identified and communicated in our Audit Plan, other than the revision to materiality following receipt of the draft financial statements, as detailed on pages 7 to 8.

Audit fieldwork was conducted between mid-June and September 2026 in line with the agreed audit timetable. The draft financial statements were provided ahead of the statutory deadline, enabling us to commence and progress our audit procedures in a timely manner.

In addition, the supporting working papers and audit evidence were prepared to a high standard, and audit queries were responded to promptly and comprehensively throughout the audit. Management’s proactive and collaborative approach, together with the early completion of key audit procedures, contributed to an efficient and smooth audit process and supported the timely delivery of our audit. We would like to thank management and officers for their continued cooperation and assistance throughout the audit.

During the audit, one adjustment has been made to the financial statements by management following publication of the draft accounts. This relates to an updated investment valuation received after the draft financial statements had been prepared, resulting in a £4.3 million adjustment. The difference arose due to timing, as fund manager confirmations were not available when the draft financial statements were prepared and management therefore used the best information available at that time.

We have reviewed the revised valuation as part of our audit procedures and are satisfied that it is supported by appropriate evidence. Further details are provided on page 23.

We have also raised four control recommendations, which are set out on page 26 to 29. Our follow-up of prior year recommendations is included on page 30 to 31

Headlines (continued)

Financial statements

Our work is complete, however to date there are no matter of which we are aware that require modification of our audit opinion or material changes to the financial statement, subject to the following matters

Items in progress with management

- We have requested additional information from management regarding the level of access assigned within the Altair pension administration system in order to assess any potential audit implications. We are awaiting management's response at the date of this report.

Items relating to the conclusion of the audit

Senior engagement quality review.

Matters which can only be closed following the audit committee on 15th October 2026:

- Receipt of signed management representation letter;
- Review of the final set of financial statements; and
- Receipt of subsequent events confirmation email from management.

Audit Opinion

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organization and the financial statement we have audited.

Our draft Audit Report is attached as a separate agenda item.

We are required to provide a separate opinion on whether the financial statements included within the Pension Fund Annual Report are consistent with the audited financial statements. We intend to issue this consistency opinion at the same time as our audit opinion on the Pension Fund financial statements. However, it should be noted that both the Pension Fund audit opinion and the associated consistency opinion can only be issued once the audit opinion for Kent County Council, as the Fund's administering authority, has been signed.

Our approach to materiality

As communicated in our Audit Plan dated 25th March 2026, we determined headline materiality at the planning stage as £126.7 million based on 1.5% of Gross Investment Assets as at 31 March 2025. Upon receipt of the draft 2025/26 financial statements, we have reassessed and revised our materiality threshold by applying the same 1.5% benchmark to the updated Gross Investment Asset figures reported in the current year draft accounts. This update was necessary to ensure that materiality is aligned to the most up to date balances reported in the draft accounts, rather than the prior year figures used at the planning stage.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

We have determined fieldwork materiality based on professional judgement in the context of our knowledge of the Fund. This includes consideration of factors such as user expectations, industry developments, financial stability, and the financial reporting requirements applicable to the Fund. We have also performed an analysis by considering the materiality of the Grant Thornton admitted Bodies to evaluate the materiality benchmark, taking their share of assets into consideration. This analysis is conducted to provide appropriate IAS 19 assurance and is a required task in accordance with our firm's guidelines.

Based on this analysis, we have established materiality for the Fund's financial statements at £141.3m (PY: £126.7m), representing 1.5% of Gross Investment Assets as reported in the draft 2025/26 financial statements

Performance materiality

Performance materiality has been set at £105.9m (PY £94.8m), representing 75% of overall materiality, in line with the approach taken in the prior year. This benchmark was determined following a review of the previous year's audit, which did not identify any significant misstatements or weaknesses in the control environment. Additionally, we have not observed any indicators of increased fraud risk.

While the percentage benchmark remains unchanged, the performance materiality figure has been updated to reflect the revised overall materiality, which was recalculated using the Gross Investment Asset figures reported in the draft 2025/26 financial statements. This ensures that our audit approach remains aligned with the most current financial data available.

Specific materialities for Benefits Payable and Contributions

In prior years, a lower materiality was applied across the Fund Account as a whole. For 2024/25, this was set at £38.8m, based on gross expenditure within the Fund Account.

For 2025/26, we have refined our approach and established separate specific materiality thresholds of £37.1m for contributions and £35.3m for benefits payable. This reflects the significance of these transaction streams to Fund members, given their high volume and direct impact on member entitlements, while recognising that the underlying processes are generally routine and well established. Whilst the thresholds are broadly consistent with the level of audit focus applied in prior years, the lower materiality is now targeted specifically at contributions and benefits payable rather than the Fund Account as a whole. This approach allows our audit procedures to be more focused on those areas of greatest relevance to members while remaining proportionate and responsive to the current year's financial information.

Reporting threshold

We will report to you all misstatements identified in excess of £7m, in addition to any matters considered to be qualitatively material.

Our approach to materiality (continued)

A summary of our approach to determining materiality is set out below.

Description	Amount (£)	Qualitative factors considered
Headline Materiality for the Fund’s financial statements	141,300,000	In determining headline materiality for the audit, we considered user expectations and the level of audit risk associated with the engagement. Given the size and public profile of the Kent Pension Fund, we applied a benchmark of 1.5% of Gross Investment Assets, which we consider appropriate for this audit. To support this assessment, we conducted a comparative analysis of materiality levels applied to Grant Thornton-admitted bodies, taking into account their respective share of assets. This analysis, which is required under our firm’s methodology to ensure appropriate IAS 19 assurance, further supports the use of the 1.5% benchmark. This benchmark is consistent with the prior year, and based on our current evaluation, we have not identified any factors that would justify a reduction.
Performance Materiality for the Fund’s financial Statements	105,900,000	We have set the performance materiality at 75% of the overall materiality, consistent with last year. In determining this benchmark, we reviewed the previous year’s audit work and did not find any significant misstatements or deficiencies within the control environment. Additionally, there are no indications of increased fraud risk, leading us to conclude that maintaining the same level of performance materiality as the previous audit is appropriate.
Triviality*	7,000,000	Triviality is 5% of materiality; this is consistent with the prior year and with the firm guidelines and constitute our reporting threshold to those charged with governance.

*We have determined that there is no requirement to establish separate triviality for Contribution and benefits payable. As a result, we have chosen to utilize the main triviality threshold for our audit procedures

Our approach to materiality (continued)

Description	Amount (£)	Qualitative factors considered
Lower specific materiality for Contribution	37,100,000	A lower specific materiality was applied to contributions as they represented a significant and high volume class of transactions within the scheme and were an area of particular focus for both members and regulators. Errors or omissions in recording contributions could have directly influenced member benefit entitlements and therefore required an appropriate level of audit attention. Although the contribution value for Kent Pension Fund was substantial, the associated processes were relatively straightforward and did not involve complex calculations or significant judgemental inputs. Given the combination of high volume but low complexity, specific materiality was set at 10% of total contributions, based on the contribution balance as at 31 March 2026. This approach ensured that the threshold remained sufficiently sensitive to identify potential misstatements while remaining proportionate to the risk profile of this balance
Lower specific materiality for benefit payable	35,300,000	A lower specific materiality was applied to benefits payable as these transactions represented payments made directly to members and were therefore inherently sensitive. Any misstatement in benefit payments could have had a direct impact on members and may have given rise to reputational or regulatory concerns for the scheme. Given the nature of these payments, a specific materiality threshold was considered necessary to ensure an appropriate level of audit attention was directed toward this area. While the overall value of benefit payments was significant, the processes underpinning these transactions were generally well established and were not overly complex. Consistent with our audit methodology, where transaction streams are sensitive but not complex, specific materiality was applied at 10% of total benefit payments, based on the balance as at 31 March 2026. This provided a proportionate and risk-focused threshold for this balance

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Overview of audit risks

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Significant classes of transactions, account balances, and disclosures, are associated with risks of material misstatement but are not always significant risks (SCOT+).

Material only are material financial statement line items not associated with risks of material misstatement.

Other audit risks are accounts that are not associated with any SCOT + or with a material only financial statement line item or disclosure.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Status of work
Management override of controls	Significant	↔	✓	G
Valuation of Level 3 Investments (excluding directly held properties)	Significant	↔	✗	G
Valuation of Directly held properties	Significant	↔	✗	G
Actuarial Present Value of Promised Retirement Benefits disclosure – IAS 26	Significant	↔	✗	G
Oracle system implementation and data Migration	Significant	↔	✗	G
Valuation of Level 2 investments	SCOT+	↔	✗	G
Benefit payable	SCOT+	↔	✗	G
Contribution receivable	SCOT+	↔	✗	G

- ↑

 Assessed risk increased since audit plan
- ↔

 Assessed risk consistent with audit plan
- ↓

 Assessed risk decrease since audit plan
- G

 Work has been completed, no material adjustment or change to disclosure within the financial statements
- A

 Work not yet complete, potential to result in material adjustment or significant change to disclosure within the financial statements
- R

 Issue with work completed to date, likely to result in material adjustment or significant changes to disclosures within the financial statements

Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risk identified	Audit procedures performed	Key observations
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.	As part of our audit procedures, we : - evaluated the design and implementation of management controls over journals entries; - analysed the journals listing and determined the criteria for selecting high risk unusual journals; - identified and tested unusual journals made during the year and the accounts production stage and assessed their appropriateness and supporting evidence; - gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with reference to corroborative evidence; and - evaluated the rationale for any changes in accounting policies, accounting estimates, or significant unusual transaction	We have not identified any changes to accounting policies or estimation methodologies for the 2025/26 financial year. Based on the work performed, no issues have been identified. Conclusion Based on the procedures performed, we did not identify any instances of management override of controls, and no matters were identified that required reporting.

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Significant

Risk identified	Audit procedures performed	Key observations
Valuation of level 3 investments (excluding directly held properties) The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud.	As part of our audit procedures, we : • obtained an understanding of the management processes for valuing the level 3 investments and evaluated the design and implementation effectiveness of the associated controls; • reviewed the nature and basis of estimated values and considered the assurance obtained by management over the year-end valuations provided for these investments to ensure that the requirement of the code were met; • independently requested year-end confirmation from investment managers; • for a sample of investments, tested the valuations by obtaining and reviewing the latest available audited accounts for individual investments and agreeing these to the fund management reports at the corresponding dates. We reconciled those values to the balances at 31 March 2026 with references to known movements in the intervening period; • where available, reviewed investment manager service auditor report on the design and operating effectiveness of internal controls; • wrote to the fund managers to confirm the basis on which the valuation was carried out and to ensure that the requirement of the code were met.	We identified one audit adjustment of £4.3 million, proposed and processed by management, in relation to the valuation of Level 3 investments. This adjustment arose following the receipt of updated valuation information from the fund manager after the draft financial statements had been prepared. As the final fund manager confirmations were not available when the draft accounts were produced, management relied on the best information available at that date. The revised valuation replaced earlier estimates and reflects more accurate and up-to-date information. Such post-publication adjustments are not uncommon in pension fund reporting and demonstrate management's commitment to ensuring that the financial statements reflect the most robust and reliable information available. Further details are provided within the Audit Adjustments section of this report. Conclusion Based on the procedures performed in relation to the valuation of Level 3 investments, we are satisfied that the valuation methodology has been applied consistently and that management's judgements and assumptions are reasonable.

Significant

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Significant risks (continued)

Risk identified	Audit procedures performed	Key observations
Valuation of directly held investment property The valuations of directly held property are a significant accounting estimate based upon a number of judgments and key assumptions and hence there is a risk of material misstatement due to error.	As part of our audit procedures, we have: • Gained an understanding of management’s valuation processes and evaluated the design and implementation of the associated controls • Assessed management’s methodology and assumptions used in the estimation process, including the instructions provided to the external valuer and the scope of their work. • Evaluated the competence, capabilities, and objectivity of the appointed valuer. • Obtained direct confirmation from the valuer regarding the basis and methodology used in the valuation. • Engaged our own valuation expert to review the instructions issued to the Fund’s valuer and assess the reasonableness of the underlying assumptions. • Challenged the data and assumptions used by the valuer to ensure they were complete and consistent with our understanding of the Fund’s assets. • On a sample basis, tested revaluations made during the year to confirm they were accurately recorded in the Fund’s financial records.	We have not identified any material adjustments or findings in relation to the valuation of directly held investment properties. Based on our review, we are satisfied that the assumptions and judgements applied by management are reasonable and supported by the available evidence. Conclusion We are satisfied that the valuation methodology has been applied consistently and that management’s judgement are reasonable.

Significant

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Significant risks (continued)

Risk identified	Audit procedures performed	Key observations
Actuarial Present Value of Promised Retirement Benefit disclosure The disclosure of the Fund’s actuarial present value of promised retirement benefit is an accounting estimate and is sensitive to changes in key assumptions and hence there is a risk of material misstatement due to error.	As part of our audit procedures: <u>Triennial valuation</u> • documented the approach taken by Barnet Pension Fund to appoint the actuary and agree the terms of engagement; • obtained and documented the scope of work performed by the actuary for the triennial valuation; • obtained an understanding of the management processes and evaluated the design and implementation effectiveness of the associated controls; • agreed the total number of active, deferred, pensioner and dependent members included in the valuation to the underlying pension fund records; and • selected samples of pension fund members for testing in line with GT sampling guidance. <u>Actuarial Present Value of Promised Retirement Benefit Disclosure</u> • documented our understanding of the processes established by management in relation to the actuarial present value of promised retirement benefits; • evaluated the instructions issued by management to its management expert (the actuary) for this estimate and reviewed the scope of the actuary work; • assessed the accuracy and completeness of the information provided by the fund to the actuary for the estimation of the liability; • tested the consistency of the disclosure against the actuarial report prepared by the actuary; and • undertook procedures to assess the reasonableness of the actuarial assumptions applied by reviewing the report of the consulting actuary (acting as the auditor expert) and performing any additional procedures recommended within that report.	<u>Triennial Valuation</u> No errors, exceptions or matters requiring reporting were identified as a result of our testing. We reviewed the approach adopted by management in appointing the actuary and assessed the work performed in support of the triennial valuation. We also tested a sample of member data used within the valuation and found this to be consistent with the underlying pension fund records. Conclusion Based on the procedures performed, we are satisfied that the triennial valuation has been prepared using appropriate member data and actuarial methodologies. We are satisfied that management's approach and the work of the actuary are reasonable, and we have no matters to report in respect of this significant audit risk. <u>Actuarial Present Value of Promised Retirement Benefit Disclosure</u> No errors or issues were identified through our testing. We assessed the actuarial assumptions applied, reviewed the work of the Fund's actuary and our auditor's actuarial expert, and tested the disclosure against the supporting actuarial report. We are satisfied that the disclosure is materially correct. Conclusion Based on the procedures performed, we are satisfied that the assumptions and methodologies applied by the actuary are reasonable and that the related disclosure has been prepared in accordance with the applicable accounting requirements

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Significant

Significant risks (continued)

Risk identified	Audit procedures performed	Key observations
Oracle system implementation and data migration In August 2025, the Council migrated its core financial management system from EBS to Oracle Fusion. As this is the first year of operating the new system, there is an increased risk of material misstatement at the financial statement level arising from data migration, system configuration, and process changes. Errors in the migration or implementation of Oracle Fusion could result in incomplete, inaccurate, or misstated financial information. Additionally, new systems may be subject to control deficiencies, configuration issues, and process instability during the initial period of operation. Significant	As part of our audit procedures, we have: • Reviewed the governance and controls implemented by the Council over the system migration. • Assessed management's processes to ensure data transferred from the legacy system to Oracle Fusion was complete and accurate. • Reviewed reconciliations between closing balances in Oracle EBS and opening balances in Oracle Fusion. • Tested samples of migrated data back to underlying source records. • Considered whether changes to workflows, user access rights, or reporting functionality introduced additional financial statement risks. • Evaluated whether financial reporting outputs generated from Oracle Fusion supported the preparation of accurate and compliant financial statements.	Our IT audit team concluded that appropriate governance, testing and data migration controls were established to support the implementation of Oracle Fusion. The review confirmed that financial data had been transferred from Oracle E-Business Suite to Oracle Fusion completely and accurately. Separately, our IT audit work identified two control recommendations relating to user access management across Oracle Fusion and Altair. These recommendations did not relate to the implementation of Oracle Fusion or the migration of data to the new system and therefore did not affect our conclusions in respect of this significant audit risk. Based on the procedures performed, we did not identify any material errors or omissions arising from the system implementation and data migration. Accordingly, we have no matters to report in respect of this significant audit risk.

Other areas impacting the audit

This section provides commentary on other issues and risks which were identified during the course of the audit and were previously communicated in the Audit Plan.

Issue	Commentary	
2025 triennial valuation Under Regulation 62 of the Local Government Pension Scheme Regulations 2013 the Fund must obtain an actuarial valuation of its assets and liabilities every three years. The latest valuation is as at 31 March 2025 (published in March/April 2026). The purpose of the valuation is to set employer contribution rates for the period from 1 April 2026 to 31 March 2029. The underlying demographic data will also be rolled forward and utilised in the 2025/26 estimate of the actuarial present value of promised retirement benefits disclosure calculations made under IAS 26 (on an IAS 19 basis as required by IAS 26 and 6.5. 2.9 of the CIPFA Code).	The data used by actuaries to produce IAS 19 liabilities and assets can be broadly split into two categories: 1) Individual member data used to calculate the triennial valuation liabilities and assets which the IAS 19 liabilities and assets are based on. 2) Data used to carry out the roll-forward calculation from the triennial valuation liabilities and assets to the IAS 19 liabilities and assets. This data is provided by administering authorities and the relevant employers. As auditors, we therefore needed to test the individual member data used by the actuaries in their triennial valuation calculations (Item 1) against independent records every three years. Item 2 testing is carried out annually.	Auditor view The accuracy and completeness of member data used within the 2025 triennial valuation was identified as a significant audit risk in our Audit Plan, reflecting the importance of this data in determining the Fund's actuarial liabilities and employer contribution rates. Further details of our audit approach and findings are set out in the Significant Risks section of this report (page no 14). We completed testing of a sample of 50 individual member records provided to the actuary for the purposes of the 2025 Triennial Valuation, agreeing key data fields to supporting records. No exceptions were identified from our testing. Based on the procedures performed, we are satisfied that the member data provided to the actuary and subsequently used in the preparation of the 2025 funding valuation, is materially accurate and complete for the purposes of the valuation.

Other findings – significant matters

Issue	Commentary
Significant events or transactions that occurred during the year	On 1 April 2026, subsequent to the year-end, Kent Pension Fund became a shareholder in the Border to Coast Pensions Partnership, following the Fund's earlier decision to transition from the ACCESS pool as part of the Government's <i>Fit for the Future</i> reforms. The necessary governance and shareholder arrangements were completed after the reporting date, with membership commencing in 2026/27. The transition changes the structure through which the Fund's investments are managed but does not impact the Fund's underlying asset base, funding position or solvency. As the event occurred after 31 March 2026, there is no impact on the 2025/26 financial statements. We discussed this matter with management and are satisfied that appropriate disclosure has been included within the financial statements to inform users of this significant subsequent event.
Prior year adjustment identified	During the audit, management identified a classification issue affecting the presentation of comparative investment income. The prior year comparative disclosures have been amended to ensure consistency of presentation between reporting periods. The amendment relates solely to disclosure classification and has no impact on the Fund's reported financial position or performance. Although the matter was not material to the financial statements, management elected to update the comparative disclosures and include an explanatory note to provide clarity for users of the financial statements. We are satisfied that the revised presentation and disclosure are appropriate.

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	ITGC control area rating				Assessment
		Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Oracle Fusion	Design and implementation of controls	Amber	Amber	Green	Black	Our IT audit work identified four control recommendations relating to Oracle Fusion and Altair. These recommendations did not impact our audit approach or our assessment of the Oracle Fusion implementation and data migration. Further details are included in the Action Plan section of this report.
Altair	Design and implementation of controls	Amber	Amber	Black	Black	

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As part of the 2025/26 audit, we reviewed Kent County Council’s/Kent Pension Fund migration from Oracle E-Business Suite to Oracle Fusion, focusing on the design and implementation of key controls across the project. Our review included an assessment of the following:

- Project governance framework
- Testing strategy and results
- Data cleansing and data reconciliation evidence
- Management sign-offs for Go Live.

Based on the procedures performed, we concluded that there were appropriate controls in place over project governance, testing, and data migration processes. Furthermore, data migrated from Oracle EBS to Oracle Fusion was complete and accurate with an appropriate audit trail.

Assessment:

- [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
- [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- [Black] Not in scope for assessment

Other communication requirements

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Governance and Audit Committee as part of the audit plan. We have not been made aware of any other incidents in the period, and no other issues have identified during the course of our audit procedure.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations, and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Pension fund. This will be signed alongside the final draft of the financial statements in conclusion of the audit.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to their custodian and investment managers. This permission was granted, and the requests were sent and have been received as part of our final account work.
Disclosures	The disclosure misstatements identified during our audit are detailed on pages 24 to 25. Apart from these, we did not identify any material disclosure misstatement in the financial statement
Audit evidence and explanations	All information and explanations requested from management was provided.
Significant difficulties	None to report.
Other matters	None to report

Other responsibilities

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. – Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. <i>continued overleaf</i>

Other responsibilities (continued)

Issue	Commentary
Going concern	The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities (continued)

Issue	Commentary
Other information	The Pension Fund is administered by Kent County Council (the ‘Council’), and the Pension Fund’s accounts form part of the Council’s financial statements. We are required to read any other information published alongside the Council’s financial statements (including the Annual Governance Statement (AGS), the Narrative Report and Council’s financial statements) and report whether it is materially consistent with the Pension Fund financial statements and our knowledge obtained during the audit. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to give a separate consistency opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited pension fund financial statements within the administering authority’s accounts. We propose to issue our ‘consistency statement’ on the Pension Fund’s Annual Report. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.

Adjusted misstatements

This is a summary of adjusted misstatements identified during the audit. We are required to report all non-trivial misstatements to those charged with governance.

Detail	Pension Fund Account		Net Asset Statement £'000		Impact on total net assets £'000
	Debit £'000	Credit £'000	Debit £'000	Credit £'000	
Total net assets per draft accounts					9,420,093
Management identified a difference of £4.3 million between the valuation recorded in the draft financial statements and the updated valuation subsequently received from the fund manager. Management has agreed to amend the financial statements to reflect the updated valuation. The difference arose because the fund manager's confirmation was not available when the draft accounts were initially prepared and management therefore used the best information available at that time. As such, the adjustment reflects the receipt of updated valuation information after publication of the draft financial statements rather than an error in the underlying accounting records. Dr. Investment assets £4.393m Cr. Profit and loss changes in MV of investments £4.393m		(4,393)	4,393		4,393
Total net assets per final accounts		(4,393)	4,393		9,424,486

Adjusted disclosure misstatements

Disclosure misstatement	Detail	Adjusted
Note 2 – Basis of Preparation	During our review of the financial statements, we identified that the disclosure relating to accounting standards issued but not yet effective was incomplete. The Code requires entities to disclose relevant standards that have been issued but have not yet been adopted. Management has agreed to amend the note to include the required disclosures.	✓
Note 5 – Assumptions made about future and other major sources of estimation uncertainty	During our review of Note 5, we identified a small number of disclosure updates required to ensure consistency with the underlying supporting information. The sensitivity disclosure for the actuarial present value of promised retirement benefits was updated from £280m to £240m to align with the Fund's IAS 26 report. In addition, the value of private equity and infrastructure investments was updated from £852m to £856m to agree with the revised balance disclosed in Note 15. Management has agreed to update the note accordingly.	✓
Note 6 – Events after the reporting date	During our review of the post balance sheet events disclosure, we discussed with management whether recent changes to councillor eligibility for LGPS membership should be reflected within the financial statements. Management agreed that this represents a relevant event occurring after the reporting period and has updated the disclosure to provide appropriate information on the changes and their implications for the Fund. In addition, management identified that the Government's announcement on 7 September 2026 to pause the Local Government Reorganisation programme affecting Kent and Medway should be disclosed as a non-adjusting post balance sheet event and updated the disclosure accordingly. We are satisfied that the disclosure appropriately reflects the nature of both post balance sheet events and their implications for the Fund.	✓
Note 13 – Investment Income	During the audit, a classification issue was identified affecting the presentation of prior year investment income. Whilst the matter was not material and had no impact on the Fund's financial position or performance, management elected to amend the comparative disclosures to ensure consistency of presentation between reporting periods. As part of our review, we recommended that management include an explanatory footnote and appropriate prior period disclosure to meet the requirements of IAS 8 and provide transparency to users of the financial statements regarding the reclassification. We reviewed the revised disclosure and are satisfied that it is appropriate.	✓

Adjusted disclosure misstatements (continued)

Disclosure misstatement	Detail	Adjusted
General – Minor disclosure issues	A number of minor disclosure amendments have been processed in various areas of the financial statements, which encompass the primary statements and notes to the financial statements including accounting policies. These amendments include corrections for typographical errors, casting issues, minor presentational changes. None of these amendments are individually significant enough to warrant separate disclosure	✓

Unadjusted misstatement

There are no unadjusted misstatement above our reporting threshold to report to those charged with governance.

We have identified four recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2026/27 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Green	Outside of General Ledger adjustments As identified in prior years and continuing in the current year, investment assets are recorded at book cost within the general ledger, while changes in market value are maintained separately through an external reconciliation spreadsheet. We would expect all investment transactions and valuation movements to be recorded and reconciled directly through the general ledger to provide a complete and auditable record. Risk There is an increased risk for human errors and misstatement where investment change in MV are recorded on manual spreadsheet	When some journals are recorded in a spreadsheet and not in the general ledger system, it can present a risk to the accuracy and completeness of financial reporting. We therefore, recommend formalizing the process for recording journals by ensuring that all financial transactions are captured directly in the general ledger system. This helps to maintain a complete and accurate record of all financial activities. We acknowledge that several other pension funds operate under a similar control environment; however, for best practice and to strengthen internal controls, valuation changes should be reflected directly in the ledger. Management should consider this as part of ongoing improvement to financial reporting processes. Management response Management acknowledges the finding and accepts the recommendation. Whilst we do not consider the current approach of performing a year-end market value reconciliation, as opposed to holding the market values directly on the ledger, to present an increased risk of error or misstatement, we agree that this would be best practice and would help to strengthen controls. Management have been considering this issue and have held discussions internally and externally with colleagues and other LGPS Funds who have been through similar processes of transitioning market values onto a ledger, to ensure that a robust plan is developed and to minimise the risk of error during any transition. The current plan involves repurposing the current book costs subjective on the ledger to reflect current market values. Work as at 2025/26 year-end brought those book costs to their final position, meaning a series of journals on the realised and unrealised gains/losses are needed to bring those book costs up to the market value position. (Continued overleaf)

Assessment key:

- [Red] High – Significant effect on financial statements
- [Amber] Medium – Limited effect on financial statements
- [Green] Low – Best practice

Assessment	Issue and risk	Recommendations
● Green	Outside of General Ledger adjustments	Management response The historical approach has meant that the book costs on the ledger are sat at an asset class level, rather than at portfolio level. As such, management are currently in discussion around the process needed to ensure any transition is reflected correct, accurately and is free from any error and correctly portrays the market value of each investment on the ledger. Officers are aiming to implement these changes during 2026/27, meaning the market values will be represented on the ledger by the end of this financial year and available for auditors for next year's audit process.
● Amber	Benefits Payable - Retention and Retrieval of Historic Pension Records During our testing of benefits payable, we identified two instances where supporting documentation relating to members' retirement and entitlement to pension benefits could not be readily located. Management advised that these members retired more than 20 years ago and that the underlying records are retained on legacy microfiche systems. Whilst alternative audit procedures were performed which provided assurance over the ongoing eligibility of the pensioners and the accuracy of pension payments, the supporting source documentation could not be retrieved. Our testing suggests this is not a widespread issue and is limited to a small number of historic records maintained on microfiche. No similar exceptions were identified in prior years, and the affected population is reducing over time as it relates only to members who retired before the Fund transitioned to electronic record keeping. (Continued overleaf)	The Fund should review its arrangements for the retention, indexing and retrieval of historic microfiche records to improve the accessibility of supporting documentation for long-standing pensioners and reduce the risk of records not being available when needed. Management response Management acknowledges the finding and accepts the recommendation. The instances identified relate to a small number of legacy pensioner records for members who retired prior to the Fund's transition to electronic record keeping. The Fund is satisfied that alternative evidence was available to demonstrate the ongoing validity of the pension payments and member entitlement in the cases reviewed, and that the issue does not affect the accuracy of benefits currently in payment. (Continued overleaf)

Action plan (continued)

Assessment	Issue and risk	Recommendations
 Amber	Benefits Payable – Retention and Retrieval of Historic Pension Records Risk The inability to readily retrieve historical pension records may reduce the efficiency of responding to audit requests and other enquiries requiring evidence of member entitlement. There is also a risk that key supporting documentation for historic pensioners may not be easily accessible when required.	Management response Given that the affected population is limited to long-standing pensioners and is reducing over time, management considers the residual risk to be low. However, the review was undertaken to consider strengthening the Fund's record management arrangements and further support its ability to respond promptly to future audit and information requests.
 Amber	Inappropriate Privileged Access in Oracle Fusion The Financial Application Administrator role provides elevated privileges that may enable users to modify financial application configurations, manage user access, and amend system settings. We identified one finance user outside of the Financial Analysis and Support Team who was assigned the Financial Application Administrator role. Based on their documented job responsibilities, it was not evident that privileged administrative access was required to perform their duties. In response, we inspected the user population report user and verified that this user had not created, modified, or maintained Oracle Cloud user accounts during the review period. We understand that this user has since had their access downgraded. Risk The combination of access to implement changes and security administration in production is a SoD conflict that could lead to inappropriate or unauthorised changes to data and functionality within Oracle Fusion.	Kent County Council/Kent Pension Fund should review the appropriateness of the Financial Application Administrator role assignments for the identified users and remove access where it is not required for their job responsibilities. Any exceptions should be formally documented, approved by management, and subject to periodic access reviews. Management response (This user) has moved teams so access has been removed.

Action plan (continued)

Assessment	Issue and risk	Recommendations
● Amber	Inappropriate Privileged Access in Altair The CLIENT role in Altair, which provides full administrative privileges, was assigned to three individual users. We identified that one of these users, the Head of Pensions Administration, is not part of the IT organisation and also performs duties within the wider business and financial reporting processes. We enquired with this individual and understood that privileged administrative access was not required to perform their day-to-day responsibilities. We have subsequently made further enquiries with management and the pensions systems team to obtain additional information regarding the nature and extent of the access assigned in order to assess any potential audit implications. As noted in the Outstanding Matters section of this report, we are awaiting management's response at the date of this report. Risk The combination of administrative access to Altair and involvement in business and financial reporting processes represents a segregation-of-duties conflict that could lead to inappropriate or unauthorised changes to member and financial data within Altair.	Kent Pension Fund should review the appropriateness of CLIENT role assignments in Altair and remove administrative access where it is not required for an individual's job responsibilities. Any exceptions should be formally documented, approved by management, and subject to periodic access reviews. Management response Management agrees with the finding. The CLIENT role is not being utilised by the user, and management will evaluate and assign a lower-privileged role that is more appropriate for the user's responsibilities.

Follow up of prior year recommendations

This is a summary of where we identified recommendations for the Pension Fund because of issues identified during the prior year audit, and an update on actions taken by management as a result.

Assessment	Resolved	Issue and risk previously communicated	Update on actions taken to address the issue
Low	Yes - With the Oracle Cloud implemented in FY 25/26, there is now segregation of duties between journal uploaders and journal posters. Journal uploaders can only upload journals to Oracle and will need journal posters to post them to the ledger. This has been verified in our walkthrough.	Lack of review of Journals In our review of management override of control, we note that journals can be posted and approved by the same person. Risk Without proper segregation of duties, the same individual may be responsible for both initiating and posting journal entries. This increase the risk of errors, omissions, or irregularities going undetected, as there is no independent review of the transactions.	Not applicable
Low	x	Outside of General ledger adjustments We identified from our investment testing work that the investment assets are recorded on book cost in the general ledger and Market value of the investment assets are recorded through an outside ledger reconciliation excel sheet. We would expect all the transactions to be routed through general ledger. Risk There is an increased risk for human errors and misstatement where investment change in MV are recorded on manual spreadsheet.	Please refer to the management responses relating this control recommendation page no 26, which has been carried forward to the current year.

Follow up of prior year recommendations (continued)

This is a summary of where we identified recommendations for the Pension Fund because of issues identified during the prior year audit, and an update on actions taken by management as a result.

Assessment	Resolved	Issue and risk previously communicated	Update on actions taken to address the issue
Medium	Yes - Following the implementation of Oracle Fusion during 2025/26, Oracle E-Business Suite is no longer used by the Pension Fund. As part of the current year audit, our IT audit team reviewed user access and segregation of duties controls within Oracle Fusion and reported any findings identified through that work separately within the Action Plan section of this report. Accordingly, this recommendation is no longer applicable.	Lack of Segregation of duties (SOD) within Oracle EBS Our Audit Procedure identified 2 accounts BLANCE01 and PENNAL02 that had been assigned combination of the following roles. Applicable Developer – Development Access; and System Administrator – Implementation access. Furthermore, it was noted that a single change had been implemented by the account PENNAL02, however the change was noted to be a quick fix that had been communicated to management, this ensured appropriate oversight over the change made. No changes were performed by the account BLANCE01. Risk The combination of access to implement changes and security administration in production is a SoD conflict that could lead to inappropriate or unauthorised changes to data and functionality within Oracle EBS. This risk is further elevated owing to a lack of proactive monitoring of privileged user accounts	Not Applicable

Independence considerations

As part of our assessment of our independence, we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Fund that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Fund or investments in the Fund held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Fund.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Fund's committees, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Fees and non-audit services

The following tables overleaf set out the total fees for non-audit services that we have been engaged to provide or charged from the beginning of the financial year to date, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The non-audit services are consistent with the Fund's policy on the allotment of non-audit work to your auditor.

None of the services were provided on a contingent fee basis

For the purposes of our audit, we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Kent Pension Fund. The table overleaf summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees in that we add safeguard.

Our firm also provides audit and non-audit services to the Kent County Council. The fees in relation to these services and the related ethical considerations are reported in the Audit Findings Report issued to 'Those Charged With Governance' (TCWG) for that entity. Consequently, such fees are disclosed in the Council's financial statements rather than the Pension Fund's.

Audit fees	£
Scale fee for Pension Fund Audit	118,623
Auditor's expert used for the valuation of directly held properties	4,650
2025 Triennial valuation data testing	10,000
Total Audit fee (excluding VAT)	133,273
Non- Audit fees	£
IAS 19 letter to auditors of bodies outside the NAO Code	3,500
Total Audit and Non-Audit fee (excluding VAT)	136,773

The fees reconcile to the financial statements as follows:

Description	£
Fees as per financial statement	147,803
IAS 19 letter to auditor of bodies outside the NAO Code 24/25 as per the audit finding report (24/25)	(3,500)
Approved Fee variation 23/24 audit as per 23/24 audit findings report	(7,530)
Total (Fee as per our Audit plan)	136,773

Fees and non-audit services (continued)

Audit related non-audit services	£	Threats identified	Safeguards applied
2025/26 - IAS 19 assurance letter for Ebbsfleet Development Corporation (admitted body outside the NAO Code of Audit Practice).	3,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the total fee for this work is £3,500 in comparison to the total proposed fee for the audit of £136,773 and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total	3,500		

*It is important to highlight that the IAS 19 assurance letters issued to auditors of local authorities and NHS bodies are included within the standard audit fee. However, where an IAS 19 assurance letters requested by auditors of entities outside this scope, it falls outside the scale fee and is treated as a non-audit service.

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Fund's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

A. Communication of audit matters with those charged with governance (continued)

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

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ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here. This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.



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DRAFT - Independent auditor's report to the members of Kent County Council on the pension fund financial statements of Kent Pension Fund

Opinion on financial statements

We have audited the financial statements of Kent Pension Fund (the 'Pension Fund') administered by Kent County Council (the 'Authority') for the year ended 31 March 2026, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2026 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Corporate Director Finance use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Corporate Director Finance conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2024) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Corporate Director Finance use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Corporate Director Finance with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's and group's financial statements. The Corporate Director Finance is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements, the other information published together with the Pension Fund's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority and the Corporate Director Finance

As explained more fully in the Statement of Responsibilities, the Authority 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 authority, that officer is the Corporate Director Finance. The Corporate Director Finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Corporate Director Finance is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 (as amended), the Local Government Act 2003, Public Service Pensions Act 2013, Local Government Pension Scheme Regulations 2013 and Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016).
- We enquired of management and the Governance and Audit committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, internal audit and the Governance and Audit committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. We determined that the principal fraud risks were in relation to:
 - Management override of controls, particularly through unusual journal entries made during the year which met a range of criteria we set during the course of the audit;
- Our audit procedures to address the principal fraud risks
 - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
 - journal entry testing, with a focus on entries meeting the criteria determined by the audit team; and
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it or recognise non-compliance.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government pensions sector
 - understanding of the legal and regulatory requirements specific to the Pension Fund including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Parris Williams,

Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

By: Chief Accountant, Joe McKay

To: Governance and Audit Committee, 15 October 2026

Subject: Draft Statement of Accounts 2025/26

Status: Unrestricted

Summary: This paper provides assurance on the production of the Statement of Accounts and confirms the arrangements required to comply with the Accounts and Audit Regulations.

Background

The scope of the external audit of the Statement of Accounts is set in accordance with the National Audit Office (NAO) Code of Practice and International Standards on Auditing, and these cover two distinct areas:

Financial Statements & Annual Governance Statement (AGS)

Grant Thornton are responsible for forming and expressing an opinion on Kent County Council's single entity accounts, group accounts, and the Kent Pension Fund accounts.

The outcomes are provided in the Audit Findings Reports (AFRs). The report covers whether the financial statements give a true and fair position of the financial position and income and expenditure for the year, and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting and the Local Audit and Accountability Act 2014.

In addition to reviewing the financial statements, Grant Thornton are also required to report whether the Annual Governance Statement (AGS) is materially consistent with the financial statements.

Value for money arrangements

Grant Thornton consider whether there are sufficient arrangements in place for securing economy, efficiency and effectiveness in the use of our resources, reporting in detail on our overall arrangements, as well as providing key recommendations on any significant weaknesses identified during the audit.

The outcomes of that process are provided in the separate Annual Audit Report (AAR).

Assurance for Members

Draft publication - the draft financial statements and draft AGS were published on 30 June 2026 in line with the deadline set in the Accounts and Audit Regulations.

Inspection of accounts period - the 'public inspection of accounts' window was also completed in line with the Accounts and Audit Regulations and ran from 1 July 2026 to 11 August 2026, with all relevant requests responded to.

External audit - no adjustments to the financial statements have been identified as part of the external audit, other than minor disclosure errors.

Recommendations for management - there are some recommendations identified which management have provided a response to within the AFR presented by Grant Thornton.

AGS – Grant Thornton have confirmed that the AGS is consistent with their knowledge of our organisation and with the audited statement of accounts.

Audit backstop - the timing of the completion of the audit work is in advance of the audit backstop date of 31 January 2027.

Governance and sign-off

The Accounts and Audit Regulations state that:

- i) ...the publication date for final, audit accounts is 31 January 2027. The authority must, following the conclusion of the period of public inspection, in the following order:
 - a. Consider, either by way of a Committee or by the Members meeting as a whole, the Statement of Accounts;
 - b. Approve the Statement of Accounts by a resolution of that Committee or meeting;
 - c. Ensure the Statement of Accounts is signed and dated by the person presiding over the Committee or meeting at which approval was given

Letters of Representation are provided in connection with the audits of the financial statements for the Council and the Kent Pension Fund; and they will be required to be formally minuted by the Committee to confirm they are approved and signed by the Chair of the Committee and Corporate Director Finance.

Recommendations

Members are asked to:

- Approve the Annual Governance Statement (AGS) for 2025/26
- Approve the Statement of Accounts for 2025/26
- Note the Audit Findings Report (AFR) for Kent County Council and the Kent Pension Fund
- Approve the Letters of Representation for Kent County Council and the Kent Pension Fund

Contact Details

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Draft Statement of Accounts

2025/2026
Draft Statement of Accounts

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SINGLE ENTITY ACCOUNTS

Narrative

The purpose of this Statement of Accounts (Accounts) is to give electors, those subject to locally levied taxes and charges, Members of the Council, employees, and other interested parties clear information on the financial performance for the year 2025/26 and the overall financial position of the Council.

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

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

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

- Narrative - this provides information on the format of this Statement of Accounts as well as a review of the financial position of the Council for the financial year 2025/26.
- The Statement of Responsibilities - this details the responsibilities of the Council and the Corporate Director Finance concerning the Council's financial affairs and the Statement of Accounts.
- The main Accounting Statements, comprise:
 - The [Comprehensive Income and Expenditure Statement \(CIES\)](#) - this provides a high level analysis of the Council's spending. It brings together all the functions of the Council and summarises all of the resources that the Council has generated, consumed and set aside in providing services during the year.
 - The [Movement in Reserves Statement \(MIRS\)](#) - this statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves', which are held either for statutory purposes or to comply with proper accounting practice.
 - The [Balance Sheet](#) - this statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets/liabilities of the Council (assets less liabilities) are matched by the reserves held by the Council.
 - The [Cash Flow Statement](#) - this summarises the changes in cash and cash equivalents of the Council during the reporting period.
- The [Expenditure and Funding Analysis](#) - this note brings together the Council's performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund presented on the basis of how the Council is structured for decision making purposes.
- Accounting Policies - notes relating to specific accounting statement lines as identified in the main statements of the accounts include the corresponding accounting policy. [Note 2](#) details the policies where there are not accompanying notes.
- The Group Accounts sets out the income and expenditure for the year and the financial position at 31 March 2026 of the Council and its wholly owned subsidiaries. The Group Accounts combine the financial results of Global Commercial Services Group Ltd.
- The Pension Fund Accounts - the Kent County Council Superannuation Fund (Kent Pension Fund) is administered by the Council but is accounted for completely separately.
- The Independent Auditor's Report to the Council - this will be provided by the external auditors, Grant Thornton UK LLP, following the completion of the annual audit.
- The accounting arrangements of any large organisation such as Kent County Council are complex, as is local government finance. The Accounts are presented as simply as possible, however it is still a very technical document. A glossary of terms is provided to make the Statement of Accounts more understandable for the reader.

Changes to financial reporting requirements and accounting policies

The Code of Practice is based on International Financial Reporting Standards (IFRS) and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board. These Statement of Accounts for 2025/26 are prepared on an IFRS basis, as adapted and implemented by the Code.

In 2025/26, the Code of Practice includes a mandatory revaluation expedient for Property, Plant & Equipment (PPE), requiring valuations once every five years or on a five-year rolling basis, supported by indexation in the intervening years. Indexation is a tool used to apply an inflationary increase to assets in the years between professional valuations. The purpose of applying indexation to asset values is to ensure the value of an asset is kept materially up to date for movements in variables e.g. build costs or rental income. It is important to note that indexation is an approximation of market change and is not a valuation of a specific asset. More information, including the new accounting policy is in [Note 17](#).

Organisational Overview and External Environment

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

Directorate	Division
Adult Social Care & Health including Public Health (ASCH)	Strategic Management & Directorate Support Adult Social Care (short-term support) Adult Social Care (long-term support) Strategic Commissioning (Integrated and Adults) Public Health
Children, Young People & Education (CYPE)	Strategic Management & Directorate Budgets Education & Special Needs Children's Countywide Services Operational Integrated Children's Services Schools' Delegated Budgets
Growth, Environment & Transport (GET)	Strategic Management & Directorate Budgets Environment & Circular Economy Growth & Communities Highways & Transportation
Chief Executive's Department (CED)	Strategic Management & Directorate Budgets Finance Infrastructure Law Strategic Policy, Relationships & Corporate Assurance
Deputy Chief Executive's Department (DCED)	Strategic Management & Directorate Budgets Governance & Democracy Commercial and Procurement Human Resources & Organisational Development Marketing & Resident Experience Technology
Non Attributable Costs including Corporately Held Budgets (NAC)	Non-Attributable Costs including Corporately Held Budgets

Governance

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

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

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

To meet the requirements of the Accounts and Audit Regulations 2015 and the principles set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework: "Delivering Good Governance in Local Government (2016)" the Council is required to produce an Annual Governance Statement (AGS). Please see the 2025/26 AGS for further information on how the Council has complied with these principles, which is available on kent.gov.uk.

Strategic and Corporate Plans

The Council produces a flagship strategy to set the strategic direction for the Council which shapes business and resource planning over a four year period. Following the election of a new administration to the Council in May 2025, a new Strategic Statement 'Reforming Kent' was developed and adopted by County Council in November 2025. Given the Government's intention to create new council structures in Kent and Medway in 2028 through Local Government Reorganisation (LGR), this council strategy will run for three years. It focuses on four main objectives of putting Kent residents first, reforming Kent County Council, supporting residents that need help, and building better communities.

For 2025/26, in response to the significant complexity and challenge posed by KCC's current operating environment, a single council-wide business plan was produced. This provided a clear view of the Council's most critical activity to be delivered during 2025/26 against the backdrop of a changing local government landscape. Delivery of the activity was taken forward through the existing management structures of the council. Given the fact that KCC's operating environment continues to be complex and challenging, especially as Local Government Reorganisation (LGR) continues to be unclear, the same approach has been taken for business planning as last year, with a single council-wide business plan produced for 2026/27.

In July 2026, Government announced its decision to create four unitary authorities in Kent and Medway in 2028 through Local Government Reorganisation (LGR). On 7 September 2026, Government announced a review of the decision made, asking impacted councils to cease work on implementing the decision made in July. Given the significant amount of time and effort that has been invested into this work to date, and with an uncertain outcome, the Council will continue to work constructively with other Kent and Medway authorities to agree what activity should pause, what should continue, and how the strong relationships that have been established over the past year are built upon to benefit the residents of Kent.

Risk Strategy

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

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

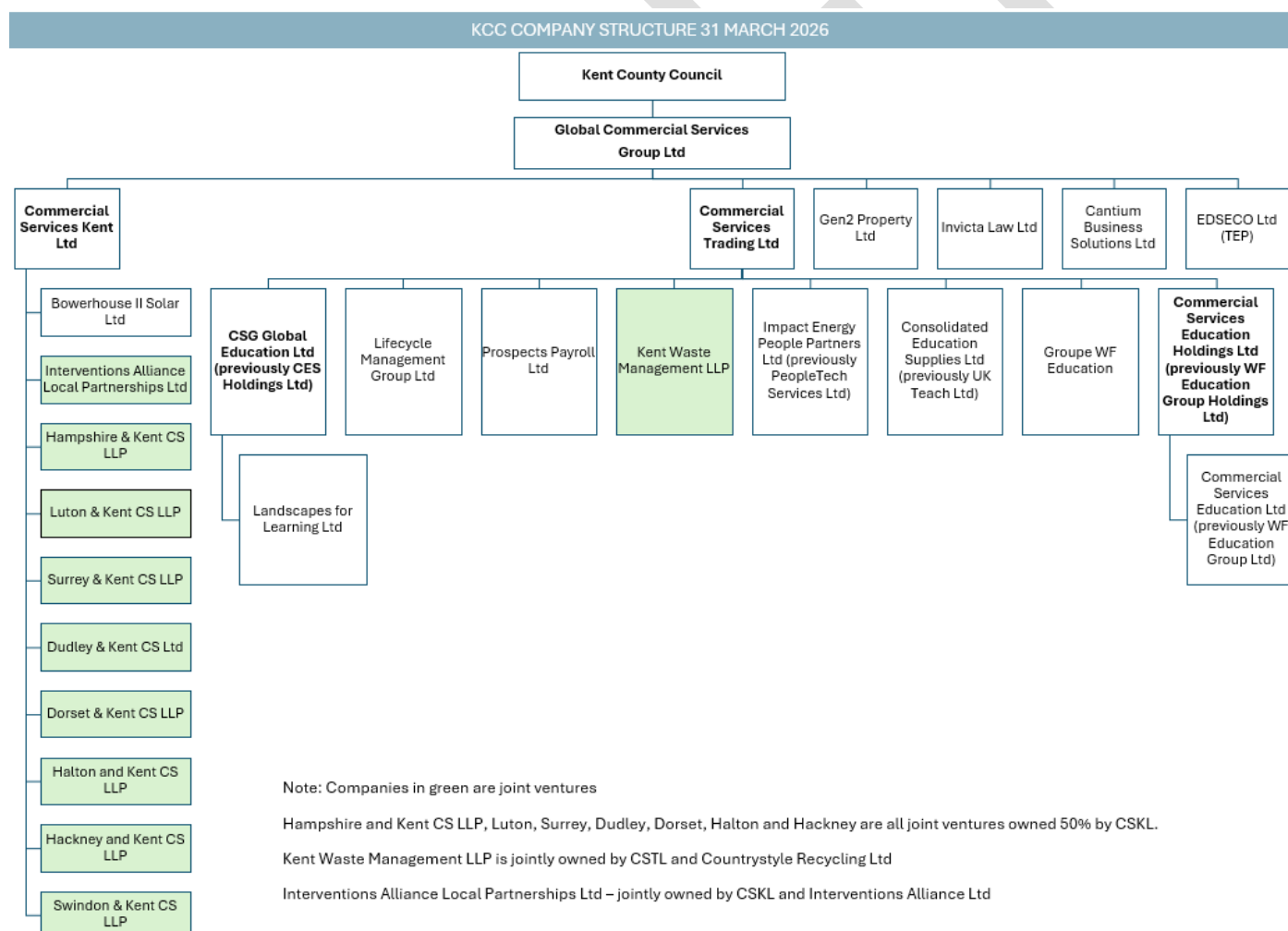
These factors all affect the risk environment, which is likely to be volatile, complex and ambiguous for a number of years. The risks arising in this environment will often have no simple, definitive solutions and will require whole-system-thinking, aligned incentives, positive relationships and collaboration,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

The Council's Strategic Statement, Reforming Kent, was approved by County Council in November 2025, setting out the vision, aims and objectives for the council. It is expected that risks which may affect the achievement of these objectives are identified, assessed and managed, alongside ongoing risks to fulfilment of statutory duties and legal obligations.

The Council, along with partners in Kent and Medway, has responded to the statutory invite from the Minister of state to submit interim plans for consideration, followed by final proposals, for Local Government Reorganisation. Ongoing and comprehensive consideration of the potential risks, issues and opportunities arising for KCC will be critical during this period.

Council's wholly-owned subsidiaries

The Council has interests in a number of companies that are classified as a subsidiary, associate or joint venture, all of which have been considered for consolidation. This is a common model of operation for local authorities as they seek alternative ways of achieving their aims within reduced funding arrangements. The structure chart shows the companies as at the end of March 2026:



Wholly owned companies

Global Commercial Services Group Ltd - holding company providing KCC with a single point of contact with a streamlined management and executive function. Global Commercial Services Group helps generate efficiencies and consistency between the companies.

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

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

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

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

EDSECO Ltd (trading as The Education People or TEP), **CSG Global Education Ltd**, **Landscapes for Learning Ltd**, **Groupe WF Education**, **Commercial Services Education Holdings Ltd**, **Commercial Services Education Ltd** and **Consolidated Education Supplies Ltd** - provide resources (including books, stationery, equipment) and services to educational establishments from early years to young adults.

Impact Energy People Partners Ltd - provides a recruitment platform within the education sector.

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

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

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

Joint ventures

Commercial Services Kent Limited (CSKL) has partnerships with various local authorities (Hampshire County Council, Luton Borough Council, Surrey County Council, Dudley Metropolitan Borough Council, Dorset Council, Halton Borough Council, London Borough of Hackney and Swindon Borough Council) providing agency and interim staff and recruitment for hard to fill permanent contracts. **Interventions Alliance Local Partnerships Ltd**, which is jointly owned with Interventions Alliance, operates in the care services sector.

Commercial Services Trading Limited (CSTL) owns 50% of **Kent Waste Management LLP** (owned jointly with Countrystyle Recycling Ltd).

Financial report

Summary of the revenue outturn position

The net revenue budget for 2025/26 totalled £1,531.3m. £0.6m was rolled forward from 2024/25 increasing the budget to £1,531.9m. The outturn position for the year against the revised budget is set out in the following table, together with the sources of income from which the Council's net revenue expenditure was financed.

The net overspend is £21.6m, made up of an overspend of £23.8m within the directorates and a favourable funding variance of £2.2m (excluding Schools' Delegated Budgets). There are £1.1m of roll forward requests and these will be added to the 2026/27 budget to support the rescheduling of projects in line with the authority's criteria. The overspend (including roll forwards in 2026/27) have been funded by a £22.7m drawdown from General Reserves.

		Budget £000s	Outturn £000s	Variance £000s
Adult Social Care including Public Health	ASCH	701,596	744,465	42,869
Children, Young People & Education	CYPE	374,296	375,187	891
Growth, Environment & Transport	GET	204,858	202,271	-2,587
Chief Executive's Department	CED	59,247	56,114	-3,133
Deputy Chief Executive's Department	DCED	56,544	54,522	-2,022
Non Attributable Costs including Corporately Held Budgets	NAC	135,338	123,130	-12,208
Schools' Delegated Budgets	CYPE	0	32,981	32,981
Funded by reserves:				
Reserves adjustment to fund agreed roll-forwards		-599	-599	0
Reserves drawdown to fund in-year overspend		0	-22,698	-22,698
Funded by grants:				
Council Tax Yield including Collection Fund		-997,498	-997,498	0
Local Share of Business Rates & Business Rates Collection Fund		-69,411	-71,207	-1,797
Business Rate Top Up		-149,108	-149,108	0
Business Rate Compensation Grant		-50,979	-51,287	-308
Social Care Support Grant		-137,144	-137,144	0
Improved Better Care Fund (iBCF)		-61,701	-61,701	0
Social Care Reform Grant		-26,969	-26,969	0
Revenue Support Grant (RSG)		-15,680	-15,680	0
Grant for Employer National Insurance changes		-10,073	-10,073	0
Children's Social Care Prevention Grant		-6,760	-6,760	0
Domestic Violence Grant - New Burdens		-4,031	-4,031	0
New Homes Bonus (NHB) and NHB Adjustment Grants		-1,927	-1,927	0
Inshore Sea Fisheries Grant		0	-138	-138
Total funding		-1,531,878	-1,556,819	-24,941
Net outturn position		0	31,850	31,850

Summary of the capital outturn position

Capital expenditure is defined as expenditure on the purchase, improvement, or enhancement of assets, the benefit of which impacts for longer than the year in which the expenditure is incurred. Capital expenditure is funded from a variety of sources including grants, capital receipts, borrowing, external contributions including developer contributions, and revenue contributions. Capital expenditure for the year was £292.563m. The expenditure analysed by portfolio was:

		Budget £000s	Outturn £000s	Variance £000s
Adult Social Care including Public Health	ASCH	2,204	3,799	1,595
Children, Young People & Education	CYPE	116,769	71,574	-45,195
Growth, Environment & Transport	GET	237,304	162,467	-74,837
Chief Executive's Department	CED	29,775	42,396	12,621
Deputy Chief Executive's Department	DCED	0	0	0
Devolved capital to schools	CYPE	9,500	12,327	2,827
Total		395,552	292,563	-102,989

Expenditure excluding that incurred by schools under devolved arrangements was £105.816m less than cash limits. Of this, -£135.526m reflected re-phasing of capital expenditure plans across all services and +£29.710m was due to real variations. Rephased capital resources will be carried forward into 2026/27 and beyond in order to accommodate the revised profiles of capital expenditure.

Capital expenditure incurred directly by schools in 2025/26 was £12.327m.

Details of the financing of capital expenditure are in [Note 19](#).

Summary of schools' outturn position

In total, schools' reserves have decreased by £1.5m, this amount is made up of academy conversions of £0.5m, an increase in the value of schools' deficit balances of £0.04m and a decrease in schools' surplus balances of £0.9m.

In addition, there was a £61.8m net overspend in year on the Central DSG Reserve made up of £64.6m overspend on High Needs budgets, £0.4m overspend relating to School Block related spend and a £3.3m underspend on Early Years. The council made a contribution of £14.6m and as part of the safety valve agreement Kent received £14.2m towards the historic deficit.

Schools now have £57.0m of revenue reserves as reflected in [Note 23](#) and there is a deficit balance of £130.5m in the DSG Adjustment Account as reflected in [Note 24](#). The Authority entered the Department for Education's "Safety Valve" process in Summer 2022, which involves the Local Authority reforming its high needs systems and associated spending in return for additional funding to contribute to the historic deficit. This arrangement ended on 31 March 2026 and is being replaced by a new local authority funding model as part of the wider proposed SEN (Special Educational Needs) reforms. The first phase of this is the High Needs Sustainability Grant which, subject to an approved SEND Reform Plan, will be received in Autumn 2026. As such, the grant income has not been recognised as part of our 2025/26 accounts.

Budget context

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

Setting the revenue budget for 2025/26 – the Budget Strategy

The strategy and timetable for the preparation of the 2025/26 budget was reviewed considering the experience from 2024/25 where the traditional incremental budget process was replaced with an outcomes approach that set resource envelopes for key spending areas. Experience of the 2024/25 process was that it took too long to assess whether spending growth could be managed within the envelopes set (or to find offsetting savings/income), with the consequence that the final budget could only be balanced with one-off solutions. These one-off solutions would have to be replaced with policy savings in future budgets, as well as identifying and agreeing further savings necessary to balance the ongoing challenge of spending growth exceeding the available funding from central government settlement and local taxation. The conclusion was drawn that an outcomes approach using resource envelopes was only realistic where the resources available are sufficient to cover unavoidable spending growth. Consequently, the revised strategy for 2025/26 was agreed in April based on hybrid approach.

The strategy allowed for an initial refresh of the plans for 2025/26 in the 2024/27 medium term financial plan (MTFP). These original plans identified forecast spending growth and funding (including assumed council tax base and household charge increases, and inflationary uplifts in government funding from business rates but with no further additional government grants). The plans were balanced through savings and income including those areas where detailed plans had been developed as part of the 2024/25 budget process and indicative amounts for savings with plans yet to be fully developed (including the policy savings to replace the £19.8m of one-off solutions necessary to balance 2024/25 budget). This initial refresh would include revised and updated forecasts to take account of unavoidable changes including final 2024/25 outturn variances, updated inflation forecasts, most recent trends for cost and demand drivers (with any other potential cost increases avoided) and any agreed changes to savings and income plans.

The purpose of the initial refresh was to identify the scale of any surplus or gap. Savings and income plans would either be revised from any surplus, or revised savings targets issued to resolve any gap. Additional targets were agreed to be set higher than the overall amount necessary to balance the budget to allow capacity to deal with any further changes in unavoidable spending, policy choices over which savings should be included in the final plans, and scope to improve reserve balances to strengthen financial resilience. The savings targets were to be set based on a combination of the Council's strategic priorities, benchmarking of current spend against outcomes and best value, and capacity to deliver further savings. As well as meeting targets, directorates were encouraged and challenged to identify all possible savings and income options. There would only be one final refresh ahead of publishing final draft budget plans to avoid the need to hit ever changing targets.

The initial refresh was completed by the end of July 2024 which showed an increased budget gap. Directorates were tasked with identifying scope for further savings, income, and cost avoidance measures to be worked up over August and September. To assist with policy prioritisation for the £19.8m needed to replace the use of one-offs, current spending (approved budget plus anticipated changes for 2025/26 already identified in the MTFP) was assigned to one of five categories:

- Areas of spending that are purely discretionary or where there is significant choice to meet minimum statutory requirements
- Support functions
- Social care and school transport (priority spending under Securing Kent's Future (SKF))
- Other frontline services
- Non attributable costs

The administration focussed on the SKF objective to review the scope of the Council's policy priorities and ambitions to find the £19.8m which mainly centred on spending in the first category. Spending in this category was further subdivided into where it was a binary choice whether to continue or cease spending, where a range of potential options to reduce spending are available, those areas likely to be most controversial and spending considered insignificant or out of scope. The potential policy choice questions were also identified under each area of spending.

A draft budget 2025/26 and MTFP 2025-28 was published for political scrutiny in the November 2024 round of Cabinet Committees. This draft was produced before the government's Autumn Budget and Spending Review announcement (30th October 2024) and in the absence of an indicative local government finance settlement announcement. Consequently, the draft was still based on speculative assumptions with planning sufficiently flexible to respond to any subsequent changes from these assumptions. It was acknowledged that the lack of an indicative settlement was not a barrier to either the likely scenario (resources insufficient to cover spending demands) or prevent scrutiny of local spending and savings priorities. The reports for each committee were tailored to focus on the key policy considerations within the committee's remit with a separate suite of appendices setting out the council's overall draft plans.

The plans presented for scrutiny in November were not balanced. The main reasons identified were continuing budget pressures and under delivery of savings plans in adult social care, and the timing of the £19.8m required policy savings. This included £14.1m of policy savings from the original £19.8m still to be resolved (with potential option to use reserves to balance this for 2025/26 on the understanding savings would be agreed in 2026-27 to replenish and replace such use of reserves) and £8.7m shortfall in adult social care plans. Other than these, the plans for other services were broadly balanced against the targets set within a reasonable degree of tolerance.

The provisional Local Government Finance Settlement (pLGFS) was published on 18th December 2024. A policy statement had been published on 28th November 2024 that enabled modelling of some of the additional funding announcements. Additional funding for social care was provided through Social Care Grant, KCC's share was £20.1m. Due to the ongoing challenge in balancing the adult social care budget against the original target it was agreed all this additional funding would be passported into the adult social care budget. The pLGFS also included the announcement of a new Children's Social Care Prevention Grant that it was agreed would be fully passported into the children's budget. Additional funding was also announced to fund the increase in the employer's National Insurance charge, guaranteed income under the Extended Producer Responsibility (EPR) and continuation of the Household Support Fund. None of these helped towards balancing the 2025/26 budget as they came with additional spending obligations KCC did not receive any of the new Recovery Grant and there was an expected cessation of the Services Grant.

The provisional settlement, along with final decisions on policy savings (including £8m flexible use of capital receipts to manage the timing of savings over two years) meant the strategy culminated in a balanced set of final draft proposals (including final refresh) for consideration by Cabinet Committees, Scrutiny Committee and Cabinet in January 2025 ahead of the full County Council budget meeting in February 2025.

Consulting on the 2025/26 budget

Consultation on budget strategy was launched on 13th June 2024 and was open for 8 weeks until 7th August 2024. The consultation focussed on the financial challenge the council potentially faced, particularly in providing services for the most vulnerable residents. This financial challenge is compounded by market supply and sustainability issues for key providers of council services and increasing demands on council services due to complexity of need as well as increasing client numbers in some key services. The consultation identified that this combination meant that forecasting future spending and income is much harder than in previous years, yet we need to ensure the financial sustainability of the Council so that we can continue to provide essential services to Kent residents and communities. The consultation sought views on council tax increases up to referendum level and for adult social care. The consultation also sought views on levels of comfortableness to spending reductions across individual service areas, and we asked for suggestions for how we might find further savings. Responses to the consultation were set out in a report considered by elected Members (Councillors) at Cabinet Committee/Scrutiny Committee/Cabinet meetings during November 2024 and January 2025 in advance of the budget debate and approval by County Council on 13th February 2025.

Designing the 2025/26 budget – major changes

A high-level presentation of the changes between the final approved revenue budget for 2024/25 and the final approved budget for 2025/26 is shown in the table below. This presentation shows the change in the council's net budget requirement and the change in net funding from central government and local taxation and in

particular the magnitude of spending growth and removal of previous saving compared to the available funding from government settlement and local taxation (which as explored later in this narrative changed considerably as the 2025/26 budget build evolved).

Change in net spending	£m	Change in net funding	£m
Additional spending & base adj.	207.2	Net increase in government grants	41.5
Removal of undelivered / temporary savings	38.0	Change in council tax base	11.4
New & Full Year Impact of Savings	-75.4	Increase in council tax charge	47.2
New & Full Year Impact of Income	-23.5	Change in retained business rates	3.4
New & Full Year Impact of existing Grants	-35.0		
Net changes in reserves	-9.5	Change in collection fund	-1.7
Total change in net spending	101.8	Total change in net funding	101.8

The budget for 2025/26 was approved by full Council on 13th February 2025. The net revenue budget for 2025/26 was £1,530.9m an increase of £101.4m on 2024/25 final budget of £1,429.5m. The 2025/26 budget presented to County Council for approval comprised of £200.1m of increased spending (core and externally funded) including base budget changes to reflect the full year effect of forecast variances in 2024/25 budget monitoring, provision for forecast pay, price and other demand and cost driver increases and changes in spending from specific grants. The budget presented included £96.1m of savings and income, £34.6m from the removal of either undelivered or temporary savings from prior years, £29.0m net increase in specific government grant income and net reduction of £8.2m from changes in reserve contributions and drawdown. The budget presented to County Council did not include the council's share of retained business rates and collection fund balances, and final announcement of some departmental specific grants and the associated spending e.g. public health, as these had not been announced in time for publication.

The council's share of business rates along with late changes to specific grants and a technical change relating to the Council's contribution to the DfE Safety Value agreement were reported to Cabinet on 4th March 2025 and were incorporated in the final budget along with the increased grant income and spending from subsequent specific grant announcements as reflected in the final table above. Cabinet agreed that the additional £6.1m of specific grant funding (a higher Public Health grant than previously assumed and Active Travel grant) is matched with additional spending and therefore has zero impact on the net budget. In line with established policy the £0.3m business rate collection fund surplus was transferred into local taxation equalisation reserve, along with a minor change to the retained business rates of £0.047m. These changes approved by Cabinet increased the final net revenue budget to £1,531.3m an increase of £101.8m on the final budget for 2024/25.

The capital programme presented planned rolling programmes over 10 years together with approved projects where funding has been secured over the planned duration for the projects. Projects under development where funding has not yet been secured are presented in a separate schedule that does not form part of the approved programme. The ten-year capital programme for 2025/26 to 2034-35 was £1,419m funded by a combination of government grants (£766m), borrowing (£366m) and other sources (£287m).

The revenue and capital budgets represented the culmination of a long evolution process as part of the agreed strategy through updating the original 2025/26 plan in the 2024-27 MTFP and limiting the number of refreshes to avoid a continually moving savings target. This updating process started in April 2024 with Corporate Management Team (CMT) and Cabinet and included public consultation in the summer and cabinet committee scrutiny of the initial draft proposals in November 2024, and then final draft proposals in January 2025. The estimates were prepared against the backdrop of spending growth continuing to exceed the available resources from central government and local taxation and the essential need to replace the use of one-offs necessary to balance the 2024/25 budget. Adult social care spending has come under significant pressure particularly on older persons residential and nursing care where the cost of packages for new clients has been continually rising above inflation (although there are also a combination of demand and cost pressures for other client groups and care settings but to a relatively lesser extent than older persons). There have also been significant cost and demand pressures in children's services including children in care, and special educational needs.

The MTFP showed an unbalanced position over the second and third years of the 2025-28, primarily within the Adult Social Care service, based on all specific and an appropriate share of general funding, spending, and savings/income assumptions. The MTFP reflected the final instalment of a two year repayment, into the general reserve, for the drawdown required to fund the 2022-23 overspend.

Finalising the 2025/26 budget

The final draft budget for County Council approval was published on 5th February 2025. The final local finance settlement was published on 3rd February 2025 and provided an updated from the provisional local government finance settlement published on 18th December 2024. The final settlement included an increase in the new Children's Social Care Prevention Grant and confirmed our share of compensation funding through the Employer National Insurance Contribution Grant. The final settlement was included in the draft budget for County Council and increased revenue funding to £1,530.9m, an increase of £101.4m from the final approved budget for 2024/25. The business rate tax base and collection fund balances were included in final budget approved by Cabinet on 4th March 2025. The final net revenue for 2025/26 was £1,531.3m (an increase of £101.8m or 7.1% on 2024/25).

The evolution of funding estimates for 2024/25 is shown below:

	Final 2024/25 in 2024-27 MTFP £m	Original 2025/26 in 2024-27 MTFP £m	Initial Draft Budget Nov 24 £m	Draft Budget January 2025 (inc. PLGFS) £m	County Council Budget February 2025 (inc. FLGFS) £m	Final Budget March 2025 £m	Final Change from 2024/25 £m
Council Tax	935.7	997.1	999.2	994.3	994.3	994.3	+58.6
Business Rates	65.7	67.7	68.5	67.2	67.2	69.1	+3.4
Collection Funds & Compensation	5.2	7.0	7.0	3.2	3.2	3.5	-1.7
General Grants	215.9	220.5	220.5	232.9	233.6	231.8	+15.9
Social Care Grants	205.7	200.5	200.5	232.0	232.6	232.6	+26.9
Services Grant	1.3	1.3	1.3	0.0	0.0	0.0	-1.3
Total	1,429.5	1,494.1	1,497.0	1,529.7	1,530.9	1,531.3	+101.8

Risks associated with the 2025/26 budget

The Section 25 Assurance report set out the Finance Director's assessment of the robustness of financial estimates in the proposed budget and MTFP and the adequacy of reserves. The report acknowledged the challenge in setting a balanced budget due to the ongoing and escalating cost pressures alongside insufficient funding in the local government finance settlement. The report highlighted that to safeguard the Council's financial resilience that for 2025/26 there must continue to be a relentless focus on financial management, cost avoidance, demand management, timely delivery of agreed savings and no additional spending requests that would add to costs over and above budgeted levels without following due governance processes.

The report concluded that provided all the measures set out in the budget plan were implemented (including delivery of savings and income, resisting future spending growth, minimising the level of capital borrowing and implementing council tax increases) then the Council would continue to demonstrate financial sustainability over the medium term (defined for this purpose as over next two years) although considerable uncertainty remained over the longer term.

The 2025/26 budget included an assessment of the main financial risks that have not been included in spending plans. The highest rated risks included:

- Ongoing rises in demand to support children and young people with Special Educational Needs and Disability (SEND). This demand is rising much faster than increases in High Needs funding within the

Dedicated Schools Grant. The Council has developed and implemented an SEN Action Plan and is included in phase 2 of the government's "Safety Valve" programme.

- Changes in circumstances affecting the delivery of planned savings and the inability to replace use of one-off measures.
- Market sustainability of adult and children's social care market.
- Under delivery of the recovery plan to bring the 2024/25 revenue budget into a balanced position by 31st March 2025, resulting in a need to draw down from reserves leading to a reduction in our future financial resilience.
- Inflation increases over and above estimated price levels included within capital and revenue budgets.
- A reduction in government grants from the government's reforms to funding allocations.
- Non-inflationary cost increases continue on an upward trend beyond the forecast amounts included in the budget.

Looking Forward – 2026/27 Budget Onwards

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

Consultation on the 2026/27 budget was carried out between 5th August and 29th September 2025. The consultation included some key facts about Kent, KCC's strategic priorities and the financial challenges facing the council in setting a sustainable budget in 2026/27. The consultation set out the uncertainties around future funding and in all likelihood any increase in funding would not keep pace with our estimated spending increases. To address this challenge, the consultation set out a number of options to close the estimated budget gap.

The 2026/27 and 2027/28 illustrative budget plans (presented to County Council in February 2025) were based on an assumed flat cash settlement for those grants which are not subject to an annual inflationary uplift (RSG and business rate top-up/compensation) with an assumed reduction in the Market Sustainability and Improvement Fund for the workforce element which was anticipated was time limited) and final end of New Homes Bonus Grant. The future plans also assumed same 3%+2% council tax referendum principles as 2025/26.

A draft revenue budget and MTFP was published at the beginning of January 2026 for the January Cabinet Committees. This was later than in previous years but allowed the new administration time to formulate their budget proposals and allowed officers to reflect the fundamental changes to grant funding arising from Fair Funding 2.0. Each committee received a standard report which included details of policy considerations that were specific to that committee. The administration's draft budget for 2026-27 was balanced in the first year, but in a change to the traditional presentation, the following two financial years assumed no council tax charge increase and consequently showed sizeable unresolved budget gaps in both years.

The final draft budget was published on 4th February for full council approval on 12th February 2026. The final draft showed a net revenue budget of £1,648.1m, £116.8m increase on the final approved 2025/26 budget. However, this was based on the provisional local government finance settlement and did not include the final share of retained business rate or business rate collection balance. As in previous years, these late changes were reported and approved by Cabinet in March 2026 resulting in a final approved net revenue budget for 2026-27 of £1,654.5m. The 10 year capital was unchanged from the Council approval of £1,967m.

The final local government finance settlement was announced on 9th February 2026 and included an increase in the Revenue Support Grant from a correction in legacy funding for business rate pooling in two tier areas, and a minor increase to the Homelessness, Rough Sleeping and Domestic Abuse consolidated grant. On the same day, the Department for Education announced that the Safety Valve Programme would close on 1 April 2026 and, as part of the Governments wider Special Education Needs and Disability (SEND) funding reforms, will be replaced with a new High Needs Stability Grant. This new grant will cover 90% of the accumulated deficit on the

DSG High Needs block as at 31st March 2026, subject to approval of a local SEND reform plan. Local authorities are expected to plan to fund the remaining 10% (approximately £29m). The High Needs Stability Grant provides short-term financial support, however there is a risk that reliance on one-off funding may not address underlying structural pressures within the High Needs budget.

The Section 25 Assurance Statement for 2026/27 noted the additional risks within the proposed budget and medium-term financial plan, particularly around delivery of adult social care budget which was now deemed to be on a par with risks on Special Education Needs as the highest risks to the Council financial sustainability. The statement also highlighted the longer-term financial risk from the decision to raise the council tax charge below the permitted level due the permanent impact on tax revenues foregone. Aside from the increased risks the assurance drew similar conclusions to 2025/26 along with recommendation that general reserves should be maintained within a minimum to acceptable range of 5% to 10% of net revenue budget.

The local government finance settlement for 2026/27 includes government grant indicative allocations for 2027/28 and 2028/29. This multi-year settlement provides us with indicative allocations reflecting the phased transition to the new funding allocations, which are based on updated relative needs assessment alongside consolidation of previous separate grants.

The plans for 2027/28 and 2028/29 will be updated during the course of 2026 with the aim of publishing a draft 2027/28 budget and MTFP in November 2026, and final draft in January 2027 for Cabinet endorsement and County Council approval in February 2027.

Earmarked Reserves

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

Revenue earmarked reserves are £210.2m and [Note 25](#) provides an explanation of the purpose of each significant reserve along with the balance held at 31 March 2026. The general reserve position as at 31 March 2026 is £65.9m which is a net decrease of £12.6m.

As at 31 March 2026 the Council has usable capital reserves of £218.9m as shown on [Note 23](#).

Certain reserves are held to manage the accounting processes for such items as capital assets, collection fund and retirement benefits and these are unusable reserves of the Council. The Council also has a number of provisions set aside to meet known liabilities. The main provisions are for insurance claims and redundancies. Provisions held at 31 March 2026 totalled £52.3m as per [Note 26](#).

Pension Fund

Local Authorities are required to comply with the disclosure requirements of IAS 19 - Employee Benefits. Under IAS 19, the Council is required to reflect in the primary statements of the Accounts, the assets and liabilities of the Pension Fund attributable to the Council and the cost of pensions. IAS 19 is based upon the principle that the Council should account for retirement benefits when it is committed to give them even though the cash payments may be many years into the future. This commitment is accounted for in the year that an employee earns the right to receive a pension in the future. These disclosures are reflected in the Comprehensive Income and Expenditure Account, the Balance Sheet and the Movement in Reserves Statement.

IAS 19

The 2025/26 IAS 19 report shows that the Kent County Council Pension Fund now has a deficit of £38.7m. This is an increase in the deficit of £9.4m from 2024/25.

Current Borrowing & Capital Resources

All of the borrowing disclosed in the balance sheet relates to the financing of capital expenditure incurred in 2025/26, earlier years and for future years. The balance currently stands at £618m (short and long term) as shown on the [Balance Sheet](#). Future capital expenditure will be financed from revenue contributions, sale of surplus fixed assets, capital grants and contributions, borrowing, and relevant funds within earmarked reserves.

DRAFT

The Council's stewardship, responsibilities and financial management policies

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

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

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

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

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

Telephone (03000) 42 14 47 or email joe.mckay@kent.gov.uk

Statement of responsibilities for the Statement of Accounts

The Council's responsibilities

The Council is required:

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

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

Michael Brown, Chairman of the Governance and Audit Committee

The Corporate Director Finance's responsibilities

The Corporate Director Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom (the Code), and is required to give a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2026.

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

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

The Corporate Director of Finance has also:

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

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

Certificate of the Corporate Director Finance

Brendan Arnold, Corporate Director Finance

Comprehensive income and expenditure statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Year Ended 31 March 2026

Service	Notes	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Adult Social Care including Public Health	ASCH	1,069,860	-327,534	742,326
Children, Young People & Education	CYPE	1,834,607	-1,416,548	418,059
Growth, Environment & Transport	GET	371,645	-108,849	262,797
Chief Executive's Department	CED	116,353	-47,715	68,637
Deputy Chief Executive's Department	DCED	81,622	-6,403	75,220
Non Attributable Costs including Corporately Held Budgets	NAC	20,651	-10,784	9,867
Cost of Services		3,494,738	-1,917,832	1,576,906
Other operating expenditure	13			15,045
Net surplus on trading accounts	34			-3,716
Financing and investment income and expenditure	14			10,336
Taxation and non-specific grant income	15			-1,678,539
Surplus or deficit on provision of services				-79,968
Surplus or deficit on revaluation of non-current assets				-23,925
Remeasurement of the net defined benefit liability				57,881
Surplus or deficit from investment in equity instruments designated at fair value through other comprehensive income				-828
Other comprehensive income and expenditure				33,128
Total comprehensive income and expenditure				-46,840

Year Ended 31 March 2025

Service	Notes	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Adult Social Care including Public Health	ASCH	931,433	-309,129	622,304
Children, Young People & Education	CYPE	1,767,563	-1,308,955	458,608
Growth, Environment & Transport	GET	342,486	-72,490	269,996
Chief Executive's Department	CED	48,830	-21,403	27,427
Deputy Chief Executive's Department	DCED	128,265	-12,218	116,047
Non Attributable Costs including Corporately Held Budgets	NAC	17,297	-12,096	5,201
Cost of Services		3,235,874	-1,736,291	1,499,583
Other operating expenditure	13			60,669
Net surplus on trading accounts	34			-5,835
Financing and investment income and expenditure	14			11,105
Taxation and non-specific grant income	15			-1,598,429
Surplus or deficit on provision of services				-32,907
Surplus or deficit on revaluation of non-current assets				-92,159
Remeasurement of the net defined benefit liability				29,336
Surplus or deficit from investment in equity instruments designated at fair value through other comprehensive income				-866
Other comprehensive income and expenditure				-63,689
Total comprehensive income and expenditure				-96,596

Movement in reserves statement

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

	General fund £000s	Earmarked reserves £000s	Total £000s	Capital receipts reserve £000s	Capital grants unapplied £000s	Total usable reserves £000s	Unusable reserves £000s	Total reserves £000s
2025/26								
Balance at 31 March 2025	-78,562	-314,104	-392,666	-40,313	-175,001	-607,980	-2,470,723	-3,078,703
Movement in reserves in 2025/26:								
Total Comprehensive income and expenditure	-79,968		-79,968			-79,968	33,128	-46,840
Adjustments between accounting basis and funding basis	139,425		139,425	-13,245	10,378	136,558	-136,558	0
Net increase or decrease before transfers to earmarked reserves	59,457	0	59,457	-13,245	10,378	56,590	-103,430	-46,840
Transfers to or from earmarked reserves (total of *s in Note 23)	-46,866	46,866	0			0		0
Increase or decrease (movement) in year	12,591	46,866	59,457	-13,245	10,378	56,590	-103,430	-46,840
Balance at 31 March 2026	-65,971	-267,238	-333,209	-53,557	-164,623	-551,390	-2,574,153	-3,125,543

	General fund £000s	Earmarked reserves £000s	Total £000s	Capital receipts reserve £000s	Capital grants unapplied £000s	Total usable reserves £000s	Unusable reserves £000s	Total reserves £000s
2024/25								
Balance at 31 March 2024 carried forward	-43,030	-373,220	-416,250	-44,234	-163,652	-624,136	-2,375,111	-2,999,247
Adjustments on transition to new accounting arrangements for leases	4,249	-511	3,738			3,738	13,401	17,139
Transitional adjustments between accounting basis and funding basis	-4,249		-4,249			-4,249	4,249	0
Adjusted balance at 1 April 2024	-43,030	-373,731	-416,761	-44,234	-163,652	-624,647	-2,357,461	-2,982,108
Movement in reserves in 2024/25:								
Total Comprehensive income and expenditure	-32,908		-32,908			-32,908	-63,688	-96,596
Adjustments between accounting basis and funding basis	57,002		57,002	3,921	-11,349	49,574	-49,574	0
Net increase or decrease before transfers to earmarked reserves	24,094	0	24,094	3,921	-11,349	16,666	-113,262	-96,596
Transfers to or from earmarked reserves	-59,627	59,627	0			0		0
Increase or decrease (movement) in year	-35,533	59,627	24,094	3,921	-11,349	16,666	-113,262	-96,596
Balance at 31 March 2025	-78,563	-314,104	-392,667	-40,313	-175,001	-607,981	-2,470,723	-3,078,704

Balance Sheet

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

	Notes	31 March 2026 £000s	31 March 2025 £000s
Property, plant & equipment	17	3,863,610	3,791,446
Heritage assets	21	7,694	8,725
Investment property	18	39,587	43,317
Intangible assets		336	313
Right of use assets	22	35,323	36,667
Long-term investments	39	307,761	316,469
Long-term debtors	27	64,643	70,237
Total long-term assets		4,318,953	4,267,174
Inventories		461	2,102
Assets held for sale		4,238	692
Short-term debtors	27	472,287	374,606
Short-term investments	39	3,313	42,690
Cash and cash equivalents	29	34,090	142,979
Total current assets		514,390	563,069
Temporary borrowing	39	-72,548	-90,510
Short-term lease liability	22/39	-22,561	-20,587
Short-term provisions	26	-41,456	-23,888
Short-term creditors	28	-451,323	-446,931
Cash and cash equivalents (overdraft)	29	-64,730	-40,297
Total current liabilities		-652,618	-622,213
Long-term creditors	28	-431	-533
Long-term provisions	26	-10,862	-8,453
Long-term borrowing	39	-545,114	-650,338
Long-term lease liabilities	22/39	-41,069	-43,004
Other long-term liabilities	38/39	-239,905	-243,252
Capital grants receipts in advance	16	-217,801	-183,746
Total long-term liabilities		-1,055,182	-1,129,326
Net assets/liabilities		3,125,543	3,078,704
Usable reserves	23	-551,390	-607,980
Unusable reserves	24	-2,574,153	-2,470,723
Total reserves		-3,125,543	-3,078,703

Cash flow statement

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

	Notes	31 March 2026 £000s	31 March 2025 £000s
Net surplus or deficit on the provision of services		-79,968	-32,908
Adjustments to net surplus or deficit on the provision of services for non-cash movements	30	-123,561	-227,857
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	30	215,360	218,663
Net cash flows from operating activities		11,831	-42,102
Investing activities	31	-11,709	21,469
Financing activities	32	133,200	49,496
Net increase or decrease in cash and cash equivalents		133,322	28,863
Cash and cash equivalents at the beginning of the reporting period		102,682	131,545
Cash and cash equivalents at the end of the reporting period	29	-30,640	102,682

Expenditure Funding Analysis

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

Year Ended 31 March 2026

	As reported to management £000s	Adjustments to arrive at the net amount chargeable to the general fund balance £000s	Net expenditure chargeable to the general fund £000s	Adjustments between the funding basis and accounting basis £000s	Net expenditure in the CIES* £000s
Adult Social Care including Public Health	744,465	1,886	746,351	-4,025	742,326
Children, Young People & Education	375,187	1,016	376,203	41,856	418,059
Growth, Environment & Transport	202,271	-1,047	201,224	61,573	262,797
Chief Executive's Department	56,114	1,639	57,753	10,885	68,637
Deputy Chief Executive's Department	54,522	7,914	62,435	12,784	75,220
Non Attributable Costs including Corporately Held Budgets	123,130	-64,017	59,113	-49,246	9,867
Schools' Delegated Budgets	32,981	-32,981	0	0	0
Net cost of services	1,588,670	-85,591	1,503,079	73,827	1,576,906
Other income and expenditure	-1,556,819	113,197	-1,443,622	-213,252	-1,656,874
Surplus or deficit	31,850	27,607	59,457	-139,425	-79,968
Opening general fund balance			-392,666		
Surplus or deficit on general fund in year			59,457		
Transfers between usable and unusable reserves			0		
Closing general fund balance			-333,209		

*CIES - Comprehensive income and expenditure statement

[Note 9](#) provides an explanation of the main adjustments to the Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

Year Ended 31 March 2025

	As reported to management £000s	Adjustments to arrive at the net amount chargeable to the general fund balance £000s	Net expenditure chargeable to the general fund £000s	Adjustments between the funding basis and accounting basis £000s	Net expenditure in the CIES* £000s
Adult Social Care including Public Health	615,797	2,375	618,172	4,131	622,303
Children, Young People & Education	397,375	3,680	401,055	57,552	458,608
Growth, Environment & Transport	208,585	2,934	211,520	58,476	269,996
Chief Executive's Department	28,427	373	28,800	-1,372	27,427
Deputy Chief Executive's Department	79,459	19,550	99,009	17,038	116,047
Non Attributable Costs including Corporately Held Budgets	129,578	-113,604	15,974	-10,773	5,201
Schools' Delegated Budgets	30,315	-30,315	0	0	0
Net cost of services	1,489,536	-115,007	1,374,530	125,052	1,499,582
Other income and expenditure	-1,459,819	109,384	-1,350,435	-182,055	-1,532,490
Surplus or deficit	29,717	-5,623	24,095	-57,003	-32,908
Opening general fund balance			-416,761		
Surplus or deficit on general fund in year			24,094		
Transfers between usable and unusable reserves			0		
Closing general fund balance			-392,666		

*CIES - Comprehensive income and expenditure statement

Note 1 | Basis for preparation

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

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

Details of the order of the notes can be found in the [Contents](#) page of the financial statements.

Note 2 | General accounting policies (where there is no accompanying note)

General

The Council is required to prepare a Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. The Accounts of Kent County Council have been compiled in accordance with the Code of Practice on Local Authority Accounting in the UK 2025/26 supported by International Financial Reporting Standards. These accounts are prepared in accordance with the historical cost convention, modified for the valuation of certain categories of non-current assets and financial instruments.

The accounts are prepared on a going concern basis. In making this assessment, the Council has considered the potential implications of Local Government Reorganisation (LGR) and the statutory override relating to the Dedicated Schools Grant (DSG) deficit. While both matters give rise to financial and operational uncertainties over the medium term, neither is considered to affect the Council's ability to provide services and meet its liabilities.

Accruals of income and expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. The majority of expenditure is created using the accounting system and accruals are generated automatically. Outside of this, a de minimus of £5,000 for revenue and £10,000 for capital is used for income and expenditure items. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

Accounting for schools

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

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

Intangible assets

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

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

Fair value measurement of non-financial assets

The Council's accounting policy for fair value measurement of financial assets is set out in [Note 39](#). The Council also measures some of its non-financial assets such as investment properties and assets held for sale and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Surplus assets are also valued at fair value in accordance with the valuation policy of surplus assets. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

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

The Council measures the fair value of an asset using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

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

Joint operations

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

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

East Kent Opportunities LLP (EKO) is a 'Jointly Controlled Operation' and in 2025/26 the transactions and balances of EKO relating to KCC have been incorporated into the financial statements and notes of the Council's Statement of Accounts.

Accounting for Value Added Tax (VAT)

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

Inventories

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

Interests in companies and other entities

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

Insurance fund

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

Based on current estimates of the amount and timing of fund liabilities, the insurance provision at 31 March 2026 is established at a level sufficient to meet all known insurance claims where the likely cost can be estimated and there is reasonable certainty of payment. It is therefore in accordance with the requirements of IAS 37.

Note 3 | Accounting standards that have been issued but not yet adopted

There are relatively few changes to accounting standards or legislation that will have a significant impact on the 2026-27 Statement of Accounts, compared with the introduction of IFRS 16 Leases in 2024/25 and Indexation in 2025/26.

IFRS 9 and IFRS 7 changes may impact on the classification and measurement of financial instruments and these will be implemented in 2026-27 as required.

Note 4 | Critical judgements in applying accounting policies

In applying the accounting policies set out, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Property, plant and equipment

The Council has a policy to revalue its land and buildings at least every five years, supported by indexation in the intervening years, in line with our revaluation policy for PPE. All valuations are carried out by appointed external valuers in accordance with the professional standards of the Royal Institution of Chartered Surveyors.

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

PFI schemes

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

Grant classification

The Council receives a significant number of grants and contributions from government departments and other bodies. Judgement is required in determining whether conditions attached to grants represent restrictions on use or specific performance conditions that must be satisfied before income can be recognised. This assessment determines the timing of recognition of grant income within the financial statements.

Kent County Council's interest in companies

The Council wholly owns Global Commercial Services Group Ltd and this company, and its subsidiaries, are consolidated into our Group Accounts. Consolidation of Global Commercial Services Group Ltd's financial results into the Council's Group Accounts is considered appropriate to provide a full picture of the Council's economic activities and financial position.

The Council has an interest in companies outside of those that are our wholly owned subsidiaries. KCC have conducted tests of control on these companies and in considering the outcome of these tests we have concluded that we have no overall control or significant influence over these companies, and our level of control is less than or equal to 50%. The economic activity of these companies is not deemed material and therefore not consolidated into the group accounts. Payments made to any entity we have an interest in are shown in [Note 37](#). We annually review all companies we have an interest in and test the level of control.

Note 5 | Assumptions made about the future and other major sources of estimation uncertainty

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment: Useful lives	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation would increase and the carrying amount of the assets could fall. It is estimated that the annual depreciation charge would increase by £2.8m for every year that asset lives had to be reduced. The useful lives applied to our assets for depreciation calculations are provided by RICS qualified external valuers and we therefore consider this to be the most accurate estimate we can obtain. However, if assumptions do not materialise then there could be a material difference to depreciation and carrying amounts of assets.
Property, plant and equipment: Valuation assumptions	Asset valuations are based on key assumptions. Assets valued on a Depreciated Replacement Cost basis, totalling £2,300.9m in the balance sheet, are significantly influenced by obsolescence rates, BCIS rates and allowances for fees & externals. These require professional judgement and therefore are not certain. Assets valued on an Existing Use Value basis, totalling £217.1m on the balance sheet, are significantly influenced by assumptions around rents and yields.	The assumptions on which valuations are based are provided by RICS qualified external valuers and challenged rigorously and therefore considered reliable. However, if assumptions within the methodology do not materialise then there could be a material impact on the valuation of land & buildings. It should be noted though that any differences in asset valuations would not have an impact on the General Fund balance.

Item	Uncertainties	Effect if actual results differ from assumptions
	Surplus assets valued on a Fair Value basis, totalling £87.9m are significantly influenced by assumptions around land values, rents and yields.	
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For example, a decrease of 0.1% in the discount rate would result in an increase in the pension liability of £43.4m. A 1-year increase to life expectancy assumptions would result in an increase in the pension liability of £120.1m. A reduction in the value of the assets would increase the pension liability on the Balance Sheet. The net pension liability carrying value for 2025/26 is £38.7m. More information on the carrying amount of the assets & liabilities impacted by estimation uncertainty can be found in Note 38.
Pensions asset ceiling	The Council's share of Fund assets exceeded its defined benefit obligations by £726.7m at 31 March 2026, on an IAS 19 basis. Under IFRIC 14 the amount recognised is restricted to the present value of the economic benefit available through reductions in future contributions, measured as the present value of future service cost less the present value of the minimum funding contributions the Council is expected to make. Those contributions are projected from the rates certified by the Fund actuary (Barnett Waddingham) and assumed to continue for the period of the Council's expected participation in the Fund. On the basis no economic benefit is assessed as available, an asset ceiling adjustment of £735.4m has been made (including an onerous commitment of £8.7m). In addition, there is an unfunded liability of £30.0m. The final deficit recognised is £38.7m.	The calculation of the pensions asset ceiling can change materially between years because it is affected by the level and duration of future contribution rates, relative to future service cost. Changes in these, particularly following a future funding valuation or change in contribution arrangements, such as the 2026-29 contribution certificate, could therefore result in a material movement in the asset ceiling even if the Pension Fund remains strongly funded. It is not practicable to quantify the effect of a change in future contribution rates on the asset ceiling, as this depends on further inputs from the actuary which were not available at the date the accounts were authorised for issue. It is reasonably possible that outcomes within the next financial year will require a material adjustment to the net defined benefit position. A reconciliation of the effect of the asset ceiling is disclosed in Note 38.

Item	Uncertainties	Effect if actual results differ from assumptions
Fair value measurements	Surplus and Investment Properties cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), so their fair value is measured using income or market approach valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible unobservable inputs, which require judgement, are used to establish fair values. The significant unobservable inputs used in the fair value measurement include assumptions regarding passing rents and yields, estimated sale values, revenue streams and discount rates. Information about valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in Note 17, Note 18 and Note 39.	Sizable changes in any of the unobservable inputs would result in a significant lower or higher fair value measurement for those assets held at fair value.

Note 6 | Officer remuneration

Accounting policy

Employee benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and nonmonetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Service lines within the Comprehensive Income and Expenditure Statement but is then reversed out through the Movement in Reserves Statement, so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, in exchange for those benefits and are charged on an accruals basis to Service lines in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the cost for restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and

credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

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

Teachers and former NHS Staff

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

Other employees

The liabilities of the Kent Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

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

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

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

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
- net interest on the net defined benefit liability (asset), i.e. the net interest expense for the Council - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (assets) during the period as a result of contribution and benefit payments.

Remeasurement comprising:

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

updated their assumptions – charged to the Pensions Reserve, as Other Comprehensive Income and Expenditure,

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

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

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Summary of employees receiving remuneration of £50,000 or more during the period 1 April 2025 to 31 March 2026

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

This note shows the number of employees whose total remuneration in the financial year 2025/26 was £50,000 or more.

Remuneration includes:

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

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

	Total number of employees (non- schools) at 31 March 2026	Total number of employees (schools) at 31 March 2026	Total number of employees (non- schools) at 31 March 2025	Total number of employees (schools) at 31 March 2025
50,000 - 54,999	454	609	404	398
55,000 - 59,999	223	397	238	256
60,000 - 64,999	229	211	154	151
65,000 - 69,999	111	161	84	108
70,000 - 74,999	66	130	64	60
75,000 - 79,999	63	75	48	42
80,000 - 84,999	23	58	37	34
85,000 - 89,999	25	58	30	18
90,000 - 94,999	16	18	18	12
95,000 - 99,999	7	12	9	7
100,000 - 104,999	11	5	12	6
105,000 - 109,999	9	10	12	5
110,000 - 114,999	7	11	5	5
115,000 - 119,999	6	9	6	2
120,000 - 124,999	5	2	2	5
125,000 - 129,999	4	7	9	3
130,000 - 134,999	3	0	0	0
135,000 - 139,999	0	2	2	4
140,000 - 144,999	2	2	6	1
145,000 - 149,999	4	1	0	0
150,000 - 154,999	0	1	1	0
155,000 - 159,999	0	2	1	1
160,000 - 164,999	1	0	1	1
165,000 - 169,999	3	0	1	0
170,000 - 174,999	1	0	1	1
175,000 - 179,999	0	0	1	0
190,000 - 194,999	1	0	1	0
220,000 - 224,999	0	0	1	0
235,000 - 239,999	1	0	0	0
Total	1,275	1,781	1,148	1,120

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

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The remuneration paid to the authority's senior employees for 2025/26 is as follows:

Post Holder	Notes	Salary	Bonus	Allowance	Compensation for loss of office (e.g. redundancy payment)	Other	Total remuneration excluding pension contribution	Employer pension contribution	Total remuneration including pension contribution
Chief Executive (Amanda Beer)		237,213					237,213	48,629	285,842
Deputy Chief Executive (Ben Watts)	5, 6	87,603		2,238			89,840	459	90,299
Corporate Director Adult Social Care & Health (Richard Smith)	1	152,352			12,500		164,852	20,822	185,674
Interim Corporate Director Adult Social Care & Health (Sarah Hammond)	9	98,838					98,838	20,764	119,602
Corporate Director Children, Young People & Education (Sarah Hammond)	9	93,543					93,543	18,674	112,217
Interim Corporate Director Children, Young People & Education (Christine McInnes)	10	83,591					83,591	17,136	100,727
Corporate Director Growth, Environment & Transport (Simon Jones)		168,222					168,222	34,485	202,707
Interim Corporate Director Finance (John Betts)	2	121,381		10,500			131,882	27,036	158,917

Post Holder	Notes	Salary	Bonus	Allowance	Compensation for loss of office (e.g. redundancy payment)	Other	Total remuneration excluding pension contribution	Employer pension contribution	Total remuneration including pension contribution
Interim Section 151 Officer (Dave Shipton)	3	35,134					35,134	0	35,134
Corporate Director Finance (Brendan Arnold)	4	3,916		681			4,597	942	5,539
Director of Public Health (Dr Anjan Ghosh)		129,530		16,158			145,688	29,866	175,554
General Counsel (Ben Watts)	5, 6	64,765		9,738			74,503	459	74,961
Monitoring Officer (Petra Der Man)	7	26,152		2,558			28,710	5,885	34,595
Director of Infrastructure		132,030					132,030	27,066	159,096
Director of Strategy, Policy, Relationships & Corporate Assurance		129,530					129,530	26,554	156,084
Director of Technology		129,530		12,568			142,098	29,130	171,228
Head of Commercial & Procurement		109,309		6,500			115,809	23,741	139,550
Director of Human Resources & Organisational Development	8	97,148			69,556		166,703	19,915	186,619

Notes

- Mr Smith left the post of Corporate Director Adult Social Care & Health on 30 September 2025. The annualised salary for this post was £203,137
- Mr Betts left the post of Interim Corporate Director Finance on 31 December 2025. The annualised salary for this post was £161,842

- 3 Mr Shipton was the Interim Section 151 Officer from 01 January 2026 to 22 March 2026
- 4 Mr Arnold was appointed Corporate Director Finance from 23 March 2026. The annualised salary for this post was £161,842
- 5 Mr Watts left the post of General Counsel on 30 September 2025 and was appointed as Deputy Chief Executive from 01 October 2025
- 6 Remuneration for duties as Returning Officer have been included in the allowances for Mr Watts
- 7 Miss Der Man was appointed as the Monitoring Officer from 05 January 2026, the annualised salary for this post was £109,309
- 8 Mr Royel left the post of Director of Human Resources & Organisational Development on 31 December 2025. The annualised salary for this post was £129,530
- 9 Mrs Hammond left the post of Corporate Director Children, Young People & Education and was appointed Interim Corporate Director Adult Social Care & Health from 06 October
- 10 Mrs McInnes was appointed Interim Corporate Director Children, Young people & Education from 06 October 2025, the annualised salary for this post was £168,222

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

Post Holder	Notes	Salary	Bonus	Allowance	Compensation for loss of office (e.g. redundancy payment)	Other	Total remuneration excluding pension contribution	Employer pension contribution	Total remuneration including pension contribution
Chief Executive (Amanda Beer)		223,979					223,979	45,916	269,895
Corporate Director Adult Social Care & Health (Richard Smith)		192,151					192,151	39,391	231,542
Corporate Director Children, Young People & Education (Sarah Hammond)		171,883					171,883	35,236	207,119
Corporate Director Growth, Environment & Transport (Simon Jones)		161,731					161,731	33,155	194,886
Corporate Director Finance (Zena Cooke)	1	65,502		1,333	116,529	13,873	197,237	5,492	202,729
Interim Corporate Director Finance (John Betts)	2	168,190		7,000			175,190	25,574	200,764
Director of Public Health		127,186		16,158			143,344	29,385	172,729
General Counsel (Ben Watts)	3	128,548		16,142			144,690	917	145,607
Director of Infrastructure		128,548					128,548	26,352	154,900

Post Holder	Notes	Salary	Bonus	Allowance	Compensation for loss of office (e.g. redundancy payment)	Other	Total remuneration excluding pension contribution	Employer pension contribution	Total remuneration including pension contribution
Director of Strategy, Policy, Relationships & Corporate Assurance		128,548					128,548	26,352	154,900
Director of Technology		126,648		12,568			139,216	28,539	167,755
Head of Commercial & Procurement		108,690		6,500			115,190	23,614	138,804
Director of Human Resources & Organisational Development (Paul Royel)		128,150					128,150	26,271	154,421

Notes

- 1 – Mrs Cooke left the post of Corporate Director Finance on 31 May 2024. The annualised salary for this post was £152,743.
- 2 – Mr Betts was paid via Connect2Kent from April to June and then through KCC payroll from July to March. The annualised salary for this post was £157,000.
- 3 – Remuneration duties as Returning Officer have been included in the allowances for Mr Watts

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. Of the total redundancies made, 45% of those are compulsory redundancies. This percentage has been applied equally cross each of these bands. The total cost in 2025/26 of £1.1m includes schools and commitments in 2026/27.

Exit package cost band (including special payments)	Number of compulsory redundancies 2024/25	Number of compulsory redundancies 2025/26	Number of other departures agreed 2024/25	Number of other departures agreed 2025/26	Total number of exit packages by cost band 2024/25	Total number of exit packages by cost band 2025/26	Total cost of exit packages in each band 2024/25 £s	Total cost of exit packages in each band 2025/26 £s
100,001 - 150,000	0	0	1	0	1	0	116,529	0
80,001 - 100,000	0	0	0	1	0	1	0	85,000
60,001 - 80,000	0	0	0	0	0	0	0	0
40,001 - 60,000	0	1	0	2	0	3	0	171,921
20,001 - 40,000	10	4	6	4	16	8	442,678	238,464
0 - 20,000	91	67	60	82	151	149	823,004	616,730
Total	101	72	67	89	168	161	1,382,211	1,112,115

Note 7 | Members allowances

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

	2025/26 £000s	2024/25 £000s (Restated)
Allowances	1,993	2,149
Expenses	44	55
Total	2,037	2,204

In 2025/26 the cost of the County Cars which includes repairs, maintenance, fuel and employment costs was £1.2k (£6.1k in 2024/25).

Note 8 | Material items of income and expense

Accounting policy

Exceptional items

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

Material Items of Income and Expense

The net loss on disposal of non-current assets of £12.3m (£58.2m in 24-25) includes a loss of £6.8m (£61.3m in 24-25) which relates to schools transferring to academy status, at nil value, as instructed by the Secretary of State for Education.

Note 9 | Note to the Expenditure Funding Analysis

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

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

	Drawdown to/from Reserves (Note 1) £000s	Investment Income reported at Directorate Level (Note 1) £000s	Chief Executive's Department Recharges (Note 1) £000s	Realignment for Accounting Purposes (Note 1) £000s	Adjustments for Trading Activities (Note 1) £000s
2025/26					
Adult Social Care & Health	1,886	0	0	0	0
Children, Young People & Education	539	469	9	0	0
Growth, Environment & Transport	-1,164	547	190	-675	55
Chief Executive's Department	-1,831	3,462	-199	675	-469
Deputy Chief Executive's Department	7,914	0	0	0	0
Non Attributable Costs including Corporately Held Budgets	26,961	12,948	0	-103,926	0
Schools' Delegated Budgets	-32,981	0	0	0	0
Net Cost of Services	1,324	17,426	0	-103,926	-414
Other income and expenditure from the Expenditure & Funding Analysis	23,297	-17,426	0	103,926	3,401
Total	24,620	0	0	0	2,986
	Total to arrive at amount charged to the General Fund £000s	Adjustments for capital purposes (Note 2) £000s	Net change for the Pensions Adjustments (Note 3) £000s	Other Differences (Note 4) £000s	Total Adjustment between Funding and Accounting Basis £000s
2025/26					
Adult Social Care & Health	1,886	3,510	-7,904	369	-4,025
Children, Young People & Education	1,016	21,046	-27,389	48,199	41,856
Growth, Environment & Transport	-1,047	66,159	-4,897	311	61,573
Chief Executive's Department	1,639	13,278	-2,317	-77	10,885
Deputy Chief Executive's Department	7,914	14,429	-1,645	0	12,784
Non Attributable Costs including Corporately Held Budgets	-64,017	6,586	-2	-55,830	-49,246
Schools' Delegated Budgets	-32,981	0	0	0	0
Net Cost of Services	-85,591	125,008	-44,154	-7,028	73,827
Other income and expenditure from the Expenditure & Funding Analysis	113,197	-202,190	-4,360	-6,703	-213,252
Total	27,607	-77,181	-48,514	-13,730	-139,425

2024/25 £000s	Drawdown to/from Reserves (Note 1) £000s	Investment Income reported at Directorate Level (Note 1) £000s	Chief Executive's Department Recharges (Note 1) £000s	Realignment for Accounting Purposes (Note 1) £000s	Adjustments for Trading Activities (Note 1) £000s
Adult Social Care & Health	2,370	0	5	0	0
Children, Young People & Education	2,883	551	64	181	0
Growth, Environment & Transport	1,849	358	679	0	48
Chief Executive's Department	1,121	0	-748	0	0
Deputy Chief Executive's Department	16,617	3,299	0	0	-366
Non Attributable Costs including Corporately Held Budgets	-21,480	19,369	0	-111,492	0
Schools' Delegated Budgets	-30,315	0	0	0	0
Net Cost of Services	-26,954	23,577	0	-111,311	-318
Other income and expenditure from the Expenditure & Funding Analysis	22,976	-23,577	0	111,311	-1,327
Total	-3,978	0	0	0	-1,645
2024/25	Total to arrive at amount charged to the General Fund £000s	Adjustments for capital purposes (Note 2) £000s	Net change for the Pensions Adjustments (Note 3) £000s	Other Differences (Note 4) £000s	Total Adjustment between Funding and Accounting Basis £000s
Adult Social Care & Health	2,375	8,460	-4,140	-189	4,131
Children, Young People & Education	3,680	27,967	-15,342	44,927	57,552
Growth, Environment & Transport	2,934	60,766	-2,796	507	58,476
Chief Executive's Department	373	5	-1,417	40	-1,372
Deputy Chief Executive's Department	19,550	17,926	-833	-55	17,038
Non Attributable Costs including Corporately Held Budgets	-113,604	5,554	-1	-16,326	-10,773
Schools' Delegated Budgets	-30,315	0	0	0	0
Net Cost of Services	-115,006	120,677	-24,528	28,903	125,053
Other income and expenditure from the Expenditure & Funding Analysis	109,384	-172,123	-10,343	412	-182,054
Total	-5,622	-51,446	-34,871	29,315	-57,002

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

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

Investment Income and realignment of Non Attributable Costs (financing items) for Accounting Purposes

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

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

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

2. Adjustments for Capital Purposes

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

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

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

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

3. Net Change for the Pensions Adjustments

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

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

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

4. Other Differences

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

For services this represents the following:

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

- iii) The Schools Budget deficit charged to the Comprehensive Income and Expenditure Statement.

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

Note 10 | Segmental income

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

	2025/26 £000s	2024/25 £000s
Adult Social Care & Health	-147,299	-136,125
Children, Young People & Education	-124,694	-123,160
Growth, Environment & Transport	-64,725	-55,235
Chief Executive's Department	-33,210	-13,853
Deputy Chief Executive's Department	-2,595	-15,565
Non Attributable Costs	-7,854	-5,496
Total	-380,378	-349,434

Note 11 | Expenditure and income analysed by nature

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

	2025/26 £000s	2024/25 £000s
Expenditure		
Employee benefits expenses	1,046,504	1,000,814
Professional fees, grants and subscriptions	115,982	128,462
Commissioned services	1,709,277	1,529,057
Schools expenditure	229,703	226,348
Other services expenses	266,297	239,734
Support service recharges	100,217	87,006
Depreciation, amortisation and impairment	116,077	120,713
Interest payments (includes interest on defined liability of the Kent Pension Fund)	34,649	39,363
Precepts and levies	2,527	2,398
Loss or gain on the disposal of assets	12,342	58,242
Total expenditure	3,633,575	3,432,139
Income		
Fees, charges and other service income	-440,189	-365,071
Interest and investment income	-25,173	-36,335
Income from Council Tax and Non-Domestic Rates	-1,074,612	-1,010,469

	2025/26 £000s	2024/25 £000s
Government grants	-2,050,144	-1,922,152
Contributions	-123,425	-131,020
Total income	-3,713,543	-3,465,047
Surplus or deficit on the provision of services	-79,968	-32,908

Included in the 2025/26 'Fees, charges and other services income' is £131.3m (£120.1m in 2024/25) of Revenue from Contracts with Service Recipients specifically relating to Social Care. As this income is received from a large number of individual social care clients, no single contract is material to the Authority.

Note 12 | Adjustments between accounting basis and funding basis under regulations

Adjustments in 2025/26

	General fund balance £000s	Capital receipts reserve £000s	Capital grants unapplied £000s	Movement in unusable reserves £000s
31 March 2026				
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	-125,610			125,610
Revaluation gains/(losses) on Property Plant and Equipment and Assets held for Sale	-2,277			2,277
Movements in the fair value of Investment Properties	-3,485			3,485
Amortisation of intangible assets	-145			145
Capital Grants and contributions applied	111,413			-111,413
Income in relation to donated assets				
In year revenue expenditure funded from capital under statute	-73,137			73,137
Prior year revenue expenditure funded from capital under statute including long term debtor and PFI IFRS 16 remeasurement adjustments	-997			997

	General fund balance £000s	Capital receipts reserve £000s	Capital grants unapplied £000s	Movement in unusable reserves £000s
31 March 2026				
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-39,295			39,295
Amounts of capital inventory written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-1,333			1,333
Realised & unrealised gains/(losses) on financial assets held at FVPL	2,922			-2,922
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	67,485			-67,485
Capital expenditure charged against the General Fund	29,051			-29,051
Amounts relating to non-current assets derecognised on the granting of finance leases, adjusted for unguaranteed residual value	-323			323
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	75,595		-75,595	
Application of grants to capital financing transferred to the Capital Adjustment Account			85,973	-85,973
Cessation of recyclable grant repaid to accountable body	-325	325		
Adjustments primarily involving the Capital Receipts Reserve:				

	General fund balance £000s	Capital receipts reserve £000s	Capital grants unapplied £000s	Movement in unusable reserves £000s
31 March 2026				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	26,154	-26,154		
Transfer of cash sale proceeds from disposal of investment property credited to the Comprehensive Income and Expenditure Statement				
Transfer of cash sale proceeds from disposal of capital inventory credited to the Comprehensive Income and Expenditure Statement	1,400	-1,400		
Use of the Capital Receipts Reserve to finance new capital expenditure		22,463		-22,463
Loan repayments	800	-7,804		7,004
Movement in Donated Assets Account				
Amounts relating to deferred capital receipts	323	-675		352
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	5,057			-5,057
Adjustment primarily involving the Pooled Investment Adjustment Account:				
Unrealised gains/losses on financial assets held at FVPL	9,032			-9,032
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-51,411			51,411

	General fund balance £000s	Capital receipts reserve £000s	Capital grants unapplied £000s	Movement in unusable reserves £000s
31 March 2026				
Employer's pensions contributions and direct payments to pensioners payable in the year	99,925			-99,925
Adjustments primarily involving the DSG Adjustment Account:				
Amount by which Schools Deficit has moved in year.	3,282			-3,282
KCC contribution to the DSG Safety Valve Agreement				
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	5,907			-5,907
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-582			582
Total adjustments	139,426	-13,245	10,378	-136,559

Adjustments in 2024/25

	General fund balance £000s	Capital receipts reserve £000s	Capital grants unapplied £000s	Movement in unusable reserves £000s
31 March 2025				
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				

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

	General fund balance £000s	Capital receipts reserve £000s	Capital grants unapplied £000s	Movement in unusable reserves £000s
31 March 2025				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	77,497		-77,497	
Application of grants to capital financing transferred to the Capital Adjustment Account			66,148	-66,148
Cessation of recyclable grant repaid to accountable body	-1,512	1,512		
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	21,723	-21,723		
Transfer of cash sale proceeds from disposal of investment property credited to the Comprehensive Income and Expenditure Statement				
Transfer of cash sale proceeds from disposal of capital inventory credited to the Comprehensive Income and Expenditure Statement	243	-243		
Use of the Capital Receipts Reserve to finance new capital expenditure		35,484		-35,484
Loan repayments	957	-10,471		9,514
Movement in Donated Assets Account				
Realisation of deferred capital receipts		-638		638
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	1,515			-1,515

	General fund balance £000s	Capital receipts reserve £000s	Capital grants unapplied £000s	Movement in unusable reserves £000s
31 March 2025				
Adjustment primarily involving the Pooled Investment Adjustment Account:				
Unrealised gains/losses on financial assets held at FVPL	2,981			-2,981
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-60,942			60,942
Employer's pensions contributions and direct payments to pensioners payable in the year	95,813			-95,813
Adjustments primarily involving the DSG Adjustment Account:				
Amount by which Schools Deficit has moved in year.	-30,315			30,315
KCC contribution to the DSG Safety Valve Agreement				
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non- domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	-1,173			1,173
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	604			-604
Total adjustments	57,003	3,921	-11,349	-49,575

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Note 13 | Other operating expenditure

	2025/26 £000s	2024/25 £000s
Levies	2,527	2,398
Gains or losses on the disposal of non-current assets	12,342	58,242
Assets held for sale - revaluation movements	177	29
Total	15,045	60,669

Note 14 | Financing and investment income and expenditure

	2025/26 £000s	2024/25 £000s
Interest payable and similar charges	43,162	51,289
Net interest on the net defined benefit liability	-8,114	-11,489
Gain or loss from settlements	158	-2,036
Pensions - administration expenses and curtailments	3,596	3,182
Interest receivable and similar income	-15,409	-21,687
Income and expenditure in relation to investment properties and changes in fair value	1,087	-2,804
Changes in fair value of financial assets held at fair value through profit and loss	-11,954	-3,055
Other investment income	-2,190	-2,295
Total	10,336	11,105

Note 15 | Taxation and non-specific grant income

Collection fund accounting policy

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

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

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

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

Part of the arrangement for the retention of business rates is that authorities will assume the liability for refunding ratepayers that have successfully appealed against the rateable value of their property. At the end of 31 March 2026, the Council's estimated share of these liabilities is £5.2m.

	2025/26 £000s	2024/25 £000s
Income from Council Tax	-1,003,244	-940,164
Non-Domestic Rates income and expenditure	-71,368	-70,305
Non-ringfenced government grants	-464,876	-425,318
Capital grants and contributions	-139,051	-162,642
Total	-1,678,539	-1,598,429

KCC's share of surplus on the Council Tax is £8.9m (2024/25 surplus of £3.2m). For 2025/26, the Business Rate Collection Fund has a surplus of £0.2m (2024/25 a surplus of £0.1m). See the Collection Fund Adjustment Account detailed in [Note 24](#).

Note 16 | Grant income

Accounting policy

Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2025/26:

	2025/26 £000s	2024/25 £000s
Credited to taxation and non-specific grant income		
Council Tax yield including Collection Fund	-1,003,244	-940,164
Local share of Business Rates and Business Rates Collection Fund	-71,368	-70,305
Revenue Support Grant (RSG)	-15,680	-11,806
Social Care Support Grant	-137,144	-117,046
Business Rate Top-up	-149,108	-147,445
Business Rate Compensation Grant	-51,287	-53,180
Improved Better Care Fund (iBCF)	-61,701	-50,015
New Homes Bonus (NHB) and NHB Adjustment Grants	-1,927	-2,059
Services Grant	0	-1,312
Adult Social Care Discharge Fund	0	-11,687
Social Care Reform Grant	-26,969	-26,969
Children's Social Care Prevention Grant	-6,760	0
Domestic Violence Grant	-4,031	0
Grant for Employer National Insurance changes	-10,073	0
Other unringfenced grants	-196	-3,800
Capital government grants and contributions	-139,051	-162,642
Total	-1,678,539	-1,598,430
Credited to services		
Dedicated Schools Grant (DSG)	-1,040,276	-923,625
Education Funding Agency (EFA)	-98,330	-115,641
Other DFES	-81,267	-54,930
Department of Health	-107,626	-115,606
Department for Transport	-17,056	-10,763
Asylum	-69,918	-61,301
Department of Energy Security & Net Zero	-11	0
Ministry of Housing, Communities & Local Government	-46,902	-17,058
Department for Environment, Food & Rural Affairs	-1,524	-2,901
Other	-30,865	-32,366
Total	-1,493,774	-1,334,191

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

	2025/26 £000s	2024/25 £000s
Capital grants receipts in advance		
Department for Education	-197	-197
Other grants	-60,145	-67,157
Other contributions	-157,459	-116,392
Total	-217,801	-183,746

Note 17 | Property, plant and equipment

Accounting policy

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost,
- surplus assets – fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date,
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

The Council has a policy in place to revalue its assets on a rolling programme basis. All assets will be revalued at least every five years, supported by indexation in the intervening years. Assets will also be revalued after significant works or events that may affect their value, such as indications of significant impairment. Revaluation gains are written to the Revaluation Reserve, after reversing any revaluation losses on that asset previously posted to the Comprehensive Income and Expenditure Statement. Revaluation losses will be written

off against any balance on the Revaluation Reserve for that asset or to the Comprehensive Income and Expenditure Statement where no revaluation gain exists in the reserve for that asset. These amounts are then written out through the Movement in Reserves Statement so that there is no impact on Council Tax.

Impairment

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

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

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

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

Depreciation

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

The periods over which assets are depreciated are as follows:

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Property will be split into five components:

- Land
- Structure
- Mechanical and Electrical
- Fixtures and Furnishings
- Temporary Buildings

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

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

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

Disposals and Non-Current Assets Held for Sale

Assets are generally defined as 'held for sale' if their carrying amount is going to be recovered principally through a sale transaction rather than through continued use. This excludes from consideration any assets that are going to be abandoned or scrapped at the end of their useful lives. The asset is revalued immediately before

reclassification and then carried at the lower of this amount and fair value, less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Gains and Losses on Disposal of Non-Current Assets

When an asset is disposed of or decommissioned, the difference between the capital receipt from the sale and the carrying amount of the asset in the Balance Sheet, after identified costs have been removed, is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Schools transferring to academy status within the financial year are derecognised. On transfer the full carrying value is derecognised as an asset disposal for nil consideration. The net loss on disposal of non-current assets of £12.3m includes a loss of £6.8m which relates to schools transferring to academy status.

Capital receipts

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

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service,
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off,
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

2025/26	Land and Buildings £000s	Vehicles, Plant and Equipment £000s	Community Assets £000s	Assets Under Construction £000s	Surplus Assets £000s	Total £000s	PFI assets included in Property, Plant and Equipment £000s
Cost or valuation at 1 April	2,521,832	62,520	6,047	136,458	98,885	2,825,742	276,372
Additions	43,495	7,627		65,938	1,314	118,374	2,949
Donations						0	
Revaluation increases or decreases recognised in the Revaluation Reserve	-19,861				-10,616	-30,477	-5,068
Revaluation increases or decreases recognised in the Surplus or deficit on the provision of services	-3,188				-4,523	-7,711	-2,382
Derecognition - disposals	-7,077	-90			-30,369	-37,536	
Derecognition - other	-670	-3,703				-4,373	
Assets reclassified to or from Assets held for sale					-4,415	-4,415	
Transfers to or from Assets under construction	46,395	319		-53,985	941	-6,330	
Other movements in cost or valuation	-34,488				36,863	2,375	993
At 31 March	2,546,438	66,673	6,047	148,411	88,080	2,855,649	272,864

	Land and Buildings £000s	Vehicles, Plant and Equipment £000s	Community Assets £000s	Assets Under Construction £000s	Surplus Assets £000s	Total £000s	PFI assets included in Property, Plant and Equipment £000s
2025/26							
Accumulated depreciation and impairment at 1 April	-9,197	-37,442	0	0	-52	-46,691	-2,841
Depreciation charge	-49,966	-5,467			-895	-56,328	-5,719
Depreciation written out to the Revaluation reserve	53,173				1,259	54,432	6,406
Depreciation written out to the Surplus or deficit on the provision of services	4,863				748	5,611	2,154
Impairment losses or reversals recognised in the Revaluation reserve						0	
Impairment loss or reversals recognises in the surplus or deficit on the provision of services	-164			-130	-17	-311	
Derecognition - disposals	178	61			225	464	
Derecognition - other	31	3,703				3,734	
Other movements in depreciation and impairment	1,029			130	-1,437	-278	
At 31 March	-53	-39,145	0	0	-169	-39,367	0
Net Book Value at 31 March 2026	2,546,385	27,528	6,047	148,411	87,911	2,816,282	272,864
Net Book Value at 31 March 2025	2,512,635	25,078	6,047	136,458	98,833	2,779,051	273,531

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

	Land and Buildings £000s	Vehicles, Plant and Equipment £000s	Community Assets £000s	Assets Under Construction £000s	Surplus Assets £000s	Total £000s	PFI assets included in Property, Plant and Equipment £000s
2024/25							
Accumulated depreciation and impairment at 1 April	-6,998	-35,610	0	0	0	-42,608	-162
Transfer of finance lease assets to Right of use assets under IFRS 16	51					51	
Adjusted balance as at 1 April	-6,947	-35,610	0	0	0	-42,557	-162
Depreciation charge	-47,981	-5,699			-294	-53,974	-5,506
Depreciation written out to the Revaluation reserve	42,427				176	42,603	2,827
Depreciation written out to the Surplus or deficit on the provision of services	2,530				120	2,650	
Impairment losses or reversals recognised in the Revaluation reserve						0	
Impairment loss or reversals recognises in the Surplus or deficit on the provision of services	-47	-16		-461		-524	
Derecognition - disposals	342	329			113	784	
Derecognition - other	90	3,539				3,629	
Other movements in depreciation and impairment	389	15		461	-167	698	
At 31 March	-9,197	-37,442	0	0	-52	-46,691	-2,841
Net Book Value at 31 March 2025	2,512,635	25,078	6,047	136,458	98,833	2,779,051	273,531
Net Book Value at 31 March 2024	2,499,830	27,426	6,047	114,799	99,220	2,747,322	301,310

Roads and Other Highways Infrastructure Assets

Movements on balances

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

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

	2025/26 £000s	2024/25 £000s
Net Book Value at 1 April	1,012,395	947,805
Additions	94,516	96,762
Derecognition		
Depreciation	-63,671	-59,830
Impairment		
Transfers from Assets under construction	4,596	27,658
Other movements in cost	-509	0
Net Book Value at 31 March	1,047,327	1,012,395

Reconciliation to Property, plant and equipment balance:

£000s	2025/26 £000s	2024/25 £000s
Infrastructure assets	1,047,327	1,012,395
Other Property, plant and equipment assets	2,816,282	2,779,051
Net Book Value at 31 March	3,863,609	3,791,446

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

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

The following statement analyses the Net Book Value (NBV) of revalued assets by the year of valuation, highlighting those subject to indexation in 2025/26. The valuations and indices as at 31 March 2026 were provided by Wilks Head & Eve, overseen by Guy Harbord MRICS.

Valuation date of revalued assets	Indexation applied	Land and buildings NBV £000s	Surplus assets NBV £000s	Total NBV £000s
31 March 2024	Not indexed	1,442	2,105	3,547
31 March 2024	25/26	212,569	58,814	271,383
31 March 2025	Not indexed	4,756	1,266	6,022
31 March 2025	25/26	1,606,141	2,506	1,608,647
31 March 2026	N/A	693,796	23,219	717,015
Total		2,518,704	87,910	2,606,614

In addition, land and buildings totalling £27.683m are held at cost as at 31 March 2026, reflecting new assets that will be revalued in 2026-27.

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

Basis of valuation

All valuations of land and buildings were carried out in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors (RICS). In 2025/26 all land and buildings which have not had a valuation within the last four years have been valued. Adult education centres, family hubs, nurseries and some schools were revalued.

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

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

We have considered and analysed the assets which have not been revalued or indexed in 2025/26 and are confident that the carrying amount of these assets as at 31 March 2026 is not materially different to their current value as at 31 March 2025.

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

Surplus Assets Fair Value Hierarchy

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31 March 2026 are shown in the following table:

	Level 2 inputs £000s	Level 3 inputs £000s	Fair value as at 31 March 2026 £000s	Valuation technique
Recurring fair value measurements using:				
Residential developments / conversions	776	51,732	52,508	Market approach
Car park		260	260	Income approach
Residential dwellings		1,714	1,714	Income and market approach
Non-residential institutions		9,624	9,624	Income and market approach
Assembly and leisure		665	665	Income and market approach
Amenity / woodland / grazing land		3,823	3,823	Market approach
Educational / agricultural land		4,888	4,888	Income and market approach
Industrial / commercial / mixed development		4,440	4,440	Market approach
Ransom strip		1,000	1,000	Market approach
Commercial warehousing / units /offices		8,989	8,989	Income and market approach
Total	776	87,135	87,911	

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31 March 2025 (excluding in year additions) are as follows:

	Level 2 inputs £000s	Level 3 inputs £000s	Fair value as at 31 March 2025 £000s	Valuation technique
Recurring fair value measurements using:				
Residential developments / conversions	800	69,334	70,134	Market approach
Car park		1,394	1,394	Income approach
Residential dwellings		4,085	4,085	Income and market approach
Non-residential institutions		1,816	1,816	Income approach
Assembly and leisure		671	671	Income and market approach
Amenity / woodland / grazing land		4,042	4,042	Market approach
Educational / agricultural land		5,034	5,034	Income and market approach
Industrial / commercial / mixed development		10,395	10,395	Market approach
Ransom strip		1,000	1,000	Market approach
Commercial warehousing / units		262	262	Income approach
Total	800	98,033	98,833	

NB The Council does not have any Level 1 valuations.

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

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

	2025/26 £000s	2024/25 £000s
Opening balance	98,033	98,420
Transfers into Level 3	33,332	12,654
Transfers out of Level 3	-5,108	-2,514
Additions	239	363
Donations	0	0
Derecognition	-26,104	-11,392
Total gains or losses for the period included in the Surplus or deficit on the provision of services resulting from changes in fair value	-3,776	-1,599
Total gains or losses for the period included in Other comprehensive income and expenditure resulting from changes in fair value	-9,333	1,703
Depreciation charge	-845	-208
Other changes	697	606
Closing balance	87,135	98,033

£3.8m of losses arising from changes in the fair value of surplus assets have been recognised in the Surplus or Deficit on the Provision of Services within the 'Strategic & Corporate Services' line and £9.3m of losses were recognised in Other Comprehensive Income and Expenditure within the '(Surplus)/deficit arising on revaluation of non-current assets' line.

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

	Fair value as at 31 March 2026 £000s	Unobservable input	Quantitative information	Sensitivity
Residential developments	51,732	1) Land value reduced to reflect uncertainty 2) Estimated fees, costs and values	1) £2,350,000 - £4,650,000 per hectare reduced by 0% - 90% 2) £235,000 - £931,757 per unit less construction costs and fees	Significant changes in unobservable inputs could result in a significantly lower or higher fair value. Variations by +/- 10% could result in an increase or decrease of £5.2m on the current value of £51.7m
Car park	260	1) Estimated rent 2) Passing rent 3) Estimated yield	1) £65 - £350 per permit 2) £13,250 3) 5% - 8%	Due to the low fair value of this category a significant change in unobservable inputs would not result in a significantly lower or higher fair value
Residential dwellings	1,714	1) Rent 2) Lifelong tenancy valued to perpetuity 3) Sales price and restriction discount 4) Rate per bedroom per week	1) £1,400 - £6,516 per annum 2) Years purchase in perpetuity 4% 3) £385,000 - £500,000 per unit reduced by 50% 4) £1,064 per week	Due to the low fair value of this category a significant change in unobservable inputs would not result in a significantly lower or higher fair value
Non-residential institutions	9,624	1) Estimated rent 2) Estimated yield	1) £1,924 - £6,200 per annum and £43 - £139 per square metre 2) 6.5% - 9%	Due to the low fair value of this category a significant change in unobservable inputs would not result in a significantly lower or higher fair value
Assembly and leisure	665	1) Passing rent 2) Estimated yield 3) Estimated land value	1) £150 per annum and £55 per square metre 2) 8% - 10% 3) £100,000 per hectare	Due to the low fair value of this category a significant change in unobservable inputs would not result in a significantly lower or higher fair value

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	Fair value as at 31 March 2026 £000s	Unobservable input	Quantitative information	Sensitivity
Amenity / woodland / grazing land	3,823	1) Estimated land value	1) £22,230 - £100,000 per hectare	Due to the low fair value of this category a significant change in unobservable inputs would not result in a significantly lower or higher fair value
Educational / agricultural land	4,888	1) Estimated rent 2) Estimated yield 3) Estimated land value	1) £300 - £3,150 per annum 2) 5% - 9% 3) £22,230 - £4,400,000 per hectare	Due to the low fair value of this category a significant change in unobservable inputs would not result in a significantly lower or higher fair value
Industrial / commercial / mixed development	4,440	1) Land value reduced to reflect uncertainty	1) £250,000 - £2,250,000 per hectare reduced by 0% - 75%	Due to the low fair value of this category a significant change in unobservable inputs would not result in a significantly lower or higher fair value
Ransom strip	1,000	1) Estimated land value	Expert valuer judgement based on geographical relationship with neighbouring land	Due to the low fair value of this category a significant change in unobservable inputs would not result in a significantly lower or higher fair value
Commercial warehousing / units / office	8,989	1) Estimated rent 2) Estimated yield	1) £95 - £188 per square metre 2) 12% - 12.5%	Due to the low fair value of this category a significant change in unobservable inputs would not result in a significantly lower or higher fair value
Total	87,135			

Valuation Process for Surplus Assets

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

Highest & Best Use of Surplus Assets

In estimating the fair value of the Council's surplus assets, the highest and best use of 41 of the 98 assets is their current use. Of the remaining 57 assets, 53 are vacant, and 4 have alternative uses as a result of existing lease arrangements.

Contractual Commitments

The Council have contractual commitments to make payments of circa £109.6m in future years (£125.8m in 2024/25).

Note 18 | Investment property

Accounting policy

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

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

	2025/26	2024/25
	£000s	£000s
Rental income from Investment property	2,867	2,700
Direct operating expenses arising from Investment property	-469	-366
Net gain or loss	2,398	2,334

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

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

	2025/26 £000s	2024/25 £000s
Balance at start of the year	43,317	43,168
Additions:		
Purchases		
Construction		
Subsequent expenditure		32
Disposals		
Net gains or losses from fair value adjustments	-3,485	470
Transfers:		
To or from Inventories		
To or from Property, plant and equipment	-245	-353
Other changes		
Balance at the end of the year	39,587	43,317

Fair Value Hierarchy

Details of the Authority's investment properties, and information about the fair value hierarchy as at 31 March 2026 are shown below:

	Level 2 inputs £000s	Level 3 inputs £000s	Fair value as at 31 March 2026 £000s	Valuation technique
Recurring fair value measurements using:				
Residential developments		7,397	7,397	Market approach
Offices	23,847	2,641	26,488	Income approach
Industrial / commercial development		1,238	1,238	Market approach
Car park		53	53	Income approach
Ransom strip		488	488	Market approach
Industrial units	2,914	229	3,143	Income approach
Affordable housing	780		780	Market approach
Total	27,541	12,046	39,587	

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

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

NB The council does not have any Level 1 valuations.

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

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

	2025/26 £000s	2024/25 £000s
Opening balance	27,034	10,813
Transfers into Level 3	959	17,612
Transfers out of Level 3	-16,260	-1,267
Additions		32
Disposals		
Total gains or losses for the period included in the Surplus or deficit on the provision of services resulting from changes in fair value	313	-156
Other changes		
Closing balance	12,046	27,034

£0.3m of gains arising from changes in the fair value of the investment property have been recognised in the 'Surplus or Deficit on the Provision of Services - Financing and Investment Income and Expenditure' line.

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

	Fair value as at 31 March 2026 £000s	Unobservable input	Quantitative information	Sensitivity
Residential developments	7,397	1) Estimated land value 2) Discount for uncertainty	1) £2,630,000 - £3,800,000 per hectare 2) 50% - 65%	Due to the low fair value of this category a significant change in unobservable inputs would not result in a significantly lower or higher fair value
Offices	2,641	1) Estimated rent 2) Estimated yield 3) Void period	1) £113.15 - £161.46 per square metre 2) 10.5% - 11.5% 3) 1.5 years	Due to the low fair value of this category a significant change in unobservable inputs would not result in a significantly lower or higher fair value
Industrial / commercial / mixed development	1,238	1) Estimated land value 2) Discount for uncertainty	1) £1,200,000 - £4,100,000 per hectare 2) 15% - 50%	Due to the low fair value of this category a significant change in unobservable inputs would not result in a significantly lower or higher fair value
Car parks	53	1) Estimated rent 2) Estimated yield	1) £250 per space 2) 8.0% - 8.5%	Due to the low fair value of this category a significant change in unobservable inputs would not result in a significantly lower or higher fair value
Ransom strip	488	1) Estimated land value 2) Planning consent risk	Expert valuer judgement based on geographical relationship with neighbouring land	Due to the low fair value of this category a significant change in unobservable inputs would not result in a significantly lower or higher fair value
Industrial units	229	1) Estimated rent 2) Estimated yield 3) Void period	1) £109.55 - £133.99 per square metre 2) 6.5% - 9.25% 3) 1.5 years	Due to the low fair value of this category a significant change in unobservable inputs would not result in a significantly lower or higher fair value
Total	12,046			

Valuation Process for Investment Properties

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

Highest & Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of 22 of the 28 properties is their current use. The remaining 6 are held for capital appreciation.

Note 19 | Capital expenditure and financing

Accounting policy

Government Grants and Contributions

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

Revenue expenditure funded from capital under statute

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

The total amount of capital expenditure incurred in the year is shown in the following table (including the value of right of use assets and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2025/26 £000s	2024/25 £000s
Opening Capital financing requirement	1,295,904	1,268,288
Adjustments on transition to new accounting under IFRS 16		50,425
Adjusted Opening Capital financing requirement	1,295,904	1,318,713
Capital investment		
Property, plant and equipment	212,890	211,947
Revenue expenditure funded from capital under statute	73,137	53,968
Long-term debtors	7,636	6,132
Other	4,454	14,941
	1,594,021	1,605,701

	2025/26 £000s	2024/25 £000s
Sources of finance		
Capital receipts	-22,464	-35,484
Government grants and other contributions	-197,386	-185,903
Direct revenue contributions	-29,051	-23,874
MRP / loans fund principal	-67,485	-64,536
Closing Capital financing requirement	1,277,635	1,295,904
Movement	-18,269	-22,809
Explanation of movements in-year		
Increase or decrease in underlying need to borrow (supported by government financial assistance)		
Increase or decrease in underlying need to borrow (unsupported by government financial assistance)	-23,791	-37,657
Assets acquired under IFRS 16	4,099	14,848
PFI IFRS 16 liability remeasurement	1,423	0
Increase or decrease in Capital financing requirement	-18,269	-22,809

Note 20 | PFI and similar contracts

Accounting policy

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

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

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- lifecycle replacement costs - recognised as additions to Property, Plant and Equipment.

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

Value of assets

	6 schools £000s	Swanscombe schools £000s	Westview / Westbrook £000s	Better Homes, Active Lives £000s	3 BSF Schools £000s	Excellent Homes for All £000s	Total £000s
As at 31 March 2025	36,425	10,725	23,816	63,369	75,512	60,693	270,540
Additions	489	79	731	247	1,088	314	2,948
Transfers out							0
Transfers in							0
Revaluations	281	35	-407	131	831	125	996
Depreciation	-816	-217	-530	-1,192	-1,733	-1,152	-5,640
Other movements	54	42	727		170		993
As at 31 March 2026	36,433	10,664	24,337	62,555	75,868	59,980	269,837

NB The value of PFI assets in Note 17 includes £3,027k in relation to service concession arrangements (IFRIC 12) assets that are not included in this note.

Finance Lease Liability

	6 schools £000s	Swanscombe schools £000s	Westview / Westbrook £000s	Better Homes, Active Lives £000s	3 BSF Schools £000s	Excellent Homes for All £000s	Total £000s
As at 31 March 2025	55,190	5,828	21,141	42,404	45,720	26,842	197,125
IFRS 16 re- measurement	345	83	727	0	267	0	1,422
As at 1 April 2025	55,535	5,911	21,868	42,404	45,987	26,842	198,547
Additions							0
Liability repaid	-2,698	-1,784	-1,198	-2,112	-2,340	-1,293	-11,425
As at 31 March 2026	52,837	4,127	20,670	40,292	43,647	25,549	187,122

The original recognition of these fixed assets is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. For the 6 Schools PFI, the liability was written down by an initial capital contribution of £4.541m. For the Better Homes, Active Lives PFI the liability was written down by an initial capital contribution of £0.65m.

Details of payments to be made under PFI contracts

6 schools

	Repayment of liability £000s	Interest £000s	Service charges £000s	Lifecycle costs £000s	Total £000s
Within 1 year	2,955	4,694	4,793	2,715	15,157
Within 2-5 years	15,557	15,941	19,171	9,956	60,625
Within 6-10 years	34,325	10,128	23,964	7,364	75,781

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

Swanscombe Schools

	Repayment of liability £000s	Interest £000s	Service charges £000s	Lifecycle costs £000s	Total £000s
Within 1 year	2,310	606	1,057	240	4,213
Within 2-5 years	1,818	267	483	58	2,626

RPIx is used as the basis for indexation in the Swanscombe Schools PFI contract. The Swanscombe Schools PFI contract will cease in 2027/28.

Westview / Westbrook

	Repayment of liability £000s	Interest £000s	Service charges £000s	Lifecycle costs £000s	Total £000s
Within 1 year	1,788	1,599	2,266	232	5,885
Within 2-5 years	8,165	5,002	9,063	1,309	23,539
Within 6-10 years	10,717	1,889	4,532	516	17,654

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

Better Homes, Active Lives

	Repayment of liability £000s	Interest £000s	Service charges £000s	Lifecycle costs £000s	Total £000s
Within 1 year	2,180	2,862	0	330	5,372
Within 2-5 years	9,809	9,875	0	1,800	21,484
Within 6-10 years	16,037	8,040	0	2,777	26,854
Within 11-15 years	12,265	1,676	0	382	14,323

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

3 BSF Schools

	Repayment of liability £000s	Interest £000s	Service charges £000s	Lifecycle costs £000s	Total £000s
Within 1 year	2,538	4,056	3,043	1,725	11,362
Within 2-5 years	10,594	13,939	12,171	8,742	45,446
Within 6-10 years	30,515	9,535	13,134	3,623	56,807

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

Excellent Homes for All

	Repayment of liability £000s	Interest £000s	Service charges £000s	Lifecycle costs £000s	Total £000s
Within 1 year	1,231	1,169	1,097	435	3,932
Within 2-5 years	5,378	4,099	4,387	1,860	15,724
Within 6-10 years	8,185	3,624	5,484	2,362	19,655
Within 11-15 years	10,754	1,608	4,935	2,358	19,655

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

Total for all PFI contracts

	Repayment of liability £000s	Interest £000s	Service charges £000s	Lifecycle costs £000s	Total £000s
Within 1 year	13,002	14,986	12,256	5,677	45,921
Within 2-5 years	51,321	49,123	45,275	23,725	169,444
Within 6-10 years	99,779	33,216	47,114	16,642	196,751
Within 11-15 years	23,019	3,284	4,935	2,740	33,978
Total	187,121	100,609	109,580	48,784	446,094

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

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

On 7 October 2005, the Council contracted with Kent Education Partnership to provide 6 new secondary schools (Hugh Christie Technology College, Holmesdale Technology College (now Holmesdale School), The North School (now an Academy), Ellington School for Girls, The Malling School and Aylesford School - Sports College) under a Private Finance Initiative (PFI). The development of these schools straddled both the 2006-07

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

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

On 24 October 2008, the Council contracted with Kent PFI Company 1 Ltd to provide 3 new secondary schools in Gravesend (St John's Catholic School, Thamesview School and Northfleet Technology College) under a Private Finance Initiative (PFI) which formed part of the Building Schools for the Future programme. All three schools opened their new buildings during the 2010-11 financial year. The unitary charge commenced in July 2010 upon the opening of the three schools, PFI credits commenced in March 2011 and were backdated to July 2010. This charge is included in the Council's revenue budget and outturn figures. At the time the contract was signed the total estimated contract payments were £250.8 million over the 25 year contract period. St John's Catholic School is transitioning to an academy. The transition date is projected as 1 September 2026.

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

Westbrook and Westview

In 2025/26, the Council made payments of £5.9m to Integrated Care Services (ICS) for the maintenance and operation of Westbrook and Westview recuperative care facilities. The Council is committed to making payments of £5.9m for 2026/27 under this PFI contract. The actual amount paid will depend on the performance of ICS in delivering the services under the contract which will run until April 2033.

Gravesham Place

The NHS are the accountable body for this PFI arrangement and in accordance with accounting procedures this is not included on KCC's balance sheet. However, in 2026-27 the Council is committed to making payments estimated at £4.0m per year for the maintenance and facilities management, including laundry and catering, of Gravesham Place integrated care centre. The actual amount is subject to an annual inflationary uplift, other contractual adjustments and is also dependent on the performance of Land Securities in delivering the services under the contract. The contract will run until April 2036.

Better Homes, Active Lives PFI

In October 2007 the Council signed a PFI contract with Kent Community Partnership Ltd (a wholly owned subsidiary of Housing 21) to provide 340 units of accommodation of which 275 units are Extra Care accommodation, 58 units for people with learning difficulties, and 7 units for people with mental health problems. The contract for the provision of services will last until 2038-39. In 2025/26 the Council made payments of £5.4m to the contractor and is committed to paying the same amount next year, although this will depend on the performance of Kent Community Partnership delivering the services under the contract.

Excellent Homes for All PFI

In June 2014 the Council signed a PFI contract with Galliford Try PLC (now Galliford Try Ltd) who will provide 238 units of specialist accommodation on seven sites across Kent. There will be 218 units of Extra Care accommodation, 9 units for people with mental health problems and 11 move-on apartments. In 2025/26 the Council made unitary charge payments of £3.9m to the contractor and is committed to paying the same amount each year, although this will depend on the performance of the Kent EHFA Projectco Limited delivering the services under the contract. The contract runs until 2040-41.

Note 21 | Heritage assets

Accounting policy

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

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

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

	Historic Buildings £000s	Artwork - paintings and sculptures £000s	Archives £000s	Historical and archaeo- logical artefacts £000s	Civic regalia £000s	Total £000s
Cost or valuation at 1 April 2024	2,349	2,670	3,319	188	21	8,547
Additions	178					178
Donations						0
Revaluation increases or decreases recognised in the revaluation reserve						0
Revaluation increases or decreases recognised in the surplus or deficit on provision of services						0
Cost or valuation at 31 March 2025	2,527	2,670	3,319	188	21	8,725
Cost or valuation at 1 April 2025	2,527	2,670	3,319	188	21	8,725
Additions	95					95
Donations						0
Disposals		-1,126				-1,126
Revaluation increases or decreases recognised in the revaluation reserve						0

	Historic Buildings £000s	Artwork - paintings and sculptures £000s	Archives £000s	Historical and archaeo- logical artefacts £000s	Civic regalia £000s	Total £000s
Revaluation increases or decreases recognised in the surplus or deficit on provision of services						0
Cost or valuation at 31 March 2026	2,622	1,544	3,319	188	21	7,694

Historic Environment & Monuments

Eight windmills are included in the balance sheet at a value of £2.511m, which represents spend on these assets including £95k capital expenditure added to these assets in 2025/26. These are either Grade I or II listed buildings and are located across Kent. KCC first took windmills into our care in the 1950s when, with the millers gone, there was no one else to protect these landmark buildings. We now own eight, ranging from Post Mills of Chillenden and Stocks at Wittersham to the magnificent Smock Mill at Cranbrook – the tallest in England. Kent County Council works with local groups to actively preserve the future of the windmills and to support their repair and, where records exist, restoration. We also encourage improvements to the buildings and sites, to encourage greater public access and greater use of the windmills as an educational resource.

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

Hildenborough war memorial consists of a cross shaft with a carved relief of a crucifixion scene.

It stands on a plinth on a stepped dais. The inscription to the dead of the First World War is on the front face of the plinth below the cross with names on the side faces and additional names of the fallen on the risers of the steps.

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

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

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

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

Artwork

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

Kent Visual Arts Loan Service, a collection of original artwork currently held in storage at Sessions House. Some items were disposed of in 25-26.

The Antony Gormley Boulders Sculpture was disposed of in 25-26.

KCC Sessions House collection and Contemporary collection, collections of artworks in storage in Sessions House. Some items were disposed of in 25-26.

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

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

Archive Collections

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

General archive collections, £952k

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

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

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

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

Archaeological & Historical Artefacts

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

KCC owns approximately 4,000 objects, housed at **Sevenoaks Kaleidoscope Museum**. The collection comprises social history, fine art, archaeology and geology.

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

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

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

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

Civic Regalia

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

Note 22 | Leases

Accounting policy

The Council as Lessee

The Council adopted IFRS 16 from 1 April 2024 with arrangements that were previously accounted for as operating leases (i.e. without recognising the leased property as an asset and future rents as a liability) being brought on to the balance sheet with a right of use asset and lease liability recognised at the date of initial application. With the exception of nil consideration leases the Council applied the practical expedient to not reassess whether a contract is, or contains, a lease at the date of initial application.

New agreements 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. As permitted by the Code leases for items of low value (under £10,000) and leases with a term shorted than 12 months are exempt from the arrangements.

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 Council initially recognises lease liabilities measured at the present value of lease payments, discounted by applying the authority's incremental borrowing rate. 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 initially.

Right of use assets are held under the cost model as a proxy for current value where appropriate as permitted by the Code. Where this is not appropriate then a valuation is required in line with the requirements of the Code and these assets are carried at a revalued amount. Indexation has not been applied to right-of-use assets, as there is no appropriate index for these assets as the Council has a constantly evolving leasehold interest in them.

The right-of-use asset is depreciated on a straight-line basis over the shorter period of remaining lease term and useful life of the underlying asset.

The lease liability is subsequently measured at amortised cost, using the effective interest method. Where a lease liability 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.

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight-line depreciation and any asset impairments. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed. Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

In-year changes to right-of-use assets

	2025/26 £000s	2024/25 £000s
Balance at 1 April	36,667	25,338
Additions	4,427	20,137
Lease Modifications	579	1
Revaluations	7	-1,581
Depreciation and amortisation	-5,300	-4,229
Disposals	-1,056	-2,999
Balance at 31 March	35,323	36,667

Comprehensive Income & Expenditure Statement

	2025/26 £000s	2024/25 £000s
Interest expense on lease liabilities	1,987	1,771
Expense relating to short-term leases	119	609
Expense relating to low-value leases	1,117	1,244
Income from sub-letting right of use assets	-612	-864

Maturity analysis of lease liabilities

	2025/26 £000s	2024/25 £000s
Less than one year	6,520	6,048
One to five years	17,010	17,233
More than five years	35,265	37,239
Total undiscounted liabilities	58,795	60,519

The Council as Lessor

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

Sub-leases

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

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

The Council entered into a significant sublease in 2013 for a commercial warehouse property with Global Commercial Services Group Ltd, which runs until 4 October 2038. The sublease has been classified as a finance lease, as it transfers substantially all the risks and rewards associated with the right-of-use asset to the sublessee. As a result, the Council has derecognised the right-of-use asset and recognised a net investment in the lease. The annual lease income under the arrangement is £1.2m. The net investment in the sub lease is £11.4m at 31 March 2026.

Net investment in sub leases

2025/26			
	KCC £000s	Trading Operations £000s	Total £000s
Net investment at 1 April 2025	12,099	12,536	24,635
New leases entered into	0	4,528	4,528
Payments by lessees	-670	-5,501	-6,171
Net investment at 31 March 2025	11,429	11,563	22,993

2024/25			
	KCC £000s	Trading Operations £000s	Total £000s
Net investment at 1 April 2025	12,737	9,170	21,907
New leases entered into	0	7,708	7,708
Payments by lessees	-638	-4,342	-4,980
Net investment at 31 March 2025	12,099	12,536	24,635

Note 23 | Usable reserves

Accounting policy

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

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

Reserve	Balance at 31 March 2025 £000s	Movement in year £000s	Balance at 31 March 2026 £000s	Purpose of reserve
Usable capital receipts	-40,313	-13,245	-53,557	Proceeds of fixed assets and loan repayment available to meet future capital expenditure
General fund - KCC	-78,451	12,889	-65,562	Resources available to meet future unforeseen events
General fund - Commercial Services	-111	-298	-409	Resources available to meet future unforeseen events
Capital grants unapplied	-175,001	10,378	-164,623	See note below
Earmarked reserves*	-255,614	45,389	-210,225	See Note 25
Schools reserves*	-58,490	1,477	-57,013	See table below
Total	-607,980	56,590	-551,390	

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

Capital grants unapplied of £164.6m as at 31 March 2026 includes the schools capital reserves of £1.282m. This has increased from the surplus of £0.432m held by schools as at 31 March 2025. The remainder reflects Government grants and contributions received in year for projects in progress.

Schools reserves

At 31 March 2026 funds held in school revenue reserves stood at £57.0m. These reserves are detailed in the table below:

Reserve	Balance at 31 March 2025 £000s	Movement in year £000s	Balance at 31 March 2026 £000s
Schools delegated revenue budget reserves - committed	-19,252	5,675	-13,577
Schools delegated revenue budget reserves - uncommitted	-38,912	-4,084	-42,997
Unallocated schools budget	0	0	0
Community focused extended school reserves	-325	-113	-439
Total	-58,490	1,477	-57,013

Note 24 | Unusable reserves

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

Reserve	Balance at 31 March 2025 £000s	Movement in year £000s	Balance at 31 March 2026 £000s	Purpose of reserve
Revaluation reserve	-1,494,008	27,564	-1,466,444	Store of gains on revaluation of fixed assets
Capital adjustment account	-1,151,119	-117,190	-1,268,308	Store of capital resources set aside for past expenditure
Financial instruments adjustment account	14,389	-5,885	8,505	Movements in fair value of assets and premiums
Collection Fund adjustment account	-3,238	-5,907	-9,145	Movement between the CIES and amount required by regulation to be credited to the General fund
Pensions reserves (KCC)	29,294	8,857	38,151	Balancing account to allow inclusion of pensions liability in the Balance Sheet
Pensions reserves (DSO)	0	510	510	Balancing account to allow inclusion of pensions liability in the Balance Sheet
Pooled investment adjustment account	2,589	-9,033	-6,444	Movements in fair value of pooled investment funds
Accumulated absences account	9,636	663	10,299	This absorbs the differences on the General fund from accruing for untaken annual leave
Post employment account	81	-81	0	This absorbs the differences on the General fund from accruing for redundancy and retirement costs agreed but not due until future years
Deferred capital receipts reserve	-12,092	352	-11,740	Holds amounts due from assets which have been sub-leased but for which cash settlement has yet to take place and will reduce as payments are received
DSG adjustment account	133,745	-3,282	130,463	Recognition of deficits in respect of the schools budget
Total	-2,470,723	-103,430	-2,574,153	

Revaluation reserve

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

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

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

Revaluation reserve	2025/26 £000s	2024/25 £000s
Balance at 31 March	-1,494,009	-1,483,685
Adjustments on transition to new accounting arrangements for leases under IFRS 16		8,721
Restated balance as at 1 April	-1,494,009	-1,474,964
Upward revaluation of assets	-65,853	-115,467
Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the provision of services	41,928	23,308
Surplus or deficit of non-current assets not posted to the surplus or deficit on the provision of services	-23,925	-92,159
Difference between fair value depreciation and historical cost depreciation	26,811	25,368
Accumulated gains on assets sold or scrapped	24,678	47,746
Amount written off to the Capital adjustment account	51,489	73,114
Balance at 31 March	-1,466,445	-1,494,009

Capital adjustment account

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

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

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

Note 12 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital adjustment account	2025/26 £000s	2024/25 £000s
Balance at 31 March	-1,151,119	-1,057,934
Adjustments on transition to new accounting arrangements for leases under IFRS 16		21,659
Restated balance as at 1 April	-1,151,119	-1,036,275
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	125,610	118,557
Revaluation losses on Property, Plant and Equipment and Assets Held for Sale	2,277	5,037
Amortisation of intangible assets	145	174
Revenue expenditure funded from capital under statute	74,134	54,219
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	39,295	80,923
- Amounts of capital inventory written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,333	187
- Realised and unrealised gains/losses on financial assets held at FVPL	-2,922	-74
	239,872	259,023
Adjusting amounts written out of the Revaluation Reserve	-51,489	-73,114
Net written out amount of the cost of non-current assets consumed in the year	-962,736	-850,366
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	-22,464	-35,484
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-111,413	-119,755
Application of grants to capital financing from the Capital Grants Unapplied Account	-85,973	-66,148
Statutory provision for the financing of capital investment charged against the General Fund	-67,485	-64,536
Capital expenditure charged against the General Fund	-29,051	-23,874
	-316,386	-309,797
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	3,485	-470

Capital adjustment account	2025/26 £000s	2024/25 £000s
Write down of long-term debtors	7,005	9,514
Amounts relating to non-current assets derecognised on the granting of finance leases, adjusted for unguaranteed residual value	323	0
Balance at 31 March	-1,268,309	-1,151,119

Financial instruments adjustment account

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

Financial instruments adjustment account	2025/26 £000s	2024/25 £000s
Balance at 1 April	14,390	16,770
Premiums/discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	0
Proportion of premiums/discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	-828	-865
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-5,057	-1,515
Balance at 31 March	8,505	14,390

Pensions reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Pensions reserve	2025/26 £000s	2024/25 £000s
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Balance at 1 April	29,294	34,829
Remeasurement of the net defined liability/(asset)	57,881	29,336
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	51,411	60,942
Employer's pension contributions and direct payments to pensioners payable in the year	-99,925	-95,813
Balance at 31 March	38,661	29,294

Collection Fund adjustment account

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

Collection Fund adjustment account	2025/26 £000s	2024/25 £000s
Balance at 1 April	-3,239	-4,412
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	-5,907	1,173
Balance at 31 March	-9,146	-3,239

Accumulated absences account

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

Accumulated absences account	2025/26 £000s	2024/25 £000s
Balance at 1 April	9,636	9,860
Settlement or cancellation of accrual made at the end of the preceding year	-9,636	-9,860
Amounts accrued at the end of the current year	10,299	9,636
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	663	-224
Balance at 31 March	10,299	9,636

Post-employment account

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

Post employment account	2025/26 £000s	2024/25 £000s
Balance at 1 April	81	461
Settlement or cancellation of accrual made at the end of the preceding year	-81	-384
Amounts accrued at the end of the current year	0	4
Balance at 31 March	0	81

Pooled investment adjustment account

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

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

Pooled investment adjustment account	2025/26 £000s	2024/25 £000s
Balance at 1 April	2,588	5,569
Upward revaluation of investments		
Downward revaluation of investments	-9,032	-2,981
Change in impairment loss allowances		
Accumulated gains or losses on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		
Accumulated gains or losses on assets sold and maturing assets written out to the General Fund Balance for financial assets designated to fair value through other comprehensive income		
Balance at 31 March	-6,444	2,588

DSG adjustment account

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

DSG adjustment account	2025/26 £000s	2024/25 £000s
Balance at 1 April	133,745	103,430
Adjustment to DSG adjustment account based in accordance with accounting requirements (from Earmarked Reserves)	-36,130	0
School budget deficit transferred from General Fund in accordance statutory requirements	47,048	45,415
KCC's contribution to the DSG Safety Valve agreement	-14,200	-15,100
Balance at 31 March	130,463	133,745

Note 25 | Earmarked reserves

The following describes each Earmarked Reserve categorisation for the balances shown as at 31 March 2026 or 31 March 2025.

Vehicles, plant, and equipment (VPE)

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

Smoothing Reserves

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

Major Projects

These reserves are for future spending on projects.

Partnerships

These are reserves resulting from our partnerships and are ringfenced for the benefit of the partnership or are held for investing in strategic priorities.

Grants and External Funds

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

Departmental Under/Overspends

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

Insurance Reserve

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

Public Health reserve

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

Special funds

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

Surplus on trading accounts

Holds the Commercial Services trading surplus.

Reserve	Balance at 31 March 2025 £000s	Movement in year £000s	Balance at 31 March 2026 £000s
Vehicles, Plant & Equipment (VPE)	-23,114	839	-22,275
Smoothing	-111,838	1,518	-110,320
Major projects	-34,534	10,156	-24,378
Partnerships	-44,476	36,263	-8,213
Grants and external funds	-7,745	-12,139	-19,885
Departmental over/underspends	-599	-532	-1,130
Insurance	-12,212	3,501	-8,711
Public Health	-16,720	2,449	-14,271
Special funds	-797	51	-746
Surplus on trading accounts	-3,581	3,284	-297
Total	-255,614	45,389	-210,225

Note 26 | Provisions

Accounting policy

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

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

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

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

	Insurance £000s	Post employment £000s	Accumulated absences £000s	Other £000s	Total £000s
Short term					
Balance at 1 April 2025	-2,964	-361	-9,636	-10,926	-23,888
Additional provisions made in year	-4,039	-109	-7,032	-22,253	-33,434
Amounts used in year	3,155	361	6,369	5,897	15,782
Unused amounts reversed in year				84	84
Balance at 31 March 2026	-3,848	-109	-10,299	-27,199	-41,456
Long term					
Balance at 1 April 2025	-7,557	0	0	-897	-8,454
Additional provisions made in year	-2,416			-28	-2,444
Amounts used in year					0
Unused amounts reversed in year				35	35
Balance at 31 March 2026	-9,973	0	0	-889	-10,862
Total provisions at 31 March 2026	-13,821	-109	-10,299	-28,088	-52,318

Insurance

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

Post employment

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

Accumulated absences

The provision relates to annual leave entitlement carried forward at 31 March 2026. It will not be discharged until a cash settlement is made or an employee takes their settlement, or the liability has ceased.

Note 27 | Debtors

	Short term £000s	Long term £000s	Total £000s
31 March 2026			
Medway Council (transferred debtors)		25,608	25,608
Recoverable VAT	57,866		57,866
Trade receivables	134,959		134,959
Payments in advance	32,923		32,923
General debtors	246,539	39,035	285,574
Total	472,288	64,643	536,931

31 March 2025			
Medway Council (transferred debtors)		26,674	26,674
Recoverable VAT	28,400		28,400
Trade receivables	137,858		137,858
Payments in advance	32,379		32,379
General debtors	175,969	43,562	219,531
Total	374,606	70,236	444,842

Note 28 | Creditors

	Short term £000s	Long term £000s	Total £000s
31 March 2026			
Receipts in advance	89,719		89,719
Contract liabilities	1,891		1,891
Deferred income	8,636		8,636
General creditors	351,077	431	351,508
Total	451,323	431	451,754

31 March 2025			
Receipts in advance	101,961		101,961
Contract liabilities	2,064		2,064
Deferred income	8,906		8,906
General creditors	334,000	533	334,533
Total	446,931	533	447,464

Capital creditors amounting to £24.2m are included in the accounts at 31 March 2026 (£31.9m in 2024/25).

Note 29 | Cash and cash equivalents

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

In the Cash Flow Statement and Balance Sheet, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

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

	At 31 March 2026 £000s	At 31 March 2025 £000s
Bank current accounts	-64,730	-40,297
Call accounts (same day access funds)	34,090	142,979
Total	-30,640	102,682

Note 30 | Cash flows from operating activities

The cash flows for operating activities include the following items:

	2025/26 £000s	2024/25 £000s
Interest received	-15,077	-21,030
Interest paid	43,724	51,605
Employee costs	1,084,169	1,011,956
Income from Council Tax	-1,074,612	-1,010,469
Government grants	-2,145,334	-1,955,249
	-2,107,130	-1,923,187
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:		
Movement in pension liability	48,514	34,871
Carrying amount of non-current assets sold	-39,295	-80,923
Carrying amount of capital inventory sold	-1,333	-187
Carrying amount of financial assets held at fair value through profit or loss	11,954	3,056
Amortisation of fixed assets	-145	-174
Depreciation of fixed assets	-125,610	-118,557
Impairment and downward valuations	-2,277	-5,037
Increase or decrease in debtors	83,028	-15,283
Increase or decrease in creditors	-11,418	2,696
Increase or decrease in stock	-1,641	-435

	2025/26 £000s	2024/25 £000s
Movement on investment properties	-3,485	470
Revenue expenditure funded by capital under statute (REFCUS)	-74,134	-54,219
Other	-7,720	5,864
	-123,562	-227,858
The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:		
Proceeds from sale of property, plant and equipment, investment property and intangible assets	28,677	22,923
Capital grants applied	186,683	195,740
Balance at 31 March	215,360	218,663

Note 31 | Cash flows from investing activities

	2025/26 £000s	2024/25 £000s
Purchase of property, plant and equipment, investment property, and intangible assets	300,193	264,479
Purchase of short-term and long-term investments	2,248,238	2,147,683
Proceeds from sale of property, plant and equipment, investment property, and intangible assets	-26,154	-21,723
Proceeds from capital inventory	-1,400	-243
Proceeds from short-term and long-term investments	-2,308,608	-2,129,972
Other receipts from investing activities	-223,977	-238,755
	-11,708	21,469

Note 32 | Cash flows from financing activities

	2025/26 £000s	2024/25 £000s
Relating to finance leases and on-balance sheet PFI contracts	10,975	10,166
Repayments of short- and long-term borrowing	122,225	39,330
	133,200	49,496

Note 33 | Reconciliation of liabilities arising from financing activities

	1 April £000s	Financing cash flows £000s	Non-cash changes - acquisition £000s	Non-cash changes - other £000s	31 March £000s
2025/26					
Long-term borrowings	-650,338	90,000		15,224	-545,114
Short-term borrowings	-90,510	32,225		-14,263	-72,548
IFRIC 12	-1,684	174			-1,510
Lease liabilities	-40,222	4,598	-4,978	879	-39,723
On Balance Sheet PFI liabilities	-197,125	10,003			-187,122
Total	-979,879	137,000	-4,978	1,840	-846,017
2024/25					
Long-term borrowings	-702,562			52,224	-650,338
Short-term borrowings	-78,369	39,330		-51,471	-90,510
IFRIC 12	-1,849	165			-1,684
Lease liabilities	-29,154	3,780	-17,975	3,127	-40,222
On Balance Sheet PFI liabilities	-207,170	10,045			-197,125
Total	-1,019,104	53,320	-17,975	3,880	-979,879

Note 34 | Trading operations

The results of the various trading operations for 2025/26 are shown below prior to transfers to and from reserves.

Business unit or activity	Turnover £000s	Expenditure £000s	Surplus or deficit 2025/26 £000s	Surplus or deficit 2024/25 £000s
Kent County Supplies and Furniture Provision of educational and office supplies (from warehouse stock and by direct delivery) and furniture assembly and professional services	4,702	3,478	1,224	1,907
Brokerage Services Procurement and distribution of Services, including Laser energy buying group	14,546	12,054	2,492	3,929

Business unit or activity	Turnover £000s	Expenditure £000s	Surplus or deficit 2025/26 £000s	Surplus or deficit 2024/25 £000s
Transport Services				
Provision of lease cars, minibuses, and lorries, plus vehicle maintenance and repairs	0	0	0	0
Total	19,248	15,532	3,716	5,836

Note 35 | Audit costs

In 2025/26 the following fees were paid relating to external audit and inspection:

	2025/26 £000s	2024/25 £000s
Fees payable to Grant Thornton UK LLP for external audit services carried out by the appointed auditor including the use of experts	480.5	462.6
Fees payable in respect of other services provided by the appointed auditor	20.4	10.0
	500.9	472.6

The 2025/26 £20.4k fee payable for other services relates to the Teachers' Pensions end of year certificate (£12.5k) and Department for Transport – Local Transport Major Projects (£7.9k).

Note 36 | Dedicated Schools Grant (DSG)

The council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the schools budget, as defined in the School Finance and Early Years (England) (No 2) Regulations 2025. The schools budget includes elements for a range of educational services provided on an authority-wide basis and for the individual schools budget (ISB), which is divided into a budget share for each maintained school.

These accounts have been produced in accordance with the Schools and Early Years Finance (England) Regulations 2025, which requires local authorities to carry forward overspends of Dedicated School Grant (DSG). Regulations which came into force on 29 November 2020 mandated that any deficit must not be charged to the local authorities' revenue account but instead must be recorded in a separate account solely for the purposes of recording deficits relating to its schools' budget.

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

As of 31 March 2026, cumulative DSG deficit is £130.5m. The statutory instrument, which prevents the deficit from being offset against usable reserves, expires on 31 March 2028.

The Authority entered the Department for Education's 'Safety Valve' process in Summer 2022, which involves the Local Authority reforming its high needs systems and associated spending in return for additional funding to contribute to the historic deficit. This deficit is held in the DSG Adjustment Account. This arrangement ended

on 31 March 2026 and is being replaced by a new local authority funding model as part of the wider proposed SEN reforms. The first phase of this is the High Needs Sustainability Grant which, subject to an approved SEND Reform Plan, will be received in Autumn 2026. As such, the grant income has not been recognised as part of our 2025/26 accounts.

Details of the deployment of DSG receivable for 2025/26 are as follows:

	Central expenditure £000s	Individual schools budget £000s	Total £000s
Final DSG for 2025/26 before academy and high needs recoupment			1,973,422
Academy and high needs figure recouped for 2025/26			-939,118
Total DSG after academy and high needs recoupment for 2025/26			1,034,304
Brought forward from 2024/25			133
Carry-forward to 2026/27 agreed in advance			
Agreed initial budget distribution in 2025/26	301,623	732,814	1,034,437
In-year adjustments	18,106	-4,357	13,749
Final budgeted distribution for 2025/26	319,729	728,457	1,048,186
Less actual central expenditure	-367,177		-367,177
Less Actual ISB deployed to schools		-728,457	-728,457
Plus Local Council contribution for 2025/26	14,600		14,600
In-year carry-forward to 2026/27	-32,848	0	-32,848
DSG unusable reserve at the end of 2024/25			-133,745
Adjustment to DSG accounting in 2025/26*			36,130
Revised DSG unusable reserve at the end of 2024/25			-97,615
Addition to DSG unusable reserve at the end of 2025/26**			-32,848
Total of DSG unusable reserve at the end of 2025/26			-130,463
Net DSG position at the end of 2025/26			-130,463

*In 2025/26 the surplus balance on Safety Valve contributions from 2022/23 applicable to the deficit at the end of 2024/25 was transferred into the DSG Adjustment Account to align with the DfE's expected presentation.

**2025/26 in-year DSG Deficit after additional contributions from both the DfE and KCC.

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

	Central expenditure £000s	Individual schools budget £000s	Total £000s
Final DSG for 2024/25 before academy and high needs recoupment			1,777,974
Academy and high needs figure recouped for 2024/25			-856,380
Total DSG after academy and high needs recoupment for 2024/25			921,594
Brought forward from 2023/24			36,263
Carry-forward to 2025/26 agreed in advance			0
Agreed initial budget distribution in 2024/25	316,703	641,154	957,857
In-year adjustments	13,774	-2,533	11,241
Final budgeted distribution for 2024/25	330,477	638,621	969,098
Less actual central expenditure	-339,629		-339,629
Less Actual ISB deployed to schools		-638,621	-638,621
Plus Local Council contribution for 2024/25	15,100		15,100
Carry Forward to 2024/25	5,948	0	5,948
Plus Carry-forward to 2025/26			36,263
DSG unusable reserve at the end of 2023/24			-103,430
Addition to DSG Safety Valve reserve at the end of 2024/25*			-30,315
Total of DSG unusable reserve at the end of 2024/25			-133,745
Net DSG position at the end of 2024/25			-97,482

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

Note 37 | Related party transactions

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

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills). Grants received from government departments are set out in Note 10.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Member's allowances paid in 2025/26 is shown in Note 7. During 2025/26 works and services to the value of £0.270m (£1.312m in 2024/25) were commissioned from companies which three (five in 2024/25) Members have had an interest in. Contracts were entered into in full compliance with the Council's standing orders.

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

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

Payments of Employers' Pension Contributions were made to the Pension Fund in respect of members of the Local Government Pension Scheme and to the Teachers Pension Agency in respect of teachers. The amounts of these payments are detailed in notes to the Consolidated Income and Expenditure Statement in Note 38.

As administrator of the Kent Pension Fund, KCC has direct control of the Fund. Transactions between KCC Pension Fund and the Council in respect of income for pensions admin, investment monitoring and other services amounted to £8.764m and cash held by the Pension Fund on behalf of KCC is £6.077m.

Payments to other local authorities and health bodies, excluding precepts, totalled £80.2m. Receipts from other local authorities and health bodies totalled £43.5m. Details of the highest values with individual public bodies is shown in the table below.

Local authority or health body	2025/26 £000s
Payments	
Kent Community Health NHS Foundation Trust	45,362
Maidstone & Tunbridge Wells NHS Trust	7,509
NHS Kent And Medway ICB	3,576
Parkwood Hall Cooperative Academy	1,611
London South East Academies Trust	1,631
Tunbridge Wells Borough Council	1,507
Receipts	
NHS Kent & Medway ICB	-25,601
Medway Council	-6,859

Entities Controlled or Significantly Influenced by the Council

The Council wholly owns Global Commercial Services Group Ltd and its subsidiaries, as detailed in the Narrative section of the Statement of Accounts. During 2025/26 the total values of payments made to and received from Global Commercial Services Group Ltd and its group companies totalled £120.7m (£84.1m in 2024/25).

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

Active companies with less than or equal to 50% control	2025/26 £000s
Kent PFI Holdings Company 1 Ltd	32,328
Trading Standards South East Ltd	23

Active companies with less than or equal to 50% control	2025/26 £000s
Aylesham & District Community Workshop Trust	15
TRICS Consortium Ltd	4
Discovery Park Technology Investments LP	1

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

Note 38 | Pension costs

Defined Contribution Schemes

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

In 2025/26, Kent County Council paid £75.3m (£73.0m in 2024/25), to the Teachers Pension Agency in respect of teachers' pension costs, which represented 28.7% (28.7% in 2024/25) of teachers' pensionable pay. In addition, Kent County Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2025/26 these amounted to £4.6m (£4.9m in 2024/25), representing 1.8% (1.9% in 2024/25) of pensionable pay.

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

In 2025/26 Kent County Council paid £0.05m (£0.06m in 2024/25), to the NHS Pension Scheme in respect of public health pension costs, which represented 14.4% (14.4% in 2024/25) of employees' pensionable pay.

Defined Benefit Pension Scheme

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

The Council participates in one post-employment scheme:

- The Local Government Pension Scheme, administered locally by Kent County Council – this is a funded defined benefit career average revalued earnings scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

- The Kent County Council Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme, and the governance of the scheme is the responsibility of the Kent County Council Superannuation Fund Committee, a committee of Kent County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee and consist of the Director of Finance of Kent County Council and external Investment Fund managers (for details of investment fund managers see note 15d of the Pension Fund Accounts)
- The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

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

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

Local Government Pension Scheme	2025/26 £000s	2024/25 £000s
Comprehensive income and expenditure statement		
Cost of services:		
Current service cost	-54,777	-69,538
Past service cost	-994	-1,747
	-55,771	-71,285
Financing and investment income and expenditure:		
Net interest expenses	8,114	11,489
Gain or loss from settlements	-158	2,036
Administration expenses	-3,596	-3,182
Total charged to the surplus or deficit on the provision of services	-51,411	-60,942
Other post employment benefit charged to the Comprehensive income and expenditure statement:		
Return on plan assets (excluding the amount included in net interest expenses)	192,435	-65,077
Actuarial gains and losses arising on changes in demographic assumptions	-48,143	8,880
Actuarial gains and losses arising on changes in financial assumptions	118,019	472,152
Actuarial gains and losses arising on the impact of the asset ceiling	-230,194	-460,155
Experience loss or gain on defined benefit obligation	-110,142	9,748
Other	20,144	5,116
Total charged to the Comprehensive income and expenditure statement	-57,881	-29,336

Local Government Pension Scheme	2025/26 £000s	2024/25 £000s
Total charged to the Comprehensive income and expenditure statement	-109,292	-90,278
Movement in reserves statement:		
Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	51,411	60,942
Actual amount charged against the General fund balance for pensions in year:		
Employers' contributions payable to scheme	-99,925	-95,813
Total Movement in reserves statement	-48,514	-34,871

Other Employees

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

In 2025/26, Kent County Council paid an employer's contribution of £99.9m (£95.8m in 2024/25) into the Pension Fund, representing 21% (21% in 2024/25) of pensionable pay. The employer's contribution rate is determined by the Fund's actuary based on triennial actuarial valuations, and for 2025/26 was based on the review carried out as at 31 March 2022. Under Pension Fund Regulations the rates are set to meet 100% of the overall liabilities of the Fund.

Pension Assets and Liabilities in the Balance Sheet

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

Local Government Pension Scheme	2025/26 £000s	2024/25 £000s
Present value of the defined benefit obligation	3,106,446	2,975,720
Fair value of plan assets	-3,833,142	-3,453,559
Sub total	-726,696	-477,839
Impact of asset ceiling	735,376	477,839
Present value of unfunded obligation	29,981	29,294
Net liability arising from defined benefit obligation	38,661	29,294

The 2025 triennial valuation resulted in the Pension Fund moving further into surplus. As at 31 March 2026, the IAS 19 valuation showed a funded pension surplus of £726.7m. However, the maximum pension surplus that an employer is permitted to recognise on its balance sheet is limited to the economic benefits that are available to the employer, either through refunds from the pension fund or reductions in future contributions. This is known as the 'asset ceiling.' The actuary has concluded that the Council does not have an unconditional right to a refund and that the economic benefit available through future contribution reductions is nil. Therefore, the surplus cannot be recognised.

In addition, the actuary has assessed the Council's future funding obligations and determined that secondary contributions payable under the funding regime constitute an onerous minimum funding requirement, resulting

in an additional IFRIC 14 liability of £8.7m. Together with the unfunded liability of £30.0m, this results in a net pension liability of £38.7m being recognised on the balance sheet. The table below shows the impact of the asset ceiling.

Asset ceiling	2025/26 £000s	2024/25 £000s
Opening impact of asset ceiling	477,839	16,799
Interest on impact of asset ceiling	27,343	885
Interest on impact of asset ceiling	230,194	460,155
Closing impact of asset ceiling	735,376	477,839

Reconciliation of movements in fair value of the plan assets

Local Government Pension Scheme	2025/26 £000s	2024/25 £000s
Opening fair value of scheme assets	3,453,559	3,366,662
Interest on assets	197,000	177,022
Remeasurement gains/(losses)	192,435	-65,077
Other actuarial gains/(losses) on assets	15,558	0
Contributions from employer	104,511	100,929
Contributions from employees	33,194	31,208
Benefits paid	-157,490	-152,762
Other	-5,625	-4,423
Closing fair value of scheme assets	3,833,142	3,453,559

The actual return on scheme assets in the year was £389,435k (2024/25: £111,945k).

Reconciliation of present value of scheme liabilities

Local Government Pension Scheme	2025/26 £000s	2024/25 £000s
Opening balance at 1 April	3,005,014	3,384,692
Current service cost	54,777	69,538
Interest cost	161,543	164,648
Contribution from scheme participants	33,194	31,208
Remeasurement gains and losses:		
- Actuarial gains and losses arising on changes in demographic assumptions	48,143	-8,880
- Actuarial gains and losses arising on changes in financial assumptions	-118,019	-472,152
- Experience gains and losses on defined benefit obligation	110,142	-9,748
- Other	-4,586	-5,116
Past service costs	994	1,747
Benefits paid	-152,904	-147,646
Liabilities extinguished on settlements	-1,871	-3,277
Closing balance at 31 March	3,136,427	3,005,014

Local Government Pension Scheme assets

Local Government Pension Scheme (£000s)	2025/26 £000s	2025/26 %	2024/25 £000s	2024/25 %
Equities	2,246,935	59%	1,966,606	57%
Gilts	211,482	6%	204,715	6%
Other bonds	535,295	14%	513,387	15%
Property	374,473	10%	282,806	8%
Cash	105,683	3%	136,586	4%
Absolute return	191,333	5%	176,390	5%
Infrastructure	167,940	4%	173,069	5%
Total	3,833,141	100%	3,453,559	100%

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

		2025/26 % Quoted	2025/26 % Unquoted	2024/25 % Quoted	2024/25 % Unquoted
Fixed interest government securities	UK	0%		0%	
	Overseas	0%		6%	
Index linked government securities	UK	5%		4%	
	Overseas	0%		10%	
Corporate bonds	UK	4%		11%	
	Overseas	10%		42%	
Equities	UK	12%			
	Overseas	42%		5%	
Property	All		10%		8%
	Absolute return portfolio	5%			
Others	Private equity		5%		5%
	Infrastructure		4%		5%
	Derivatives		0%		
	Cash or temporary investments		3%		4%
Total assets		78%	22%	78%	22%

The decrease in pension deficit during the year has arisen principally due to the technical decrease in the valuation of the liabilities. International Accounting standard IAS19 requires the liabilities to be valued using assumptions based on gilt and corporate bonds yields. Had these markets remained at their 2025 levels then the pensions deficit would have been £118,019k higher at £156,680k.

IAS19 does not have any impact on the actual level of employer contributions paid to the Kent County Council Fund. Employers' levels of contribution are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields).

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2027 is £87,053k. The total contributions expected to be made to the Teachers' Pension Scheme by the Council in the year to 31 March 2027 is £77.8m.

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

		2025/26	2024/25
Mortality assumptions - longevity at 65 for current pensioners	Men	21.6 years	20.7 years
	Women	23.9 years	23.3 years
Longevity at 65 for future pensioners	Men	23.2 years	22.0 years
	Women	25.6 years	24.7 years
Rate of increase in the Consumer Price Index		2.9%	2.9%
Rate of increase in salaries		3.9%	3.9%
Rate of increase in pensions		2.9%	2.9%
Rate for discounting scheme liabilities		6.1%	5.8%
Take-up option to convert annual pension into retirement lump sum		50%	50%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit obligation	Increase in assumption	Decrease in assumption
Adjustment to discount rate (increase or decrease by 0.1%)	3,094,001	3,179,867
Adjustment to long-term salary increase (increase or decrease by 0.1%)	3,138,025	3,134,837
Adjustment to pension increase and deferred revaluation (increase or decrease by 0.1%)	3,180,905	3,101,551
Adjustment to mortality age rate assumption (increase or decrease by 1 year)	3,256,497	3,021,533

Highways ex Direct Works DLO Pension Fund

The Balance Sheet includes £0.5m to reflect the unfunded liability of the Highways (ex. Direct Works DLO) Pensions Fund as calculated by the actuary in March 2026 in accordance with IAS19.

Global Commercial Services Group Ltd

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

Note 39 | Financial instruments

Accounting Policy

Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial assets

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

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

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take a form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For

most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to start-up companies at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Expected Credit Loss Model

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

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligation. Credit risk plays a crucial factor in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

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

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

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

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

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

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

- Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.

- Level 2 inputs - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs - unobservable inputs for the asset.

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

Financial Instruments

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

Financial Liabilities

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

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

Financial Assets

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

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

- cash
- bank current and deposit accounts
- fixed term deposits with the DMO
- fixed term deposits with banks and building societies
- treasury bills issued by the UK Government
- covered bonds issued by financial institutions and backed by a pool of assets
- loans to other local authorities
- trade receivables for goods and services delivered.

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

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

Categories of Financial Instruments

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

	2025/26 Long-term £000s	2025/26 Short-term £000s	2024/25 Long-term £000s	2024/25 Short-term £000s
Financial assets:				
Investments				
Fair value through profit or loss	216,973	27,450	205,018	132,979
Amortised cost	90,789	9,953	111,451	52,690
	307,762	37,403	316,469	185,669
Debtors				
Amortised cost	50,475	378,538	53,606	312,155
Amortised cost - soft loans	14,168	12,169	16,631	9,496
Non-financial assets	0	81,580	0	52,955
	64,643	472,287	70,237	374,606
Cash and cash equivalents				
Total	372,405	509,690	386,706	560,275
Financial liabilities:				
Borrowing				
Amortised cost	545,113	72,548	650,338	90,510
Non-financial liabilities	216,705	22,561	230,288	20,587
	761,819	95,109	880,626	111,097
Creditors				
Amortised cost	431	352,968	533	336,064
Non-financial liabilities	0	98,354	0	110,867
	431	451,323	533	446,931
Cash and cash equivalents	0	64,730	0	40,297
Total	762,250	611,162	881,159	598,325

Financial instruments designated at fair value through profit or loss

For Money Market Funds, Bond, equity and property funds the fair value is calculated at Level 1 valuation techniques. The shareholdings in our wholly owned subsidiaries and unquoted equity are not subject to credit risk and is therefore limited to the value of our investment. Fair value is calculated at Level 3 valuation techniques.

	2025/26 Surplus or deficit on the provision of services £000s	2025/26 Other comprehensive income and expenditure £000s	2024/25 Surplus or deficit on the provision of services £000s	2024/25 Other comprehensive income and expenditure £000s
Net gains or losses on:				
Financial assets measured at fair value through profit or loss	-9,032		-2,982	
Financial assets measured at amortised cost				
Financial assets measured at fair value through other comprehensive income				
Financial liabilities measured at amortised cost	-828		-866	-866
Total	-9,860	0	-3,848	-866
Interest revenue				
Financial assets measured at amortised cost	8,620		8,410	
Financial assets measured at fair value through profit or loss	13,296		15,418	
Total	21,916	0	23,828	0
Interest expenses	-29,432		-31,275	
Fee income				
Financial assets or financial liabilities that are not at fair value through profit or loss				
Trust and other fiduciary activities				
Total	0	0	0	0
Fee expense				
Financial assets or financial liabilities that are not at fair value through profit or loss	-18,071		-18,627	
Trust and other fiduciary activities				
Total	-18,071	0	-18,627	0

Fair value of financial assets

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

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31 March 2026 £000s	As at 31 March 2025 £000s
Fair value through profit or loss:				
Money market funds	Level 1	Unadjusted quoted prices in active markets for identical shares	27,450	132,979
Equity shares	Level 1	Unadjusted quoted prices in active markets for identical shares	0	0
Bond, equity and property funds	Level 1	Unadjusted quoted prices in active markets for identical shares	186,568	177,535
Equity funds	Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly	8,428	9,826
Unquoted equity	Level 3	Company net assets multiplied by the percentage share capital owned	21,977	17,657
Total			244,423	337,997

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

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

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

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

	2025/26 £000s	2024/25 £000s
Opening balance	17,657	17,082
Transfers into Level 3		
Transfers out of Level 3		
Additions		
Derecognition		
Total gains or losses for the period:		
- included in the surplus or deficit on the provision of services	4,320	575
- included in other comprehensive income and expenditure		
Closing balance	21,977	17,657

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

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

	31 March 2026 Carrying amount £000s	31 March 2026 Fair value £000s	31 March 2025 Carrying amount £000s	31 March 2025 Fair value £000s
Financial liabilities				
Financial liabilities held at amortised cost:				
PWLB loans	401,486	371,589	433,872	412,618
Long-term LOBO and market loans	216,175	191,320	306,976	300,230
Cash and cash equivalents	64,730	64,730	40,297	40,297
Other long-term loans				
PFI and finance lease liabilities	188,628	210,470	200,383	221,770
Total	871,020	838,109	981,528	974,915

The fair value of borrowings is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2026) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2026 Carrying amount £000s	31 March 2026 Fair value £000s	31 March 2025 Carrying amount £000s	31 March 2025 Fair value £000s
Financial assets (£000s)				
Financial assets held at amortised cost:				
Long-term investments	90,789	91,869	111,451	116,093
Short-term investments	9,953	9,953	52,690	52,690
Cash and cash equivalents				
Soft loans	14,168	7,704	16,631	7,724
Total	114,910	109,526	180,772	176,507

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

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

	Quoted prices in active markets for identical assets (Level 1) £000s	Other significant observable inputs (Level 2) £000s	Significant unobservable inputs (Level 3) £000s	Total £000s
As at 31 March 2026:				
Financial liabilities				
Long-term PWLB loans		371,589		371,589
Long-term LOBO and market loans		191,320		191,320
PFI and finance lease liabilities			210,470	210,470
Total	0	562,909	210,470	773,379
Financial assets				
Investments held at amortised cost	73,886	27,786	150	101,822
Soft loans to third parties			7,704	7,704
Total	73,886	27,786	7,854	109,526
As at 31 March 2025:				
Financial liabilities				
Long-term PWLB loans		412,618		412,618
Long-term LOBO and market loans		300,230		300,230
PFI and finance lease liabilities			221,770	221,770
Total	0	712,848	221,770	934,618
Financial assets				
Investments held at amortised cost	103,456	65,176	150	168,782
Soft loans to third parties			7,724	7,724
Total	103,456	65,176	7,874	176,506

The fair value for financial liabilities and financial assets included in Level 2 and Level 3 in the table above have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2026 using the following methods and assumptions:

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

- Soft loans have been valued by discounting the contractual payments at the market rate of interest for a similar loan

Financial assets	Financial liabilities
No early repayment or impairment is recognised	No early repayment or impairment is recognised
Estimated ranges of interest rates at 31 March 2026 based on new lending rates for equivalent loans at that date	Estimated ranges of interest rates at 31 March 2026 based on new lending rates for equivalent loans at that date
The fair value of short-term financial assets including trade receivables is assumed to approximate to the carrying amount. For trade receivables this equates to the invoiced or billed amount	The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount

Note 40 | Nature and extent of risks arising from financial instruments

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

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

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

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

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

Credit Risk: Treasury Investments

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

A limit of £20m is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in UK banks, building societies, and companies, a lower limit of £15m applies. The Council also sets limits on investments in certain sectors. No more than £250m in total can be invested for a period longer than one year.

The credit quality of the £73.9m of the Council's investments in covered bonds is enhanced as these bonds are collateralised by pools of residential mortgages. The collateral significantly reduces the likelihood of the Council suffering a credit loss on these investments.

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

Credit rating	2025/26 £000s	2024/25 £000s
AAA	102,566	237,520
AA-	7,357	33,228
A+	0	5,073
A	0	0
A-	0	0
Unrated pooled funds / equity / other local authorities	0	0
Unrated Pooled Funds	204,860	198,857
Equity	30,405	27,209
Other local authorities		
Total	345,188	501,887

All deposits outstanding as at 31 March 2026 met the Council's credit rating criteria on 31 March 2026.

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

Collateral and Other Credit Enhancements

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately.

Liquidity risk

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

Time to maturity	2025/26 £000s	2024/25 £000s
Not over 1	45,225	32,225
Over 1 but not over 2	8,225	25,225
Over 2 but not over 5	24,674	24,674
Over 5 but not over 10	119,924	122,591
Over 10 but not over 20	131,391	136,949
Over 20 but not over 30	104,800	49,800
Over 30 but not over 40	90,600	140,600
Over 40	45,500	150,500

Time to maturity	2025/26 £000s	2024/25 £000s
Uncertain date*	40,000	50,000
Total	610,339	732,564

*The Council has £50m of 'Lender's option, borrower's option' (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. £40m of these LOBO loans have option dates in 2026-27. Due to current lower interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

Market risk

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

Interest Rate Risk

The Council is exposed to risks arising from movements in interest rates. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in the Provision of Services. The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2026, £226.9m (2025: £188.7m) of net principal borrowed (i.e. borrowing net of investments) was exposed to fixed rates and £40m (2025: £50m) to variable rates.

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

	£000s
Increase in interest payable on variable rate borrowings	500
Increase in interest receivable on variable rate investments	600
Impact on Provision of Services (surplus)	1,100
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of loans and investments at amortised cost*	3,164

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

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

Price Risk

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

	£000s
5% fall in commercial property prices	-2,625
5% fall in equity prices	-6,308

Foreign Exchange Risk

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

Note 41 | Contingent liabilities

Accounting Policy

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

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

The Council has no contingent liabilities as at 31 March 2026.

Note 42 | Subsidiary undertakings

Accounting Policy

Interests in Companies and Other Entities

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

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

Subsidiary Undertakings

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

The powers used are the 'well-being powers' provided to local authorities in Part 1 of the Local Government Act 2000. In 2025/26, in the final, audited EKO LLP accounts, the net assets of the joint operation are £10.4m with an operating loss of -£0.1m.

Note 43 | Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Two schools on the balance sheet as at 31 March 2026 are due to convert to academy status by 1 September 2026 and one school on the balance sheet as at 31 March 2026 is due to convert to academy status by 1 November 2026. The net book value of the assets as at 31 March 2026 is £17.8m. There are nine playing fields on the balance sheet as at 31 March 2026 that are due to convert to academy status during 26-27, the net book value of these is £1.5m.

There have been no events since 31 March 2026, up to the date when these accounts were authorised, that require any adjustment to these accounts.

Note 44 | Other notes

Pension Fund

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

GROUP ACCOUNTS

Introduction

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

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

The following pages include:

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

Basis of Identification of the Group Boundary

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

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

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

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

Global Commercial Services Group Ltd	100% Subsidiary	Consolidated
Commercial Services Trading Ltd	100% Subsidiary	Consolidated
CSG Global Education Ltd	100% Subsidiary	Consolidated
Landscapes for Learning Ltd	100% Subsidiary	Consolidated
Lifecycle Management Group Ltd	100% Subsidiary	Consolidated
Prospects Payroll Ltd	100% Subsidiary	Consolidated
Impact Energy People Partners Ltd	100% Subsidiary	Consolidated
Groupe WF Education	100% Subsidiary	Consolidated
Commercial Services Education Holdings Ltd	100% Subsidiary	Consolidated
Commercial Services Education Ltd	100% Subsidiary	Consolidated
Kent Waste Management LLP	Joint Venture	Not consolidated (dormant)
Consolidated Education Supplies Ltd	100% Subsidiary	Consolidated
Commercial Services Kent Ltd	100% Subsidiary	Consolidated
Bowerhouse II Solar Ltd	100% Subsidiary	Consolidated
Interventions Alliance Local Partnerships Ltd	Joint Venture	Consolidated (equity method)
Hampshire & Kent CS LLP	Joint Venture	Consolidated (equity method)

Luton & Kent CS LLP	Joint Venture	Consolidated (equity method)
Surrey & Kent CS LLP	Joint Venture	Not consolidated
Dudley & Kent CS Ltd	Joint Venture	Not consolidated
Dorset & Kent CS LLP	Joint Venture	Not consolidated
Halton & Kent CS LLP	Joint Venture	Not consolidated
Hackney & Kent CS LLP	Joint Venture	Not consolidated
Swindon & Kent CS LLP	Joint Venture	Not consolidated
Gen2 Property Ltd	100% Subsidiary	Consolidated
Invicta Law Ltd	100% Subsidiary	Consolidated
Cantium Business Solutions Ltd	100% Subsidiary	Consolidated
EDSECO Ltd	100% Subsidiary	Consolidated

Basis of the Preparation of Group Financial Statements

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

Subsidiaries have been consolidated by:

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

As per the table above, where required, joint ventures have been consolidated using the equity method by:

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

Commercial entities

Global Commercial Services Group Ltd (formerly Kent Holdco Ltd) was incorporated on 19 December 2018. It is a company limited by shares and wholly owned by Kent County Council. The principal activity of the company is that of a holding company and it was established as part of a move to a group structure giving Kent County Council a single point of contact with a streamlined management and executive function.

On 1 October 2019 the shareholding for Kent County Trading Ltd (KCTL), Gen2 Property Ltd, Cantium Business Solutions Ltd and the guarantor for EDSECO Ltd were transferred from Kent County Council to Global Commercial Services Group Ltd. At this time KCTL (another holding company) existed with Commercial Services Trading Ltd (CSTL) and Commercial Services Kent Ltd (CSKL) sitting beneath it. To consolidate the groups KCTL was dissolved on 2 January 2024. This leaves Global Commercial Services Group Ltd as the only holding company with all subsidiaries sitting under it.

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

Kent Waste Management (established in 2024) is the only joint venture sitting under CSTL. The other companies are all wholly owned and were acquired between 2020 and 2025. Impact Energy People Partners

was previously called People Tech Services and was shown last year as a joint venture under CSKL but is now wholly owned and sits under CSTL.

Intervention Alliance Local Partnerships is a joint venture owned equally by CSKL and Interventions Alliance. It was incorporated in March 2026.

There are eight recruitment joint ventures sitting under CSKL, these were established between November '18 (Hampshire) and the most recent in February 2026 (Swindon & Kent). Bowerhouse II Solar was purchased in March 2022.

Group Accounting Policies

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

IFRS16

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

Indexation

Indexation of any group holdings will be reviewed either by Kent County Council (KCC) or Global Commercial Services (GCS) and are subject to a final check during the consolidation process.

Group Comprehensive Income and Expenditure Statement

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

Year Ended 31 March 2026

Service	Notes	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Adult Social Care including Public Health	ASCH	1,065,589	-327,531	738,058
Children, Young People & Education	CYPE	1,801,682	-1,430,050	371,632
Growth, Environment & Transport	GET	362,375	-108,466	253,909
Chief Executive's Department	CED	115,301	-46,329	68,972
Deputy Chief Executive's Department	DCED	52,770	-6,194	46,577
Non Attributable Costs including Corporately Held Budgets	NAC	20,651	-10,784	9,867
Groups - GCS Limited		147,127	-47,110	100,017
Group Cost of Services		3,565,495	-1,976,463	1,589,032
Other operating expenditure	12			15,045
Net surplus on trading accounts	G2			-17,570
Financing and investment income and expenditure	13			16,021
Taxation and non-specific grant income	15			-1,678,539
Surplus or deficit on provision of services				-76,011
Share of (Surplus)/Deficit of associate or joint venture				-806
Taxation of Group Entities	G3			692
Group (Surplus)/Deficit	G2			-76,125
Surplus or deficit on revaluation of non-current assets				-23,717
Remeasurement of the net defined benefit liability				57,881
Surplus or deficit from investment in equity instruments designated at fair value through other comprehensive income				-828
Other comprehensive income and expenditure				33,336
Total comprehensive income and expenditure				-42,788

Year Ended 31 March 2025

Service	Notes	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Adult Social Care including Public Health	ASCH	926,996	-309,131	617,866
Children, Young People & Education	CYPE	1,722,603	-1,320,017	402,586
Growth, Environment & Transport	GET	334,632	-72,124	262,508
Chief Executive's Department	CED	24,525	-21,043	3,482
Deputy Chief Executive's Department	DCED	126,732	-10,469	116,264
Non Attributable Costs including Corporately Held Budgets	NAC	17,273	-12,096	5,177
Groups - GCS Limited		132,720	-36,214	96,506
Group Cost of Services		3,285,481	-1,781,092	1,504,389
Other operating expenditure	12			60,669
Net surplus on trading accounts	G2			-17,407
Financing and investment income and expenditure	13			17,124
Taxation and non-specific grant income	15			-1,598,429
Surplus or deficit on provision of services				-33,654
Share of (Surplus)/Deficit of associate or joint venture				-651
Taxation of Group Entities	G3			1,181
Group (Surplus)/Deficit	G2			-33,124
Surplus or deficit on revaluation of non-current assets				-91,920
Remeasurement of the net defined benefit liability				29,336
Surplus or deficit from investment in equity instruments designated at fair value through other comprehensive income				-866
Other comprehensive income and expenditure				-63,450
Total comprehensive income and expenditure				-96,574

Group Movement in Reserves Statement

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

	General Fund and Earmarked Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Profit and Loss Reserve £000s	Total Usable Reserves £000s	Unusable reserves £000s	Total Group Reserves £000s
2025/26							
Balance at 31 March 2025 carried forward	-392,028	-40,313	-175,001	-10,150	-617,491	-2,463,086	-3,080,577
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2025							
Movement in reserves during 2025-26							
Total Comprehensive Expenditure & Income	-188,320			112,195	-76,125	33,336	-42,788
Adjustments between Group Accounts and Kent County Council Accounts	112,862			-112,862			
Net Increase/Decrease before Transfers	-75,458			-667			
Adjustments between accounting basis & funding basis under regulations - Note 12	134,946	-13,245	10,378		132,079	-132,079	0
Net increase/Decrease before Transfers to Earmarked Reserves	59,488	-13,245	10,378	-667	55,954	-98,742	-42,788
Transfer between Usable and Unusable Reserves	0						
Transfers to/from Earmarked Reserves (total of *s on Note 23)							
Increase/Decrease (movement) in Year	59,488	-13,245	10,378	-667	55,954	-98,742	-42,788
Balance at 31 March 2026 carried forward	-333,178	-53,558	-164,623	-10,817	-561,537	-2,561,828	-3,123,365

2024/25	General Fund and Earmarked Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Profit and Loss Reserve £000s	Total Usable Reserves £000s	Unusable reserves £000s	Total Group Reserves £000s
Balance at 31 March 2024 carried forward	- 416,250	-44,234	-163,652	-9,299	-633,434	-2,367,468	-3,000,902
Adjustments on transition to new accounting arrangements for leases	3,738			- 240	3,498	13,401	16,899
Transitional adjustments between accounting basis and funding basis	-4,249				-4,249	4,249	-
Adjusted balance at 1st April 2024	-416,761	-44,234	-163,652	-9,539	-634,185	-2,349,818	-2,984,003
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2024	-						-
Movement in reserves during 2024-25							
Total Comprehensive Expenditure & Income	-143,514			110,391	-33,124	-63,450	-96,574
Adjustments between Group Accounts and Kent County Council Accounts	111,002			-111,002			
Net Increase/Decrease before Transfers	-32,512	-	-	-611			
Adjustments between accounting basis & funding basis under regulations - Note 12	57,246	3,921	-11,349		49,818	-49,818	-
Net increase/Decrease before Transfers to Earmarked Reserves	24,733	3,921	-11,349	-611	16,694	-113,268	-96,574
Transfer between Usable and Unusable Reserves	-	-	-	-	-	-	-
Transfers to/from Earmarked Reserves	-	-	-	-	-	-	-
Increase/Decrease (movement) in Year	24,733	3,921	-11,349	-611	16,694	-113,268	-96,574
Balance at 31 March 2025 carried forward	-392,028	-40,313	-175,001	-10,150	-617,491	-2,463,086	-3,080,577

Group Balance Sheet

The Balance sheet shows the value of the assets and liabilities recognised by the group at 31 March 2026.

	Notes	31 March 2026 £000s	31 March 2025 £000s
Property Plant & Equipment	16	3,878,692	3,806,499
Right of Use Asset		47,702	49,896
Heritage Assets	20	7,694	8,725
Investment Property	17	39,587	43,317
Net Investment in finance sublease (added by Companies)		5,860	6,261
Intangible assets		9,695	10,033
Investments in associates and joint ventures		1,002	847
Long-term investments	G8	287,328	300,546
Long-term debtors	G4	53,213	58,138
Deferred tax asset		91	43
Total Long-Term Assets		4,330,862	4,284,305
Inventories		5,671	7,447
Assets held for sale (<1yr)		4,238	692
Short-term debtors	G4	489,572	391,360
Short-term investments	G8	3,313	42,690
Cash and Cash equivalents	G6	51,552	160,603
Current tax asset	G5	194	239
Total Current Assets		554,541	603,031
Temporary borrowing	G8	-72,548	-90,510
Short-term Lease Liability	38/G9	-25,296	-23,092
Short-term provisions	25	-41,848	-24,545
Creditors	G5	-479,972	-479,125
Current tax liability	G5	-614	-654
Cash & Cash Equivalents	G6	-64,730	-40,297
Total Current liabilities		-685,008	-658,223
Creditors due after one year	G5	-13,998	-14,488
Provisions	25	-11,661	-8,825
Long-term borrowing	G8	-548,584	-650,338
Long-term Lease Liabilities		-44,496	-47,136
Other Long-Term Liabilities:	G8/37	-239,905	-243,252
Deferred tax liability		-580	-747
Capital Grants Receipts in Advance	15	-217,801	-183,746
Total Long-Term Liabilities		-1,077,025	-1,148,532
Net Assets/(Liabilities)		3,123,370	3,080,582
Usable Reserves		-561,538	-617,492
Unusable Reserves		-2,561,832	-2,463,090
Total Reserves		-3,123,369	-3,080,582

Group Cash Flow Statement

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

	Notes	2025/26 £000s	2024/25 £000s
Net (Surplus) or deficit on the provision of services		-76,010	-33,655
Adjustments to net surplus or deficit on the provision of services for non cash movements	G9	-135,861	-230,086
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	G9	215,394	218,667
Taxation		903	1,031
Net cash flows from operating activities		4,426	-44,043
Investing Activities	G10	-9,426	18,293
Financing Activities	G11	138,484	53,073
Net increase (-) or decrease in cash and cash equivalents		133,484	27,323
Cash and cash equivalents at the beginning of the reporting period		120,306	147,628
Cash and cash equivalents at the end of the reporting period	G6	-13,178	120,305

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

Note G1 | Critical Judgements

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

Use of unaudited accounts for Group Accounts consolidation

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

Consideration of IFRS 15 - Revenue from Contracts with Customers

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

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

Elimination of Income and Expenditure

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

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

Note G2 | Reconciliation of Group CIES

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

	2025/26 £000s	2024/25 £000s
(Surplus) or deficit per single entity Comprehensive Income and Expenditure Statement	-79,968	-32,907
Adjustment removing fair value gain/loss included in the single entity accounts as part of Group Accounts consolidation.	4,511	394
(Surplus) or deficit attributable to subsidiaries	-667	-611
Total Group (Surplus) or Deficit	-76,125	-33,124

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

	2025/26 £000s	2024/25 £000s
Net Surplus on Trading accounts per single entity Comprehensive Income and Expenditure Statement	-3,716	-5,835
KCS and Laser expenditure with Subsidiaries	-14,698	-12,038
KCS and Laser income generated through sales to Subsidiaries	844	466
	-17,570	-17,407

Note G3 | Tax Expenses of Group Entities

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

	2025/26 £000s	2024/25 £000s
Tax in respect of the current year	735	1,171
Adjustment in respect of prior years	205	-78
Deferred tax in respect of the current year	-248	152
Deferred tax on actuarial loss/(gain) for the year	0	-64
Impact of the change in tax rates recognised in the Comprehensive Income and Expenditure Statement	0	0
Total Taxation Expenses	692	1,181

Note G4 | Debtors

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

	Short-Term Debtors		Long-Term Debtors		Total Debtors	
	31 March 2026 £000s	31 March 2025 £000s	31 March 2026 £000s	31 March 2025 £000s	31 March 2026 £000s	31 March 2025 £000s
Medway Council	0	0	25,608	26,674	25,608	26,674
Recoverable VAT	58,638	29,020	-	-	58,638	29,020
Trade Receivables	87,652	143,508	-	-	87,652	143,508
Payments in Advance	39,722	39,187	-	-	39,722	39,187
General Debtors	303,561	179,645	39,035	43,562	342,596	223,208
IFRS16 adjustment	-	-	-11,430	-12,099	-11,430	-12,099
	489,573	391,360	53,213	58,138	542,786	449,498

Note G5 | Creditors

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

	Short-Term Creditors		Long-Term Creditors		Total Creditors	
	31 March 2026 £000s	31 March 2025 £000s	31 March 2026 £000s	31 March 2025 £000s	31 March 2026 £000s	31 March 2025 £000s
Receipts in Advance	89,719	104,388	-	-	89,719	104,388
VAT Payable	3,508	3,058	-	-	3,508	3,058
Contract Liabilities	8,175	7,273	-	-	8,175	7,273
Other HMRC Liabilities	2,456	2,216	-	-	2,456	2,216
Deferred Income	15,952	16,047	13,567	13,955	29,519	30,002
General Creditors	360,777	346,796	431	533	361,208	347,329
	480,587	479,779	13,998	14,488	494,585	494,266

Note G6 | Cash & Cash Equivalents

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

	31 March 2026 £000s	31 March 2025 £'000s
Single Entity Cash and Bank balances	-64,730	-40,297
Subsidiary cash and bank balances	17,462	17,624
Call accounts (same day access funds)	34,090	142,979
Total Group Cash and Cash Equivalents	-13,178	120,306

Note G7 | Reserves

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

	2024/25 Usable Reserves	2025/26 Usable Reserves
	Retained Earnings	Retained Earnings
	£000s	£000s
Adjustments due to IFRS 16	-250	0
Balance at 1 April	-9,547	-10,150
Profit/(Loss) for the year	-6,111	-1,467
Adjustment for Prior Year Acquisition	8	0
Dividends paid/declared	5,500	800
Balance at 31 March	-10,150	-10,817

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

Note G8 | Financial Instruments

Categories of Financial Instruments

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

Financial Assets

	31 March 2026		31 March 2025	
	Long Term £000s	Short Term £000s	Long Term £000s	Short Term £000s
Investments				
- Fair value through profit or loss	196,539	27,450	189,095	132,979
- Amortised cost	90,789	9,953	111,451	52,690
	287,328	37,403	300,546	185,669
Debtors				
- Amortised cost	39,045	379,043	41,507	313,657
- Amortised cost - Soft	14,168	12,169	16,631	9,496
Loans				
- Non financial assets	0	98,360	0	68,207
	53,213	489,572	58,138	391,360
Cash & Cash Equivalents	0	17,462	0	17,624
Total	340,541	544,437	358,684	594,653

Financial Liabilities

	31 March 2026		31 March 2025	
	Long Term £000s	Short Term £000s	Long Term £000s	Short Term £000s
Borrowing				
- Amortised cost	548,583	72,548	650,338	90,510
- Non financial liabilities	216,705	25,296	230,288	23,092
	765,289	97,844	880,626	113,602
Creditors				
- Amortised cost	431	368,952	533	354,069
- Non financial liabilities	13,567	111,635	13,955	125,709
	13,998	480,587	14,488	479,778
Cash & Cash Equivalents	0	64,730	0	40,297
Total	779,287	643,161	895,114	633,677

Note G9 | Cash Flow - Group Operating Activities

The cash flows for operating activities include the following items:

	2025/26 £'000	2024/25 £'000
Interest received	-15,909	-22,141
Interest paid	44,308	52,263
Employee Costs	1,195,886	1,120,290
Income from Council Tax	-1,074,612	-1,010,469
Government Grants	-2,145,334	-1,955,249
	2025/26 £'000	2024/25 £'000
The Surplus or Deficit on the Provision of Services has been adjusted for the following non-cash movements		
Movement in pension liability	48,514	34,871
Carrying amount of non-current assets sold	-39,312	-80,940
Carrying amount of Capital Inventory sold	-1,333	-187
Carrying amount of Financial Assets held at FVPL	11,954	3,056
Amortisation of fixed assets	-1,784	-1,579
Depreciation of fixed assets	-127,254	-119,727
Depreciation of right of use assets	-600	-536
Impairment and downward valuations	-2,277	-5,037
Increase/(decrease) debtors	85,361	-19,749
(Increase)/decrease creditors	-16,904	12,121
Increase/(decrease) stock	-1,776	-1,497
Change in provisions	-162	-109
Movement on investment properties	-3,485	470
REFCUS	-74,134	-54,219
Other non-cash items charged to the net surplus/deficit on the Provision of Services	-13,087	-10
Negative Goodwill	0	2,036
IFRS16 back to back leases initial profit recognition	417	949
	-135,862	-230,087
The Surplus or Deficit on the Provision of Services has been adjusted for the following items that are investing and financing activities		
Proceeds from the sale of property plant and equipment, investment property, and intangible assets	28,711	22,927
Other adjustments for items included in the net Surplus or Deficit on the provision of service that are investing or financing activities:		
Payment of Collection Fund Deficit	0	0
Capital grants applied	186,683	195,740
	215,394	218,667

Note G10 | Group Cash Flow Statement - Investing Activities

	2025/26 £000s	2024/25 £000s
Purchase of property, plant and equipment, investment property, and intangible assets	303,161	266,483
Purchase of short-term and long-term investments	2,248,238	2,146,632
Proceeds from sale of property, plant and equipment, investment property, and intangible assets	-26,188	-21,727
Proceeds from capital inventory	-1,400	-243
Proceeds from short-term and long-term investments	-2,308,608	-2,133,472
Other receipts from investing activities	-224,628	-239,380
Net cash flows from investing activities	-9,425	18,293

Note G11 | Group Cash Flow Statement - Financing Activities

	2025/26 £000s	2024/25 £000s
Cash receipts of short- and long-term borrowing	-500	0
Other receipts from financing activities	-2,899	-2,554
Relating to finance leases and on-balance sheet PFI contracts	14,158	12,967
Repayments of short- and long-term borrowing	122,225	39,560
Other payments from financing activities	5,500	3,100
Net cash flows from financing activities	138,484	53,073

KENT PENSION FUND ACCOUNTS

The following financial statements are included in the Kent Pension Fund's Annual Report and Accounts 2025-26 available from the Fund's website at www.kentpensionfund.co.uk.

Fund Account for the year ended 31 March:

	Notes	2025-26 £000	2024-25 £000
Dealings with members, employers and others directly involved in the Fund			
Contributions	7	371,882	352,490
Transfers in from other pension funds	8	21,162	24,781
		393,044	377,270
Benefits	9	-353,466	-332,551
Payments to and on account of leavers	10	-15,269	-16,129
		-368,735	-348,680
Net additions from dealings with members		24,309	28,590
Management expenses	11	-55,868	-40,132
Net withdrawals including fund management expenses		-31,559	-11,541
Returns on investments			
Investment Income	13	188,885	169,754
Taxes on Income		0	-228
Profit on disposal of investments and changes in the market value of investments	15a	809,404	151,075
Net return on investments		998,289	320,601
Net increase in the net assets available for benefits during the year		966,730	309,060
Opening net assets of the scheme		8,451,611	8,142,551
Closing net assets of the scheme		9,418,341	8,451,611

Net Assets Statement as at 31 March

	Notes	2025-26 £000	2024-25 £000
Investment assets		9,429,125	8,449,146
Investment liabilities		-4,638	-781
Net investment assets	15	9,424,486	8,448,364
Current assets	21	38,346	39,602
Current liabilities	22	-44,490	-36,356
Net assets available to fund benefits at the period end		9,418,341	8,451,611

Note 1 | Description of the Fund

General

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

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

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

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

Membership

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

There are 265 employers actively participating in the Fund and the profile of members is as detailed below:

	Kent County Council 31-Mar-26	Kent County Council 31-Mar-25	Other Employers 31-Mar-26	Other Employers 31-Mar-25	Total 31-Mar-26	Total 31-Mar-25
Contributors	21,644	21,870	33,515	33,843	55,159	55,713
Pensioners	27,641	26,548	27,584	25,988	55,225	52,536
Deferred Pensioners	34,316	34,033	40,328	37,647	74,644	71,680
Total	83,601	82,451	101,427	97,478	185,028	179,929

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2026. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2025. Employers' contribution rates consist of a primary rate (representing the rate required to meet the cost of future accrual of benefits) and a secondary rate, which is an adjustment to the primary rate for employer specific circumstances (e.g. to allow for deficit recovery). Currently, employers' primary contribution rates range from 10.1% to 37.4% of pensionable pay.

Benefits

Pension benefits under the LGPS are based on the following:

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

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

Note 2 | Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2025-26 financial year and its position at 31 March 2026.

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2025-26 which is based upon International Financial Reporting Standards, as amended for the UK public sector. The accounts are prepared on a going concern basis.

The following International Financial Reporting Standards have been issued but are not yet effective for accounting period beginning before 1 January 2027, and therefore have not yet been adopted by the Fund in these 2025/26 accounts: IFRS 18 (Presentation and Disclosure in Financial Statements); IFRS 19 (Subsidiaries without Public Accountability: Disclosures); and the amendments to IAS 21 (The Effects of Changes in Foreign Exchange Rates – Translation to Hyperinflationary Presentation Currency). These standards are expected to be adopted by the CIPFA Code for the 2026/27 financial year. It is not anticipated that any of these amendments will have a material impact on the Pension Fund.

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

Going concern

The Statement of Accounts has been prepared on a going concern basis. The vast majority of employers in the pension scheme are scheduled bodies that have secure public sector funding, and therefore there should be no doubt in their ability to continue to make their pension contributions. Following the latest actuarial valuation and schedule of employer contribution prepayments, the Pension Fund has reviewed its cashflow forecast and is confident in its ability to meet its ongoing obligations to pay pensions from its cash balance for at least 12 months from the date of signing the accounts. In the event that investments need to be sold, 81% of the Fund's investments can be converted into cash within 3 months.

Note 3 | Summary of significant accounting policies

Fund Account - revenue recognition

a) Contribution income

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

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

b) Transfers to and from other schemes

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

c) Investment income

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

Fund Account - expense items

d) Benefits payable

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

e) Taxation

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

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

f) Management expenses

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

Net Assets Statement

g) Financial assets

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

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

- Quoted investments are stated at market value based on the closing bid price quoted on the relevant stock exchange on the final day of the accounting period.
- Fixed income securities (bonds) are recorded at net market value based on their current yields
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager
- Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published

by the respective fund managers. The valuation standards followed by the managers are in accordance with the industry guidelines and the constituent management agreements. Such investments may not always be valued based on year end valuation as information may not be available, and therefore will be valued based on the latest valuation provided by the managers adjusted for cash flow and foreign exchange rate movements to the year end.

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

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

h) Freehold and Leasehold Properties

The freehold and leasehold properties were valued at open market prices in accordance with the valuation standards laid down by the Royal Institution of Chartered Surveyors. The last valuation was undertaken by Colliers International, as at 31 December 2025. The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm's length terms. The results of the valuation have then been indexed in line with the MSCI Monthly Index movement to 31 March 2026. The indexation is carried out by DTZ, who are managers of the Fund's direct property portfolio.

i) Derivatives

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

j) Foreign currency transactions

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

k) Cash and cash equivalents

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

l) Financial liabilities

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

m) Actuarial present value of promised retirement benefits

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

n) Contingent assets and liabilities

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

o) Pooling expenses

For the financial year 2025/26, the Fund is a member of the ACCESS pool, a group of 11 LGPS Administering Authorities who, as part of a Government initiative, had agreed to pool their investments to achieve cost and scale benefits. Pooling costs included in the Fund's accounts reflect the Fund's proportion of the cost of the governance arrangements of the pool.

p) Additional voluntary contributions

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

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

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

Changes in accounting policies are only made when required by accounting practice or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Fund's financial position or performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

An immaterial prior period adjustment (PPA) has been identified relating to the classification of investment income. The adjustment represents a reclassification between equity and CCE income only and has no impact on the Fund's net assets or overall financial position. Comparative figures have been restated accordingly within the investment income note.

Note 4 | Critical judgements in applying accounting policy

The Fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants with rental periods. In applying its accounting policies, the Fund exercises judgement in determining whether lease arrangements for directly held properties constitute finance or operating leases under IFRS 16. This assessment requires consideration of the extent to which the lease terms transfer control or substantially all risks and rewards of ownership to the tenants.

Following evaluation of the substance of the Fund's lease arrangements, including lease duration relative to the economic life of the properties, purchase options, and exposure to changes in fair value and residual value risk, it has been concluded that the Fund retains control and substantially all the risks and rewards of ownership. Accordingly, the leases have been classified as operating leases and the properties are retained within the investment portfolio at fair value.

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

Item	Uncertainties	Effect if actual results differ from assumption
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £105m. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approx. £5m, and a one year increase to the life expectancy assumptions would increase the value of the liabilities by approx. £240m.
Private equity and infrastructure 3 investments (Note 17)	Valuation of unquoted private equity and infrastructure investments is highly subjective and inherently based on forward looking estimates and judgements involving many factors. They are valued by the investment managers using guidelines set out in the British Venture Capital Association.	The total private equity and infrastructure, which are level 3 investments, on the financial statements are £856m. Potential change in valuation due to changes in these factors is estimated in Note 17.
Freehold and leasehold property and pooled property funds (Note 17)	Valuation techniques are used to determine the fair values of directly held property and pooled property funds. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property.	The effect of 10% variations in the factors supporting the valuation would be an increase or decrease in the value of directly held property and property pooled funds of £92m on a fair value of £917m. Details of potential factors affecting the valuation are in Note 17.

Note 6 | Events after the reporting date

There have been no events since 31 March 2026, up to the date when these accounts were authorised, that require or do not require any adjustment to these accounts.

On 1 April 2026, the Kent Pension Fund became a shareholder in the Border to Coast Pensions Partnership to commence the new pooling arrangements. This follows on from the Fund's earlier decision to transition from ACCESS to Border to Coast, as a result of the Government's Fit for the Future reforms, with the necessary governance and shareholder arrangements completed for membership from 2026/27.

Given this event occurred after the reporting date, this has had no impact on the financial statements of 2025/26. Any related shareholding and associated transactions will be reflected in future financial statements, starting at 2026/27.

Following the Government's Access and Protections consultations, which included proposals to reinstate access to the Scheme for elected members, eligibility for councillors to join the LGPS was reintroduced with effect from 11 May 2026.

This change has been implemented through amendments to the Local Government Pension Scheme Regulations 2013 (as amended) and reinstates councillors as eligible members, aligning the position in England with other UK jurisdictions.

As this change became effective after the reporting date of 31 March 2026, it has no impact on the measurement of membership, contributions or pension liabilities at that date. This is being treated as a non-adjusting post balance sheet event, and no adjustments have been made to the financial statements as at 31 March 2026.

Finally, on the 7th of September 2026, the Government announced a pause to the Local Government Reorganisation (LGR) programme affecting Kent and Medway while it undertakes a full review of the process. The review follows updated legal advice and is intended to ensure that any future changes are lawful, robust and aligned with the Government's wider plans for public sector reform.

Before the pause, the Government had decided that the current two-tier system of local government in Kent would be replaced by four new unitary authorities. This would have involved the abolition of Kent County Council, Medway Council and the county's district and borough councils, with new councils due to assume responsibilities from 2028.

As a result of the review, no immediate changes will be made to local government structures in Kent and Medway. Existing councils will continue to operate as normal, and local elections scheduled for May 2027 will now take place using current council boundaries. The Government has stated that it remains committed to effective and sustainable local government but wants to ensure that future arrangements deliver the best outcomes for communities.

For members of the Kent Pension Fund, the pause does not affect the administration or payment of pension benefits. The Fund will continue to be administered as usual, and members do not need to take any action. Pension services and governance arrangements remain unchanged while the Government's review is carried out.

The Government has not yet confirmed a timetable for completing the review or whether the previously proposed reorganisation model will proceed. The Kent Pension Fund will continue to monitor developments and any changes will be reflected in future financial statements. However, at this time, there is no impact upon the Fund or these financial statements as at 31 March 2026.

Note 7 | Contributions receivable

	2025-26 £000	2024-25 £000
By category		
Employees' contributions	81,920	76,820
Employers' contributions		
-normal contributions	265,038	250,048
-deficit recovery contributions	19,017	20,138
-augmentation contributions	5,907	5,485
Total Employers' contributions	289,962	275,671
Total contributions receivable	371,882	352,490
By type of employer		
Kent County Council	130,382	123,564
Scheduled bodies	221,058	205,491
Admission bodies	20,441	23,436
	371,882	352,490

Note 8 | Transfers in from other pension funds

	2025-26 £000	2024-25 £000
By category		
Individual	21,162	24,781
Group	0	0
	21,162	24,781

Note 9 | Benefits payable

By Category	2025-26 £000	2024-25 £000
Pensions	289,203	276,634
Retirement commutation and lump sum benefits	55,350	47,587
Death benefits	8,913	8,330
	353,466	332,551
By type of employer		
Kent County Council	150,169	146,244
Scheduled bodies	180,713	165,802
Admission bodies	22,584	20,505
	353,466	332,551

Note 10 | Payments to and on account of leavers

	2025-26 £000	2024-25 £000
Group transfers	0	0
Individual transfers	13,453	14,536
Payments/refunds for members joining state scheme	2	3
Refunds of contributions	1,814	1,591
	15,269	16,129

Note 11 | Management expenses

	Notes	2025-26 £000	2024-25 £000
Administration costs		6,744	5,841
Governance and oversight costs		1,921	1,297
Investment management expenses	12	46,876	32,615
Audit fees		148	149
Pooling expenses		179	229
		55,868	40,132

The audit fees disclosed above excludes VAT. The amount includes fees of £136,773 relating to the 2025/26 external audit with the balance being related to 2023/24 and 2024/25 audits.

Included within the 2025/26 audit fee is a proposed fee of £3,500 in respect of an IAS 19 assurance letter to be issued to the National Audit Office (NAO). The balance also includes a fee of £3,500 in respect of an IAS 19 assurance letter issued for the prior year and a fee of £7,530 in relation to ISA 315. These amounts are outside the PSAA scale and have been separately agreed.

Note 12 | Investment management expenses

	Notes	2025-26 £000	2024-25 £000
Investment managers fees	12a	33,520	29,817
Transaction costs		13,301	2,741
Custody fees		55	57
Total		46,876	32,615

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

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

12a. Investment management fees

	2025-26 £000	2024-25 £000
Bonds	4,730	4,433
Equities	17,015	14,411
Private equity / infrastructure	8,511	7,855
Property	3,265	3,118
Total	33,520	29,817

Note 13 | Summary of income from investments

	Notes	2025-26 £000	2025-26 %	2024-25 £000 (Restated)	2024-25 % (Restated)
Bonds		17,573	9.3	16,798	9.9
Equities		0	0.0	5,059*	3.0%
Pooled investments		111,604	59.1	100,522	59.2

	Notes	2025-26 £000	2025-26 %	2024-25 £000 (Restated)	2024-25 % (Restated)
Private equity / infrastructure		16,247	8.6	9,423	5.6
Property	14	20,599	10.9	13,045	7.7
Pooled property investments		10,739	5.7	11,257	6.6
Cash and cash equivalents		12,075	6.4	13,535*	8.0*
Stock lending and miscellaneous		47	0.0	115	0.1
Total before taxes		188,885	100.0	169,754	100.0

*Comparative information for the year ended 31 March 2025 has been restated to correct a misclassification where cash and cash equivalents income had previously been classified as equities income. This adjustment has been made to ensure the correct presentation and classification of investment income. The net impact on this note and on the overall financial position of the Fund was nil.

	Notes	As previously reported £000	Restatement £000	Restated 2024-25 £000	As previously reported %	Restatement %	Restated %
Bonds		16,798	0	16,798	9.9	0.0	9.9
Equities		14,411	-9,352	5,059	8.5	-5.5	3.0
Pooled investments		100,522	0	100,522	59.2	0.0	59.2
Private equity / infrastructure		9,423	0	9,423	5.6	0.0	5.6
Property	14	13,045	0	13,045	7.7	0.0	7.7
Pooled property investments		11,257	0	11,257	6.6	0.0	6.6
Cash and cash equivalents		4,183	0	13,535	2.5	5.5	8.0
Stock lending and miscellaneous		115	0	115	0.1	0.0	0.1
Total before taxes		169,754	0	169,754	100.0	0.0	100.0

Note 14 | Property income and expenditure

	2025-26 £000	2024-25 £000
Rental income from investment properties	32,708	24,503
Provision for doubtful debts	-3,347	-4,282
Direct operating expenses	-8,762	-7,176
Net operating income from property	20,599	13,045

Note 15 | Investments

	Market Value as at 31 March 26 £000	Market Value as at 31 March 25 £000
Investment assets		
Bonds	436,820	415,195
Equities	0	0
Pooled investments		
Fixed income	901,560	856,819
Equities	5,601,975	4,892,344
Absolute return	470,115	430,001
Private equity/infrastructure funds	856,395	833,484
Property	714,804	473,188
Pooled property investments	202,540	231,081
Derivatives-forward currency contracts	236	369
Investment cash and cash equivalents	229,414	306,353
Investment income due	11,324	10,314
Amounts receivable for sales	0	0
Margin cash	3,942	0
Total investment assets	9,429,125	8,449,146
Investment liabilities		
Amounts payable for purchases	0	0

	Market Value as at 31 March 26 £000	Market Value as at 31 March 25 £000
Margin cash liability	0	-688
Derivatives-forward currency contracts	-4,638	-94
Total investment liabilities	-4,638	-781
Net investment assets	9,424,486	8,448,364

Investment income due (debtors) includes a sum of £5.8m (2024-25 £6.0m) for rents and service charges payable by tenants of properties owned by the Pension Fund of which there is a high likelihood that a significant portion will not be fully recovered. A provision of £3.3m (2024-25 £4.3m) has therefore been made for doubtful rent debts.

15a. Reconciliation of movements in investments and derivatives

	Market Value as at 31 March 25 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Market Value as at 31 March 26 £000
Bonds	415,195	60,583	-42,033	3,075	436,820
Equities	0	0	0	0	0
Pooled investments	6,179,163	145,009	-90,122	739,600	6,973,650
Private equity/infrastructure	833,484	66,630	-106,214	62,492	856,395
Property	473,188	233,525	0	8,091	714,804
Pooled property investments	231,081	16,907	-40,724	-4,724	202,540
	8,132,110	522,654	-279,093	808,537	9,184,209
Derivative contracts					
- Forward currency contracts	275	1,820,533	-1,826,091	881	-4,402
	8,132,385	2,343,187	-2,105,184	809,419	9,179,806
Other investment balances					
- Investment cash and cash equivalents	306,353	4,188	-160,421	-15	229,414
- Amounts receivable for sales	0				0
- Amounts payable for purchases	0				0

	Market Value as at 31 March 25 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Market Value as at 31 March 26 £000
- Margin cash	-688				3,942
- Investment income due	10,314				11,324
Net investment assets	8,448,364	2,347,376	-2,265,605	809,404	9,424,486
	Market Value as at 31 March 24 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Market Value as at 31 March 25 £000
Bonds	400,903	137,994	-122,757	-946	415,195
Equities	406,065	490,063	-944,550	48,422	0
Pooled investments	5,594,441	1,193,488	-630,510	21,745	6,179,163
Private equity/infrastructure	763,399	69,795	-60,633	60,923	833,484
Property	461,774	4,000	-1,359	8,773	473,188
Pooled property investments	265,421	67,221	-108,848	7,287	231,081
	7,892,002	1,962,562	-1,868,656	146,202	8,132,110
Derivative contracts					
- Forward currency contracts	-981	2,528,269	-2,530,849	3,836	275
	7,891,022	4,490,830	-4,399,505	150,038	8,132,385
Other investment balances					
- Investment cash and cash equivalents	240,140	8,405	-20,080	1,037	306,353
- Amounts receivable for sales	1,247				0
- Amounts payable for purchases	-2,444				0
- Margin cash	1,307				-688
- Investment income due	9,585				10,314
Net investment assets	8,140,856	4,499,235	-4,419,585	151,075	8,448,364

15b. Analysis of derivative contracts

Objectives and policy for holding derivatives

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

Open forward currency contracts

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

Settlement	Currency bought	Bought amount £000	Currency sold	Sold amount £000	Asset value £000	Liability value £000
Up to one month	GBP	59	USD	-78	0	0
Up to one month	GBP	50	USD	-66	0	0
Up to one month	USD	608	GBP	-444	17	0
Up to one month	GBP	441	USD	-608	0	-20
Up to one month	USD	2,844	GBP	-2,066	90	0
Up to one month	GBP	130,404	USD	-178,008	0	-4,588
Up to one month	GBP	623	USD	-847	0	-20
Up to one month	USD	476	GBP	-348	13	0
Up to one month	USD	1,283	GBP	-957	15	0
Up to one month	USD	811	GBP	-607	8	0
Up to one month	USD	1,020	GBP	-763	11	0
Up to one month	USD	704	GBP	-531	3	0
Up to one month	USD	1,329	GBP	-1,001	6	0
Up to one month	USD	578	GBP	-437	2	0
Up to two months	EUR	1,027	GBP	-901	0	-2
Up to two months	GBP	1,087	EUR	-1,241	0	0
Up to two months	GBP	63,982	EUR	-72,987	54	0
Up to two months	EUR	438	GBP	-383	0	0
Up to two months	EUR	448	GBP	-391	1	0

Settlement	Currency bought	Bough amount £000	Currency sold	Sold amount £000	Asset value £000	Liability value £000
Up to two months	EUR	394	GBP	-342	3	0
Up to two months	EUR	413	GBP	-359	4	0
Up to two months	GBP	476	EUR	-548	0	-4
Up to two months	GBP	460	EUR	-530	0	-5
Up to two months	EUR	1,274	GBP	-1,105	10	0
					236	-4,638
Net forward currency contracts at 31 March 2026						-4,402
Prior year comparative						
Open forward currency contracts at 31 March 2025					369	-94
Net forward currency contracts at 31 March 2025						275

15c. Property holdings

	Year ending 31 March 26 £000	Year ending 31 March 25 £000
Opening balance	473,188	461,774
Additions	233,525	4,000
Disposals	0	-1,359
Net increase in market value	8,091	8,773
Closing balance	714,804	473,188

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

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

	Year ending 31 March 26 £000	Year ending 31 March 25 £000
Within one year	27,000	17,023
Between one and five years	65,158	47,626
Later than five years	52,909	32,131
	145,067	96,779

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

15d. Investments analysed by fund manager

	Market Value as at 31 March 2026 £000	Market Value as at 31 March 2026 %	Market Value as at 31 March 2025 £000	Market Value as at 31 March 2025 %
Investments managed in the ACCESS Pool				
Baillie Gifford	961,953	10.2	985,230	11.7
M&G	784,733	8.3	669,267	7.9
Ruffer	205,229	2.2	186,826	2.2
Schroders	1,744,662	18.5	1,426,143	16.9
Columbia Threadneedle	275,461	2.9	207,610	2.5
Robeco	992,254	10.5	840,382	9.9
	4,964,291	52.7	4,315,457	51.1
Investments managed outside the ACCESS Pool				
CQS	295,942	3.1	280,612	3.3
DTZ	824,930	8.8	603,240	7.1
Fidelity	43,730	0.5	45,819	0.5
Goldman Sachs	460,554	4.9	438,513	5.2
HarbourVest	354,533	3.8	326,547	3.9
Impax	73,647	0.8	65,479	0.8
Insight	767,310	8.1	853,325	10.1
Kames	27,225	0.3	26,755	0.3
Kent County Council investment team	204,923	2.2	129,368	1.5
M&G	343,749	3.6	332,277	3.9
Partners Group	420,883	4.5	431,872	5.1
Pyrford	264,885	2.8	243,174	2.9
Sarasin	0	0	920	0.0
Schroders	294,717	3.1	277,915	3.3
YFM	80,979	0.9	75,065	0.9
Link Fund Solutions	2,190	0.0	2,025	0.0

	Market Value as at 31 March 2026 £000	Market Value as at 31 March 2026 %	Market Value as at 31 March 2025 £000	Market Value as at 31 March 2025 %
	4,460,195	47.3	4,132,907	48.9
Total	9,424,486	100	8,448,364	100

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

Investments	31 March 2026 £000	31 March 2026 % of net assets
WS ACCESS Global Equity Core Fund	961,953	10.2
WS ACCESS UK Equity Fund	1,106,905	11.7
LDI Solutions Plus ICAV Active (Insight)	767,310	8.1
WS ACCESS Global Dividend Fund	784,733	8.3
WS ACCESS Global Stars Fund	703,662	7.5
WS ACCESS Global Active Value Fund	637,757	6.8
Investments	31 March 2025 £000	31 March 2025 % of net assets
WS ACCESS Global Equity Core Fund	985,230	11.7
WS ACCESS UK Equity Fund	932,397	11.0
LDI Solutions Plus ICAV Active (Insight)	696,433	8.2
WS ACCESS Global Dividend Fund	669,267	7.9
WS ACCESS Global Stars Fund	639,354	7.6
WS ACCESS Global Active Value Fund	493,746	5.8

15f. Stock lending

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

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

31 March 2026

Loan Type	Market Value £000	Collateral Value £000	Collateral type
Equities	0	0	Treasury Notes and other Government debt
Bonds	25,712	26,571	Treasury Notes and other Government debt
	25,712	26,571	

31 March 2025

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

Note 16 | Financial instruments

16a. Classification of financial instruments

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

	31 Mar 26	31 Mar 26	31 Mar 26	31 Mar 25	31 Mar 25	31 Mar 25
	Fair value through profit and loss £000	Assets at amortised cost £000	Financial liabilities at amortised cost £000	Fair value through profit and loss £000	Assets at amortised cost £000	Financial liabilities at amortised cost £000
Financial assets						
Bonds	436,820			415,195		
Equities	0			0		
Pooled investments	6,973,650			6,179,163		
Property pooled investments	202,540			231,081		
Private equity/infrastructure	856,395			833,484		
Derivative contracts	236			369		
Cash & cash equivalents	215,696	18,592		299,099	20,480	
Other investment balances		15,267			10,314	
Debtors/ receivables		8,268			4,472	
	8,685,337	42,126	0	7,958,391	35,267	0
Financial Liabilities						
Derivative contracts	-4,638			-94		
Other investment balances			0			-688
Creditors			-19,199			-13,524
	-4,638	0	-19,199	-94	0	-14,211
Total	8,680,699	42,126	-19,199	7,958,297	35,267	-14,211

16b. Net gains and losses on financial instruments

Financial assets	31 March 2026	31 March 2025
	£000	£000
Fair value through profit and loss	800,667	141,139
Assets at amortised cost	645	1,163
Total	801,313	142,302

Note 17 | Valuation of assets and liabilities carried at fair value

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation provided
Quoted equities	1	Bid market price on last day of accounting period	Not required	Not required
Quoted bonds	1	Market value on last day of accounting period	Not required	Not required
Quoted pooled investments	1	Net asset value/bid prices on last day of accounting period	Net asset values	Not required
Cash and cash equivalents	1	Carrying value is deemed to be fair value due to short term nature of these instruments	Not required	Not required
Unquoted pooled investments	2	Net asset value/bid prices on last day of accounting period	Net asset values	Not required
Private equity and infrastructure funds	3	Fair values as per international private equity and venture capital guidelines (2022)	Valuation of underlying investment/assets/ companies/EBITDA multiples	Estimation techniques used in valuations, changes in market conditions, industry specific conditions
Pooled property	3	Net asset value/bid prices on last day of accounting period	Net asset values	Asset values can vary based on two key sensitivities: significant changes in yield movement and

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation provided
				estimated rental value movement.
Direct property	3	Independent valuation by Colliers using RICS valuation standards	Market values of similar properties, existing lease terms estimated rental growth, estimated vacancies	Asset values can vary based on two key sensitivities: significant changes in yield movement and estimated rental value movement.
Quoted funds in administration	3	Net asset value/bid prices on last day of accounting period	Net asset values /or if the fund holds illiquid assets, valuation of underlying investment/assets/ companies/EBITDA multiples	If the fund holds illiquid assets, estimation techniques used in valuations, changes in market conditions, industry specific conditions
Forward exchange contracts	2	Market forward exchange rates on the last day of accounting period	Wide range of deals executed in the currency markets, exchange rate risk	Not required
Bespoke fund for equity protection programme assets	2	Net asset value of Fund based on valuation of underlying assets with quoted prices for bond holdings and market prices for derivatives	Wide range of deals executed in the bond holdings but limited comparable transactions for specialist equity derivatives	Valuation of derivatives is affected by the equity and foreign exchange market conditions

Note: Quoted fund in administration refers to the UK equities Fund managed by Link Fund Solutions. Bespoke fund for equity protection programme assets is managed by Insight.

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above, are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2026.

	Assessed valuation range (+/-)	Value as at 31 March 2026 £000	Value on increase £000	Value on decrease £000
Private equity	11.5%	435,512	485,596	385,429
Infrastructure	9.3%	420,883	460,025	381,741

	Assessed valuation range (+/-)	Value as at 31 March 2026 £000	Value on increase £000	Value on decrease £000
Direct and pooled property	10.4%	917,344	1,012,748	821,940
Other level 3 investments	11.5%	2,190	2,442	1,938
Total		1,775,930	1,960,811	1,591,048

	Assessed valuation range (+/-)	Value as at 31 March 2025 £000	Value on increase £000	Value on decrease £000
Private equity	23.4%	401,612	495,589	307,635
Infrastructure	12.6%	431,872	486,288	377,456
Direct and pooled property	8.9%	704,268	766,948	641,588
Other level 3 investments	23.4%	2,025	2,499	1,551
Total		1,539,778	1,751,325	1,328,321

17a. Fair Value Hierarchy

Level 1

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

Level 2

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

Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data and are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. They include private equity, infrastructure and both direct and pooled property investments, the values of which are based on valuations provided by the general partners to the funds in which the Fund has invested. Assurances over the valuation are gained from the independent audit of the accounts. These assets also include investments in quoted funds that were in administration as at 31 March 2026 and are invested in illiquid underlying assets.

These valuations are prepared by the fund managers in accordance with generally accepted accounting principles and the requirements of the law where these companies are incorporated. Valuations are usually

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

	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Values at 31 March 2026				
Financial assets at fair value through profit and loss				
Bonds	436,820			436,820
Equities	0			0
Pooled investments	633,247	6,338,212	2,190	6,973,649
Pooled property investments			202,540	202,540
Private equity and infrastructure			856,395	856,395
Derivatives		236		236
Cash deposits	229,414			229,414
Other investment balances	15,267			15,267
Non- Financial assets at fair value through profit and loss				
Property			714,804	714,804
Financial liabilities at fair value through profit and loss				
Derivatives		-4,638		-4,638
Other investment liabilities	0			0
Net investment assets	1,314,748	6,333,809	1,775,929	9,424,486

	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Values at 31 March 2025				
Financial assets at fair value through profit and loss				
Bonds	415,195			415,195
Equities	0			0
Pooled investments	586,567	5,590,571	2,025	6,179,163
Pooled property investments			231,081	231,081
Private equity and infrastructure			833,484	833,484
Derivatives		369		369
Cash deposits	306,353			306,353
Other investment balances	10,314			10,314
Non- Financial assets at fair value through profit and loss				
Property			473,188	473,188
Financial liabilities at fair value through profit and loss				
Derivatives		-94		-94
Other investment liabilities	-688			-688
Net investment assets	1,317,741	5,590,846	1,539,778	8,448,364

17b. Reconciliation of fair value measurements within level 3

	Private equity £000	Infrastructure £000	Direct and pooled property	Other £000	Total £000
Market value 1 April 2025	401,612	431,872	704,268	2,025	1,539,778
Transfers into level 3					0
Transfers out of level 3					0

	Private equity £000	Infrastructure £000	Direct and pooled property	Other £000	Total £000
Purchases during the year	56,198	10,431	250,432	0	317,062
Sales during the year	-43,566	-62,648	-40,724	0	-146,938
Unrealised gains/ losses	-2,461	14,368	-15,781	165	-3,708
Realised gains/losses	23,729	26,860	19,148	0	69,736
Market value 31 March 2026	435,512	420,883	917,344	2,190	1,775,930

	Private equity £000	Infrastructure £000	Direct and pooled property	Other £000	Total £000
Market value 1 April 2024	387,333	376,066	727,195	2,308	1,492,901
Transfers into level 3					0
Transfers out of level 3					0
Purchases during the year	50,941	18,854	71,221	0	141,017
Sales during the year	-49,683	-10,950	-110,207	0	-170,840
Unrealised gains/ losses	-19,735	47,316	483	-283	27,781
Realised gains/losses	32,756	586	15,577	0	48,919
Market value 31 March 2025	401,612	431,872	704,268	2,025	1,539,778

Note 18 | Nature and extent of risks arising from financial instruments

Risk and risk management

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

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

a) Market risk

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

Other price risk

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

Other price risk - sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Council has determined that the following movements in market price risk are reasonably possible for the 2025-26 reporting period.

Asset Type	Potential Market Movements (+/-)
UK Equities	7.7
Overseas equities	7.7
Emerging market equities	9.8
Global pooled equities incl UK	7.7
Bonds	7.1
Property	10.4
Infrastructure	9.3
Private equity	11.5

The potential price changes disclosed above are based on predicted volatilities calculated by our fund managers. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. Had the market price of the Fund investments increased/decreased in line with

the above, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is shown below):

Asset Type	Value as at 31 March 26 £000	Percentage change %	Value on increase £000	Value on decrease £000
Cash and cash equivalents	229,414	0.0	229,414	229,414
Investment portfolio assets:				
UK equities	0	7.7	0	0
Overseas equities	0	7.7	0	0
Pooled emerging market equities	564,053	9.8	619,330	508,776
Global pooled equities inc UK	5,508,036	7.7	5,932,155	5,083,918
Bonds incl bond funds	1,338,380	7.1	1,433,405	1,243,355
Property pooled funds	202,540	10.4	223,604	181,476
Private equity	435,512	11.5	485,596	385,429
Infrastructure funds	420,883	9.3	460,025	381,741
Derivative assets	236	0.0	236	236
Total	8,699,055		9,383,766	8,014,344

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

Asset Type	Value as at 31 March 25 £000	Percentage change %	Value on increase £000	Value on decrease £000
Cash and cash equivalents	306,353	0.0	306,353	306,353
Investment portfolio assets:				
UK equities	0	15.5	0	0
Overseas equities	0	15.9	0	0
Pooled emerging market equities	408,638	18.0	482,192	335,083
Global pooled equities incl UK	4,913,707	15.9	5,694,986	4,132,427
Bonds incl bond funds	1,272,014	8.0	1,373,775	1,170,253
Property pooled funds	231,081	8.9	251,647	210,515
Private equity	401,612	23.4	495,589	307,635

Asset Type	Value as at 31 March 25 £000	Percentage change %	Value on increase £000	Value on decrease £000
Infrastructure funds	431,872	12.6	486,288	377,456
Derivative assets	369	0.0	369	369
Total	7,965,644		9,091,199	6,840,090

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Fund's direct exposures to interest rate movements as at 31 March 2026 and 31 March 2025 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	31 March 26 £000s	31 March 25 £000s
Cash and cash equivalents	229,414	306,353
Cash balances	4,874	13,227
Bonds		
- Directly held securities	436,820	415,195
- Pooled funds	901,560	856,819
Total	1,572,668	1,591,593

Interest rate risk - sensitivity analysis

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

	Carrying amount as at 31 March 26	Change in year in the net assets available to pay benefits +1%	Change in year in the net assets available to pay benefits +1%
Asset type	£000	£000	£000
Cash and cash equivalents	229,414	0	0
Cash balances	4,874	0	0
Bonds			
- Directly held securities	436,820	-17,691	17,691
- Pooled funds	901,560	-16,960	16,960
Total change in assets available	1,572,668	-34,651	34,651

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

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

Currency risk

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

fluctuations. The following table summarises the Fund's currency exposure excluding the hedged investments as at 31 March 2026 and 2025:

	Asset value as at 31 March 26	Asset value as at 31 March 25
Currency exposure - asset type	£000	£000
Overseas equities	0	0
Overseas pooled funds	5,273,897	4,686,215
Overseas bonds	0	0
Overseas private equity, infrastructure and property funds	775,416	758,419
Non GBP cash	11,585	13,435
Total overseas assets	6,060,898	5,458,069

Currency risk - sensitivity analysis

Following analysis of historical data and expected currency movement during the financial year, in consultation with the fund's investment advisors, the Fund has determined that the following movements in the values of financial assets denominated in foreign currency are reasonably possible for the 2025/26 reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. A relevant strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

	Asset value as at 31 March 26	Change to net assets available to pay benefits +5.6%	Change to net assets available to pay benefits -5.6%
Currency exposure - asset type	£000	£000	£000
Overseas equities	0	0	0
Overseas pooled funds	5,273,897	5,569,236	4,978,559
Overseas bonds	0	0	0
Overseas private equity, infrastructure and property funds	775,416	818,839	731,992
Non GBP cash	11,585	12,234	10,936
Total change in assets available	6,060,898	6,400,308	5,721,488

Currency exposure - asset type	Asset value as at 31 March 25 £000	Change to net assets available to pay benefits +5.5% £000	Change to net assets available to pay benefits -5.5% £000
Overseas equities	0	0	0
Overseas pooled funds	4,686,215	4,943,957	4,428,473
Overseas bonds	0	0	0
Overseas private equity, infrastructure and property funds	758,419	800,132	716,706
Non GBP cash	13,435	14,174	12,696
Total change in assets available	5,458,069	5,758,263	5,157,875

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment of a receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties. Derivative contracts are also covered by margins which provide collateral against risk of default by the counterparties.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Fund's credit criteria. The Fund has also set limits as to the maximum amount that may be placed with any one financial institution. The Fund's cash was held with the following institutions:

	Rating	Balance as at 31 March 26 £000	Balance as at 31 March 25 £000
Money market funds			
Northern Trust Sterling Fund	AAAm	38	187
SSGA Liquidity Fund	AAAm	0	0
Blackrock ICS	AAAm	56,214	11,361
Blackrock USD Government Liquidity Fund	AAAm	6,020	64
Aberdeen Sterling Liquidity Fund	AAAm	17,529	10,766

		Balance as at 31 March 26 £000	Balance as at 31 March 25 £000
	Rating		
Goldman Sachs Liquid Reserve Government Fund	AAAm	10,723	11,425
Aviva Investors Sterling Liquidity Fund	AAAm	52,828	49,777
Federated (PR) Short-term GBP Prime Fund	AAAm	0	0
Deutsche Managed Sterling Fund	AAAm	4,894	2,311
HSBC Global Liquidity Fund	AAAm	0	0
LGIM Liquidity Fund	AAAm	65,827	53,457
Insight Sterling Liquidity Fund	AAAm	0	156,893
		214,073	296,241
Bank deposit accounts			
NatWest SIBA	A+	1,572	1,631
		1,572	1,631
Bank current accounts			
NatWest current account	A+	50	50
NatWest current account - Euro	A+	279	11,922
NatWest current account - USD	A+	4,544	28
Northern Trust - current accounts	AA-	6,943	7,470
Barclays - DTZ client monies account	A+	6,826	2,237
		18,643	21,707
Total cash and cash equivalents		234,288	319,579

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments. The Council has immediate access to the Fund's money market fund and current account holdings.

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2026 are due within one year.

Refinancing risk

The key risk is that the Fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

Note 19 | Funding arrangements

In line with Local Government Pension Scheme (Administration) Regulations 2013 (as amended), the Fund is required to obtain an actuary's funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2025.

The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund and ensure that sufficient funds are available to meet all the benefits as they fall due for payment
- To ensure employer contribution rates are as stable as possible
- To minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so

At the 2025 valuation a maximum deficit recovery period of 8 years (2022 - 11 years) is used for all employers. Shorter recovery periods have been used where affordable. This will provide a buffer for future adverse experience and reduce the interest cost paid by employers. For Transferee Admission Bodies the deficit recovery period is set equal to the future working life of current employees or the remaining contract period, whichever is the shorter.

In the 2025 triennial valuation, the smoothed value of the Fund's assets at the valuation date was £8,595m and the liabilities were £8,259m. The assets therefore, represented 104% (2022 – 102%) of the Fund's accrued liabilities, allowing for future pay increases.

The primary contribution rate for the average employer, including payments to target full funding has decreased from 20.5% to 16.7% of pensionable salaries after the latest valuation. Secondary rates however differ from employer to employer depending upon their funding position and agreed deficit recovery period. The funding level for the Fund as a percentage has increased (due to good investment returns and employer contributions) although this has been partly offset by the changes in the financial assumptions used to calculate the liabilities.

The actuarial valuation has been undertaken on the projected unit method. At individual employer level the projected unit funding method has been used where there is an expectation that new employees will be admitted to the Fund. The attained age method has been used for employers who do not allow new entrants. These methods assess the costs of benefits accruing to existing members during the remaining working lifetime, allowing for future salary increases. The resulting contribution rate is adjusted to allow for any differences in the value of accrued liabilities and the market value of assets.

The 2025 actuarial assumptions were as follows:

Valuation of Assets:	Assets have been valued at a 6 month smoothed market rate
Rate of return on investments (discount rate)	4.9% p.a.
Rate of general pay increases:	
Long term	3.7% p.a.

Valuation of Assets:	Assets have been valued at a 6 month smoothed market rate
Short Term	n/a
Assumed pension increases	2.7% p.a.

Note 20 | Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, every year the Fund's actuary undertakes a valuation of the Fund's liabilities on an IAS 19 basis, using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

Actuarial present value of promised retirement benefits	31 March 26	31 March 25
	£m	£m
Present value of promised retirement benefits	-7,430.1	-7,057.8
Fair value of scheme assets at bid value	9,418.2	8,424.9
Net asset	1,988.1	1,367.1

The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. Based on the latest valuation, the fair value of net assets of the Fund represents 127% of the actuarial valuation of the promised retirement benefits. Future liabilities will be funded from future contributions from employers.

The liability above being calculated on an IAS 19 basis and differs from the results of the 2025 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects a market rate.

Assumptions used:	% p.a.
Salary increase rate	3.90%
Inflation/Pensions increase rate	3.30%/2.90%
Discount rate	6.15%

In December 2018 the Court of Appeal passed the McCloud judgement, which relates to age discrimination in relation to judges and firefighters pensions. The Government subsequently published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases.

The remedy has now been implemented for the LGPS through the Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023, which came into force on 1 October 2023 and applied retrospectively to 1 April 2014.

The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. The remedy provides eligible members with protection for service during the remedy period by comparing their benefits under the CARE scheme compared to those they would

have received if they had remained in the final-salary scheme. Eligible members will receive the more favourable benefits.

For the 2022 valuation, as instructed by the Department of Levelling Up, Housing and Communities (DLUHC), our actuaries had assumed that the legislation will bring forward the changes previously proposed, and had valued the benefits in line with this. The 2022 exercise had estimated the additional costs to be approximately 0.7% of the Fund's liabilities and these had been included in the total liabilities of the Fund at the 2022 valuation. A similar approach has been taken as part of the 2025 triennial valuation with estimates made for active members based on historic data. The liabilities calculated as part of the 2025 valuation reflects the fact that eligible members may receive a pension uplift at retirement if their benefits would have been higher had they continued to accrue service in the discontinued final salary scheme until 31 March 2022.

Note 21 | Current assets

	31 March 26	31 March 25
	£000	£000
Debtors		
- Contributions due - employees	5,833	5,118
- Contributions due - employers	19,371	16,785
	25,204	21,903
Sundry debtors	8,268	4,472
Total debtors	33,472	26,375
Cash	4,874	13,227
Total current assets	38,346	39,602

Note 22 | Current liabilities

	31 March 26	31 March 25
	£000	£000
Creditors		
- Benefits payable	25,291	22,832
- Sundry creditors	19,199	13,524
Total current liabilities	44,490	36,356

Note 23 | Additional voluntary contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, these AVC contributions are not included within the Pension Fund

Accounts. These contributions are paid to the AVC provider directly by the employer and are invested separately from the Pension Fund, with either Utmost Life, Prudential Assurance Company or Standard Life Assurance Company. These amounts are included within the disclosure note figures below.

	Prudential 2025-26 £000	Prudential 2024-25 £000	Standard Life 2025-26 £000	Standard Life 2024-25 £000	Utmost Life 2025-26 £000	Utmost Life 2024-25 £000
Value at 1 April	14,958	12,895	2,422	1,918	245	282
Value at 31 March	18,826	14,958	2,832	2,422	233	245
Contributions paid	5,010	4,047	808	595	0	0

Note 24 | Related party transactions

The Fund is required to disclose material transactions with related parties, not disclosed elsewhere, in a note to the financial statements. During the year each member of the Kent Pension Fund Committee is required to declare their interests at each meeting. None of the members of the Committee or senior officers undertook any material transactions with the Fund. As such, there are no related party transactions with related individuals or any entities where a related individual has control/influence or is a member of key management.

The Kent Pension Fund is administered by Kent County Council and consequently there is a strong relationship between the Council and the Pension Fund.

	2025-26 £000	2024-25 £000
KCC is the largest single employer of members of the Fund and during the year contributed:	98,513	93,395
A list of all contributing employers and amount of contributions received is included in the Fund's annual report available on the pension fund website		
Charges from KCC to the Fund in respect of pension administration, governance arrangements, investment monitoring, legal and other services.	8,764	7,082
Year end balance due to KCC arising out of transactions between Kent County Council and the Fund	-6,077	-7,445

The year end credit balance due to KCC mainly comprises of recharges and of VAT payable to KCC.

24a. Key management personnel

The key management personnel of the Fund for 2025-26 are the Corporate Director Finance as well as the Head of Pensions and Treasury. The Corporate Director Finance charges a proportion of their time to the Kent Pension Fund as part of the County Council's charge for the administration of the Fund. Full details of the salary of Corporate Director Finance can be found in the main accounts of Kent County Council.

Total costs charged to the Fund, including amounts recharged by the Corporate Director Finance, in respect of key management are shown below.

	31 March 26	31 March 25
	£000	£000
Salary	123	125
Allowances	12	12
Other	19	27
Employer's pension contributions	28	17
Total	182	181

Note 25 | Contingent liabilities

The Fund is aware of the 'Virgin Media Ltd v NTL Pension Trustees II Ltd (and others)' case and considers that there is potential for the outcome of this case to have an impact on the Kent Pension Fund. The case affects defined benefit schemes that provided contracted-out benefits before 6 April 2016 based on meeting the reference scheme test. Where scheme rules were amended, potentially impacting benefits accrued from 6 April 1997 to 5 April 2016, schemes needed the actuary to confirm that the reference scheme test was still being met by providing written confirmation under Section 37 of the Pension Schemes Act 1993. In the Virgin Media case the judge ruled that alterations to the scheme rules were void and ineffective because of the absence of written actuarial confirmation required under Section 37 of the Pension Schemes Act 1993. The case was taken to The Court of Appeal in June 2024 and the original ruling was upheld.

The Government has since legislated to address this issue. The Pension Schemes Bill received Royal Assent on 29 April 2026 and became the Pension Schemes Act 2026. The Act includes provisions intended to allow certain historic benefit amendments to be retrospectively validated through written actuarial confirmation, subject to the conditions set out in the legislation.

The Kent Pension Fund is continuing to monitor developments and is awaiting further advice on whether the issue is relevant to the LGPS and the Fund itself. However, at the date of these financial statements, no impact on the Fund has been identified.

Note 26 | Contractual commitments

Outstanding capital commitments (investments) as at 31 March 2026 totalled £289m (31 March 2025: £375m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over the life of each fund.

Note 27 | Contingent assets

31 admitted body employers in the Fund hold insurance bonds and 12 hold guarantees with their Employing Authority to guard against the possibility of being unable to meet their pension obligations. These bonds and guarantees are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

DRAFT

DRAFT | INDEPENDENT AUDITOR'S REPORT | KENT COUNTY COUNCIL FINANCIAL STATEMENTS

Opinion on financial statements

We have audited the financial statements of Kent County Council (the 'Authority') and its subsidiaries and joint ventures (the 'group') for the year ended 31 March 2026, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including material accounting policy information. The notes to the financial statements include the Expenditure and Funding Analysis. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2026 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Corporate Director Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Corporate Director Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 that the Authority's and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2024) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Corporate Director Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Corporate Director Finance with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the financial statements and our auditor's report thereon and our auditor's report on the pension fund financial statements. The Corporate Director Finance is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority and the Corporate Director Finance

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority 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 authority, that officer is the Corporate Director Finance. The Corporate Director Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director Finance is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks, the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 (as amended), the Local Government Act 2003 and the Local Government Act 1972.
- We enquired of management and the Governance and Audit Committee concerning the group and Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

- We enquired of management, internal audit and the Governance and Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. We determined that the principal fraud risk was in relation to:
 - management override of controls, specifically posting inappropriate journals to manipulate results for the year ended 31 March 2026
- Our audit procedures to address the principal fraud risk included:
 - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
 - journal entry testing, with a focus on unusual journal entries and those considered to be high risk; and
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings and defined benefit pension scheme valuations.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it or recognise non-compliance.

- We communicated relevant laws and regulations and potential fraud risks to all engagement team members. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the group and Authority audit team members included consideration of their:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector in which the group and Authority operates
 - understanding of the legal and regulatory requirements specific to the Authority and group including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.
- For components at which audit procedures were performed, we requested component auditors report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2026.

We have nothing to report, except that we identified four significant weaknesses in the Authority's arrangements for the year ended 31 March 2026:

Significant weakness in arrangements identified	Recommendations
Financial Sustainability	
1. Managing cost and savings within adult social care Persistent overspends in Adult Social Care and Health (ASCH) have significantly reduced levels of reserves, creating increased risk for ongoing financial sustainability. This is a continuing significant weakness.	Key recommendation The Authority must place an organisational focus on developing and implementing effective mitigations to manage its financial sustainability risks within ASCH.
2. Managing the Dedicated Schools Grant deficit The Dedicated Schools Grant (DSG) funds education services, but the Authority has been spending more than the provided funding. The Authority's forecast DSG deficits for 2026/27 and 2027/28 are unresolved and this creates risk to ongoing financial sustainability. This is a continuing significant weakness	Key recommendation The Authority must continue to work urgently with partners to deliver the SEND Reform Plan, and to implement and embed the changes it is making, to ensure that the growing DSG deficit is mitigated and the financial risk to the Council relating to the forecast deficits for 2026/27 and 2027/28 is reduced as far as possible to a sustainable level across the medium term.
Governance	
3. Governance and Audit Committee (GAC) effectiveness, member development, member behaviours and cohesion A review of GAC effectiveness highlighted a number of areas for further development. We have identified opportunities for wider member training and targeted activity to help foster member cohesion. Good governance is an integral part of the Authority's effectiveness. This is a new significant weakness.	Key recommendation The Authority should consider the development and implementation of a governance improvement programme.
Improving economy, efficiency and effectiveness	
4. Implementation of the Oracle Cloud Programme	Key recommendation

The Authority's planned implementation of phase two of the Oracle Cloud Programme has been delayed; additional funding has been agreed and a lessons learnt review has been commissioned. Oracle Programme slippage and cost acceleration identifies arrangements in programme delivery have not been optimal and any rebasing of the project will need to be carefully managed by the Authority. This is a new significant weakness.	The Authority must ensure that the findings of the Oracle Cloud Programme Lessons Learned Review are fully incorporated into the governance and delivery arrangements to reduce the risk of further delays and cost escalation. We also recommend the Policy and Resources Cabinet Committee receive regular formal updates to the Oracle Cloud Programme until implementation has been assured.
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Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the relevant guidance issued by the Comptroller and Auditor General. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Kent County Council for the year ended 31 March 2026 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to the Authority's consolidation returns and we have received confirmation from the National Audit Office that the audit of the Whole of Government Accounts is complete for the year ended 31 March 2026. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2026.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been

undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature to follow

Sarah Ironmonger

Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date: **to follow**

DRAFT

DRAFT | INDEPENDENT AUDITOR'S REPORT | KENT PENSION FUND FINANCIAL STATEMENTS

Opinion on financial statements

We have audited the financial statements of Kent Pension Fund (the 'Pension Fund') administered by Kent County Council (the 'Authority') for the year ended 31 March 2026, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2026 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Corporate Director Finance use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Corporate Director Finance conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2024) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Corporate Director Finance use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Corporate Director Finance with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's and group's financial statements. The Corporate Director Finance is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements, the other information published together with the Pension Fund's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority and the Corporate Director Finance

As explained more fully in the Statement of Responsibilities, the Authority 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 authority, that officer is the Corporate Director Finance. The Corporate Director Finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, for being satisfied that they

give a true and fair view, and for such internal control as the Corporate Director Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Corporate Director Finance is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 (as amended), the Local Government Act 2003, Public Service Pensions Act 2013, Local Government Pension Scheme Regulations 2013 and Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016).
- We enquired of management and the Governance and Audit committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, internal audit and the Governance and Audit committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. We determined that the principal fraud risks were in relation to:
 - Management override of controls, particularly through unusual journal entries made during the year which met a range of criteria we set during the course of the audit;
- Our audit procedures to address the principal fraud risks

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
 - journal entry testing, with a focus on entries meeting the criteria determined by the audit team
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it or recognise non-compliance.
 - We communicated relevant laws and regulations and potential fraud risks to all engagement team members. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
 - The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government pensions sector
 - understanding of the legal and regulatory requirements specific to the Pension Fund including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.
 - In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature to follow

Parris Williams,

Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date: **to follow**

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GLOSSARY OF TERMS

Agency - The provision of services by one local authority, on behalf of and reimbursed by the responsible local authority or central government.

Budget - A statement defining the Council's policy over a specified period and expressed in financial or other terms.

Capital expenditure - Expenditure on the provision and improvement of permanent assets such as land, buildings, and roads.

Capital receipts - Money obtained on the sale of a capital asset.

Derivatives - A derivative is a contract that derives its value from the performance of an underlying entity. Common derivatives include forwards, futures, options, and swaps.

Employee expenditure - The salaries and wages of employees together with national insurance, superannuation, and all other pay-related allowances. Training expenses and professional fees are also included.

Fair value - The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Page 31 of the accounts provides clarification of level 2 and 3 inputs.

Government grants - Part of the cost of local government's services is paid for by central government from its own tax income. These grants are of two main types. Some (specific grants and supplementary grants) are for particular services such as Highways and Transportation. Others are in aid of local services generally.

Intangible Assets - Capital spend on items such as software licences and patents.

Local Authority Accounting Panel - The Local Authority Accounting Panel issues LAAP Bulletins to assist practitioners with the application of the requirements of the Code of Practice on Local Authority Accounting, Service Reporting Code of Practice, and the Prudential Code.

Long-term debtors - Amounts due to Kent County Council where payment is to be made over a period of time in excess of one year.

Minimum Revenue Provision (MRP) - The amount that the Council is required to charge to the revenue account each year to provide for the repayment of debt.

Net operating expenditure - This comprises all expenditure minus all income, other than the precept and transfers from reserves.

Non-Delegated - Spend on Education Services which is not delegated to schools.

Precept - The levying of a rate by one authority which is collected by another. Kent County Council precepts upon the district council's collection funds for its income but some bodies, e.g. the Environment Agency, precept upon Kent County Council.

Public Works Loans Board (PWLb) - A Government controlled agency that provides a source of borrowing for public authorities.

Related party transaction - A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party irrespective of whether a charge is made.

Revenue expenditure - Expenditure to meet the continuing cost of services including salaries, purchase of materials, and capital financing charges.

Revenue expenditure funded from capital under statute (REFCUS) - includes expenditure that has been treated as capital expenditure but does not lead to the acquisition by the Council of a tangible asset.

Specific grants - See 'government grants'.

Support service costs - The 'overhead' cost to Service Directorates of support services, such as architects, accountants, and solicitors.

Unusable reserves - Those reserves that the Council is not able to utilise to provide a service.

Usable capital receipts - The proportion of the proceeds arising from the sale of fixed assets that can be used to finance capital expenditure.

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Further information on the accounts can be obtained from the Chief Accountant (please call 03000 41 41 41).

This publication can be made available in alternative formats and can be explained in a range of languages. Please call 03000 41 41 41 or Text Relay 18001 03000 41 41 41.

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Chief Executive's Department - Finance
Sessions House
County Hall
Maidstone
Kent ME14 1XQ

External Tel: (03000) 413095
Ask for: Brendan Arnold
Email: brendan.arnold@kent.gov.uk
Date: 15 October 2026

Dear Grant Thornton UK LLP

Kent County Council

Statement of Accounts for the year ended 31 March 2026

This representation letter is provided in connection with the audit of the financial statements of Kent County Council (the "Authority") and its subsidiary undertakings (the "group") as shown in Appendix I to this letter, for the year ended 31 March 2026 for the purpose of expressing an opinion as to whether the group and Authority financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the group and Authority's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Authority and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the group and Authority financial statements in the event of non-compliance. There has been no non-compliance with

requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of land and buildings, the valuation of the defined benefit pension liability and associated asset ceiling. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities include identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. During the year we evaluated our estimation process for indexation of tangible assets, in line with the requirements of the Code. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for International Accounting Standard 19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the group and Authority financial statements:
 - a. there are no unrecorded liabilities, actual or contingent;
 - b. none of the assets of the group and Council has been assigned, pledged or mortgaged;
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes.

The financial statements are free of material misstatements, including omissions.

- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment. We continue to believe that the group and Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - a. the nature of the group and Authority means that, notwithstanding any intention to cease the group and Authority operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the Authority to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the group and Authority's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Authority's ability to continue as a going concern need to be made in the financial statements

- xiv. The group and Authority has complied with all aspects of ring-fenced grants that could have a material effect on the group and Authority's financial statements in the event of non-compliance.

Information Provided

- xv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the group and Authority's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the group and Authority from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.

- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Authority, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii. We have disclosed to you the identity of the group and Authority's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxv. The disclosures within the Narrative Report fairly reflect our understanding of the group and Authority's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Governance and Audit Committee at its meeting on 15 October 2026.

Yours faithfully

.....

Name: Michael Brown

Position: Chair of the Governance and Audit Committee

Date: 15 October 2026

.....

Name: Brendan Arnold

Position: Corporate Director Finance (S151 Officer)

Date: 15 October 2026

Signed on behalf of the Authority

Appendix I

List of subsidiary undertakings

Global Commercial Services Group Ltd
Commercial Services Kent Ltd
Gen2 Property Ltd
Invicta Law Ltd
EDSECO Ltd (The Education people)
Cantium Business Solution Ltd
Commercial Services Trading Ltd
CSG Global Education Ltd
Landscapes for Learning Ltd
Lifecycle Management Group
Prospect Payroll Ltd
Kent Waste Management LLP
UK Teach Ltd
Groupe WF Education
Commercial Services Education Holdings Ltd (WF Education Group Holdings Ltd)
Bowerhouse II Solar Ltd
Hampshire & Kent CS LLP
Luton & Kent CS LLP
Surrey & Kent CS LLP
Dudley & Kent CS LLP
Dorset & Kent CS LLP
Halton & Kent CS LLP
Hackney & Kent CS LLP
Commercial Services Education Ltd (WF Education Group Ltd)
Impact Energy People Partners Ltd (People Tech Services Ltd)



Grant Thornton UK LLP
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London
EC2M 7EA

Chief Executive's Department - Finance
Sessions House
County Hall
Maidstone
Kent ME14 1XQ

External Tel: (03000) 413095
Ask for: Brendan Arnold
Email: brendan.arnold@kent.gov.uk
Date: 15 October 2026

Dear Grant Thornton UK LLP

Kent Pension Fund

Financial Statements for the year ended 31 March 2026

This representation letter is provided in connection with the audit of the financial statements of Kent Pension Fund (the "Fund") for the year ended 31 March 2026 for the purpose of expressing an opinion as to whether the Fund financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the Fund's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuation of investments, in particular private equity, infrastructure and freehold and leasehold property

and pooled property investment held at level 3 in the fair value hierarchy which have significant unobservable inputs into valuation. The disclosure of the actuarial present value of promised retirement benefits is also a significant estimate. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent;
 - b. none of the assets of the Fund has been assigned, pledged or mortgaged; and
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- ix. The financial statements are free of material misstatements, including omissions.
- x. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xi. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xii. The prior period adjustments disclosed in Note 13 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.
- xiii. We have updated our going concern assessment. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that:
 - a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the Fund to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Fund's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xiv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Fund from whom you determined it necessary to obtain audit evidence.
- xv. We have communicated to you all deficiencies in internal control of which management is aware.
- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xx. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxi. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.
- xxii. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
- xxiii. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.
- xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Approval

The approval of this letter of representation was minuted by the Fund's Governance and Audit Committee at its meeting on 15 October 2026.

Yours faithfully

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Name: Michael Brown

Position: Chair of the Governance and Audit Committee

Date: 15 October 2026

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Name: Brendan Arnold

Position: Corporate Director Finance (S151 Officer)

Date: 15 October 2026

Signed on behalf of the Authority