GOVERNANCE AND AUDIT COMMITTEE

Thursday, 30th October, 2025

10.00 am

Council Chamber, Sessions House, County Hall, Maidstone

Kent County Council
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AGENDA

GOVERNANCE AND AUDIT COMMITTEE

Thursday, 30th October, 2025, at 10.00 am
Council Chamber, Sessions House, County Hall, Maidstone

Ask for: **Ruth Emberley**
Telephone: **03000 410690**

Membership (15)

Reform (8):	Mr M Brown (Chairman), Mr A Cecil, Mr R Palmer, Mr M Paul (Vice-Chair), Ms I Kemp, Mr J Finch and Mr A Kibble *plus 1 Vacancy*
Liberal Democrat (2):	Mr M Munday and Mr G R Samme
Conservative (1):	Mr H Rayner
Labour (1):	Mr A Brady
Green (1):	Mr M A J Hood
Independent Members (2):	Ms C Black and Dr D A Horne

UNRESTRICTED ITEMS

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

1. Introduction/Webcasting
2. Apologies and Substitutes
3. Declarations of Interest in items on the agenda for this meeting
4. Minutes of the meeting held on 24 September 2025 (Pages 1 - 46)

5. Verbal Update on Committee Business (Pages 47 - 60)

6. 2024 / 2025 Draft Statement of Accounts and Annual Governance Statement - Annual Governance Statement to Follow (Pages 61 - 252)

7. 2024/2025 External Auditor's Auditor's Findings Report (Pages 253 - 324)

8. 2024/2025 External Auditor's Letters of Representation (Pages 325 - 338)

9. 2024/2025 External Auditor's Annual Report (Pages 339 - 390)

10. 2024/2025 External Audit Progress Report for Kent Pension Fund (Pages 391 - 450)

11. Verbal Risk Management Update

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 (Monitoring Officer) 03000 416814

Wednesday, 22 October 2025

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.

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 Wednesday, 24 September 2025.

PRESENT: Ms C Black, Mr O Bradshaw, Mr A Brady, Mr M Brown (Chairman), Mr A Cecil, Mr J Finch, Mr M A J Hood, Dr D Horne, Mr M Munday, Mr R Palmer, Mr M Paul (Vice-Chair), Mr H Rayner and Mr G R Samme

ALSO PRESENT: Mr B Collins

IN ATTENDANCE: Ben Watts (General Counsel), John Betts (Interim Finance Director), Amanda Beer (Chief Executive), Simon Jones (Corporate Director of Growth, Environment and Transport), Clare Maynard (Chief Procurement Officer), Mark Scrivener (Head of Risk and Assurance Delivery), Ben Sherreard (Strategic Manager), Mark Rolfe (Head of Community Protection), Katy Reynolds (Governance Advisor) Russell Smith (Interim Head of Internal Audit), Debbie Chisman (Audit Manager), Lee Jones (Audit Manager), James Flannery (Counter Fraud Manager), Sangeeta Surana (Pension Fund and Treasury Manager), Joe McKay (Chief Accountant), Paul Dossett (Grant Thornton), Lucy Nutley (Grant Thornton), Zargham Malik (Grant Thornon) and Ruth Emberley (Democratic Services).

UNRESTRICTED ITEMS

323. Apologies and Substitutes
(Item 2)

Apologies were received from Ms Isabella Kemp.

324. Declarations of Interest in items on the agenda for this meeting
(Item 3)

There were no declarations of Member Interest on any agenda items.

325. Minutes of the meeting held on 3 July 2025
(Item 4)

RESOLVED that the minutes of the meeting which took place on the 3 July 2025 were a correct and accurate record and that a paper copy be signed by the Chair of the Committee.

326. Verbal Update on Committee Business
(Item 5)

1. The Interim Corporate Director of Finance, Mr John Betts, confirmed that Mr Jonathan Idle had left Kent County Council. Homage was paid to Mr Idle's work and achievements during his time as Head of Internal Audit. Mr Russell Smith had been appointed as the interim Head of Internal Audit, with the post planned for advertisement in due course. Mr James Flannery continued as the lead for Counter Fraud.

2. Mr Brady, Mr Hood and Mr Rayner each expressed their gratitude and heartfelt thanks to Mr Idle's work and achievements during his time at the Council.

3. Governance Advisor, Katy Reynolds provided the Committee with the verbal update. Some of the key points were as follows:

   a) Mandatory Governance and Audit Committee inductions were held in July and September. 21 Members attended, which included Committee Members, substitutes and interested Cabinet Members.

   b) Members would be asked to reflect on how the initial induction helped them to prepare for the Committee meetings and they would also be encouraged to give feedback for improvement purposes. This would form part of the Committee Effectiveness, scheduled to take part in May 2026.

   c) Prior to the commencement of the Committee meeting, Members were provided with a short briefing on how to navigate the internal Committee Microsoft Teams site and shown how to access the dashboard.

   d) The response to an action (which featured on the Action Tracker) had been appended to the meeting papers, which had already provided to Members.

4. In response to a Member's question, it was clarified that the appendix which covered earmarked reserves and peppercorn rents was a response to an action raised at a previous meeting.

5. Mr Betts confirmed that the management of risk across the Council and the totality of reserves were included as part of the annual Budget setting and accompanying section 5 statement considerations. It was agreed that arrangements for checking the value of matters covered by earmarked reserves could be included in the Work Programme, if it was not covered in the Budget papers elsewhere.

6. The General Counsel, Mr Ben Watts, explained that on occasion, some topics were covered by both Governance and Audit and Policy and Resources committees. In relation to a question regarding peppercorn rents, contact would be made with the relevant Corporate Director and the Deputy Leader to ensure all relevant questions were covered. It was commented that a list of properties that held a peppercorn rent would be helpful to Members and Mr Watts confirmed that he would reflect with the relevant senior officers to examine how best to present this information to the committee.

RESOLVED that Members noted the verbal update.

327. Draft Annual Governance Statement

(Item 6)

1. The draft Annual Governance Statement was presented by General Counsel, Mr Ben Watts. Mr Watts highlighted the key points to Members, some of which included:

    a) The draft Annual Governance Statement was an honest document which clearly set out difficulties and challenges. Members were asked to acknowledge that these were not unique to Kent and demonstrated the issues most local authorities were faced with.

    b) A review of effectiveness had been carried out to examine the process of continuous improvement.

    c) Mr Watts explained to Members how the Annual Governance Statement was compiled and that it aimed to encourage conversations on areas which required improvement.

    d) The statement identified a range of further actions which needed to be considered and Members were asked to note that the prospect of Local Government Reorganisation had not been considered at the time of drafting. The statement drew on the new cohort of Members and this had been examined from a governance perspective.

2. In answer to some Member comments and questions, the following was said:

    a) It was acknowledged that the system where Members indicated their intention to speak at full Council needed to be reviewed for effectiveness. Mr Watts confirmed that the current voting system installed in the Council Chamber would be examined to see whether it could be adapted. This would be subject to cost and suitability. Mr Watts reminded the Committee that it was in the Chair's gift to call Members in the order and way they saw fit.

    b) At present, the Governance Working Group was not in effect, however, its reintroduction would not be ruled out.

    c) It was acknowledged that some areas of the draft statement needed to be updated, such as the structural changes to the Council and overspend for 2024-2025. These would be reflected in the final version.

    d) Mr Watts indicated one of the follow up actions would be to establish what material improvements had taken place and how they could be substantively felt by the Council as a whole. The emphasis would be on understanding and learning why an issue had occurred to promote improvement and prevention across the organisation. Mr Watts extended an offer of support and potential external facilitation to assist Committee Members to focus on their role and purpose.

    e) A Member voiced his concern regarding the considerable overspend on the Adult Services budget. It was commented that in March/April 2025, the overspend on the budget was approximately £35 million that year and although he was not in receipt of any recent evidence, it was thought to be

significantly more for the current financial year. He commented that the Committee needed to be in an informed position where officers and Members were held to account, and that it was important to establish a mechanism that reflected where saving plans were not being met.

f) In response to the Member's concern, the Deputy Leader of the Council, Mr Collins, replied that funding and spending for Adult Social Care was a countrywide problem, however Mr Collins confirmed that it was at the forefront of the Administration's work.

g) Mr Betts explained that the overspend on adult social care had been reported as part of improved financial governance arrangements. The Annual Governance Statement did not just cover non-delivery of savings, but highlighted factors such as increased demand pressures. Mr Betts confirmed the situation had changed since the previous year, as savings plans had been reviewed and implemented, as well as a more robust process being in place.

h) It was explained that the draft Annual Governance Statement was intended for the prime municipal year but needed to be accurate and reflect the risk and challenges of the organisation at the time of signing. The draft statement was due to come to the Committee in July 2025, however, due to local elections and the new Committee, it was felt that Members would benefit from training first. It was explained to Members that the final version was signed off alongside the audited accounts.

i) Mr Watts confirmed that he would review the representation and signposting within the draft statement to address challenges which were already being reported elsewhere.

RESOLVED that Members COMMENTED and discussed the Draft Annual Governance Statement.

328. Lessons from 2023 / 2024 External Auditor's Annual Report

(Item 7)

1. The Annual Report was presented by Mr Paul Dossett from Grant Thornton. Mr Dossett highlighted the key points and headlines for Member attention.

2. In answer to some Member questions and comments, the following was said:

   a) The use of capital asset disposal to fund revenue is not good accounting or management practice. Whilst capital disposal was used for revenue purposes in an emergency, there was a risk it became self-defeating as it was not a long-term solution.

   b) Mr Watts confirmed that he would take the questions featured on pages 81 and 82 of the Grant Thronton report to the next Corporate Management Team meeting for consideration, alongside other audit issues.

RESOLVED that the Committee NOTED the External Auditor's Lessons from 2023/2024 Annual Report.

329. External Auditor's Progress Report

(Item 8)

1. The report was presented by Lucy Nutley and Paul Dossett from Grant Thornton. Some of the key points highlighted to Members included:

    a) The accounts were published in full by the deadline of 30 June 2025, which was an improvement on the prior year.

    b) Review of accounts identified minor changes and no notable omissions, which Ms Nutley confirmed was good news.

    c) Successful collaborations across the organisation resulted in the Finance and Internal Audit teams working well with the external auditors, resulting in good progress as completion stage approached.

    d) No additional significant material misstatement had been identified and Members were directed to pages 98 and 99 of the report pack which provided a brief update on the work conducted to date on the significant risks, identified by Grant Thornton at planning stage. Members were also directed to page 100 which showed progress on sample testing with the bulk of which being complete.

    e) The accounts and audit findings report were due for presentation at the October 2025 Governance and Audit Committee meeting.

2. In answer to Member comments and questions, the following was said:

    a) LOBO (Lender Option Borrower Option) loans currently held by the Council were financial instruments Grant Thornton reviewed as part of the ongoing accounts work. At present, no information had been provided which indicated the status of the LOBOs in Kent had changed. Whilst the risks associated with LOBOs were recognised, in absence of any information which reflected cause for concern, they were not considered relevant for the 2024 – 2025 accounts or to the financial sustainability of the Council.

    b) Financial instruments, inclusive of LOBOs, would be included in the Treasury Management Strategy. It was explained to Members that this was a long-standing active strategy which managed both cash and debt.

    c) The Treasury Management Group was due to be resurrected, and they would continue to monitor the strategy as part of the governance arrangements in place to manage these risks.

    d) It was confirmed that the briefing session scheduled for 16 October would be circulated to Member diaries, once some final details had been finalised.

    e) It was confirmed that the Government had not announced a definitive direction of travel or figures associated with fair funding 2.0. Lobbying had taken place, in particular with the County Council Network, to ensure cost pressures faced by upper tier county areas were being addressed in the review. A policy document was due for publication and the MHCLG (Ministry of House, Communities and Local Government) Civil Servants had given

assurance that an indication of trajectory of travel and the impact on Kent County Council could be gleaned from that.

f) The External Auditor's sector updates included challenge questions, not always asked during Committee meetings. It was expected that Members would reflect on these questions and ask for a response or an update from officers at a later point. The current aim was to ensure the external audit report contained the sort of questions which Members could ask, alongside their own enquiries.

g) The agenda for the Committee included several standing items for Members to regularly review. It was suggested that Members could meeting to discuss additional items for inclusion on the agenda and officers could assist by suggesting items featured in the both the external and internal audit reports as well as the Annual Governance Statement for Member consideration.

h) On the specific issue of debts owed to, and from, the ICB (Integrated Care Board) it was initially anticipated that the Council would attend binding arbitration however, now mediation was more likely. The meeting was in the process of being set up and planned to take place in the coming weeks. The primary nature of the dispute centred around who was responsible for the cost of patients upon discharge from hospital. It was confirmed that KCC held a detailed list of all individuals and the sums they owed, as well as a process for conclusion.

i) Mr Betts confirmed that, in relation to an earlier point made concerning asylum-seeking children, there was a distinction between children discharged throughout the rest of the country, as all the associated costs were covered by a grant from central government. The local authority covered the share of its individual children, as with any other local authority. It was agreed that the amount the Council spent, and the amount funded by Central Government would be reviewed to establish the most appropriate place for reporting.

3. Members unanimously agreed to ask the relevant officers to review and answer the model questions set out in the Grant Thronton report (pages 102 onwards) and if answers were not available, officers would provide these at the next Committee meeting. Members also agreed this should be added to the Work Programme as a standing item.

4. RESOLVED that the Committee NOTED the External Auditor's Progress Report for assurance; AND

RESOLVED that the Committee REQUESTED that the relevant officers reviewed and provided answers to the model questions set out by External Auditors. If answers were not available, officers would provide these at the next meeting of the Governance and Audit Committee.

RESOLVED that the address of the External Auditor's model answers be added as a standing item to the Governance and Audit Work Programme.

330. 2024/2025 Kent County Council Auditor's Annual Report

(Item 9)

1. The item was presented by Mr Paul Dossett from Grant Thornton.

2. Mr Dossett highlighted to Members that the report was an interim Value for Money report produced annually and presented to full Council. It was clarified that the final version would be included alongside the final Statement of Accounts.

3. It was explained that Auditors were required by the National Audit Office Code of Practice to consider three specific areas: arrangements for financial sustainability, governance arrangements and improvement of economic efficiency and effectiveness. Mr Dossett clarified that if these specific areas were run properly, this would lead into the Council into obtaining value for money

4. The report contained some key recommendations and improvement recommendations and Members were encouraged to view the contents. Two areas of focus in connection with financial sustainability included adult social care spend and the challenge of getting that budget under control and the other being dedicated schools grant and the overspend on that.

5. In terms of economy, efficiency and effectiveness, Mr Dossett commented that the Council was in good form; challenges in the past around procurement strategies were being addressed and no further significant areas had been identified. Mr Dossett acknowledged that the report was reasonably good, albeit the financial challenges remained immense.

6. In answer to some Member questions and comments, the following was said:

    a) Mr Betts explained that reference was made to the importance of resolution to the Dedicated Schools Grant deficit issue, but nothing had been built into the figures as it was not yet known what the resolution would be in respect of LGR (Local Government Reorganisation). MHCLG had indicated that they would make an announcement in December 2025 as part of the year's provisional financial settlement.

    b) It was confirmed that a large majority of local authorities had high need block deficits and that it was a systemic issue. Mr Betts confirmed that it was unusual for Central Government to introduce a statutory override which specified which debts could not be included in a balance sheet. It was confirmed that it was not an issue of scheduled repayment as the funds had already been spent. The Department of Education could either pay off the deficit in whole or in part; ultimately the Council required an adequately resourced national SEND system to prevent an overspend the following year.

    c) Mr Betts confirmed that whilst the repayments to the DofE (Department of Education) were not on track, DofE were satisfied that KCC were doing everything in their scope to contain costs and keep them as low as possible. It was highlighted to Member that this was a systemic issue which underpinned the whole of local Government and not one isolated to Kent.

    d) Mr Dossett confirmed from an external auditor's perspective, the issue had been raised; two choices existed either the Government wrote off the debt and put new arrangements in place or Councils shouldered the debt, meaning that more local authorities would require debt financing from Government.

e) Mr Betts confirmed that the Council had borrowing on the balance sheet and not have uncosted debt. The borrowing occurred to fund assets and was against the likely life of that asset. Sufficient revenue needed to be set aside to repay both the interest accrued over a point time and the debt itself. Any debt or borrowing would not be written off, instead it would be apportioned to the successful authorities following LGR, who would then have to manage how to sustain and manage the debt going forwards.

f) Mr Dossett commented that debt left off the balance sheet needed to be resolved alongside LGR as it could not be left, however this depended on Government making a decision and providing clear guidance on what happened with the debt.

g) The Deputy Leader, Mr Collins, confirmed that whilst it was important that discussion took place with the public, there was no current timetable for LGR, other than the consultation response being submitted to Government by the end of November 2025. An answer/reply was scheduled for late spring, early summer, 2026. Mr Collins confirmed that if LGR proceeded, it was the Authority's intention to consult with the public.

h) Tribute was paid to Mr Tristan Godfrey and Ms Katy Reynolds for their consistent hard work across the organisation to facilitate and implement the changes in accordance with the external auditor's recommendations.

i) Members unanimously agreed that a midterm review covering the effectiveness of the committee would be helpful. Mr Watts confirmed that one would be added to the Governance Recommendations Improvement Plan (GRIP) and presented to the Committee in January 2026.

7. RESOLVED that the Committee NOTED the External Auditor's Annual Report on Kent County Council 2024/25 for assurance.

331. 2024/2025 External Audit Findings Report for Kent Pension Fund
(Item 10)

1. The report was presented by Mr Zargham Malik from Grant Thornton.

2. Mr Zargham took the report as read but highlighted key points to Members.

3. In answer to some Member questions and comments, the following was said:

a) The Pension Fund and Treasury Investments Manager, Ms Sangeeta Surana, explained that the technical accounting team were the part of KCC's central provision available to all employees and Members and they would be responsible for delivering assistance in the instance of identify theft. The pension fund had an ongoing project which looked at cyber security, although KCC's cyber security team also provided support in terms of access to the Council's systems. The pension fund also relied on other third-party providers to ensure there were solid security provisions all round. No issues had been identified by the auditors and so it was hoped that the Committee would take assurance from this.

b) The positive remarks made by the external auditors towards the Pension Fund Team were drawn to Members' attention and their production of a good set of accounts and working papers before the statutory deadline was acknowledged and recognised.

c) Mr Betts confirmed that a decision had not yet been taken in relation to how the Kent Pension Fund would be administered going forwards. However, the preference was that it remained to cover the existing and current footprint irrespective of how many unitary authorities were formed.

RESOLVED that the Committee NOTED the External Auditor's Draft Findings Report for the Kent Pension Fund for assurance.

332. Independent Member - Term of Office

(Item 11)

Independent Committee Member, Dr David Horne left the room for this item.

1. The report was presented by General Counsel, Mr Ben Watts.

2. The report was taken as read and Members acknowledged Dr Horne's sterling job as an independent Member of the Governance and Audit Committee and unanimously agreed to his extension of his term of office.

3. RESOLVED that the Committee AGREED to the extension of Dr Horne's term of office as Independent Member to the end of March 2026; AND

   RESOLVED that the Committee NOTED that a recruitment exercise will be carried out.

333. Internal Audit Progress Report

(Item 12)

1. The item was presented by Audit Manager, Ms Debbie Chisman.

2. The report was taken as read but Ms Chisman highlighted the key points for Member attention. Some of these included:

   a) The positive outcomes for 2024 – 2025 review included:

      i. Review of SEND assurances – High Assurance
      ii. Equality, Diversity and inclusion (inclusive of the Equalities Act follow up) - Substantial assurance
      iii. Risk Management – High Assurance
      iv. Disciplinaries – Substantial Assurance
      v. Payroll – High Assurance

   b) The two Limited Assurance Review included the use of consultants and contract innovation.

c) The Oracle Cloud Programme Management Follow Up and the Helping Hands follow up audits were concluded from the 25-26 Internal Audit plan. Both reviews demonstrated positive implementation of agreed management actions.

3. Ms Chisman confirmed that she would provide a more substantial response to a Member's question regarding specific departments contract extensions and terms of compliance.

4. In answer to some Member comments and questions, the follow was said:

a) Chief Procurement Officer, Ms Clare Maynard, explained that contract management was delivered within the directorates and so colleagues in procurement worked closely with them to ensure novations and contract extensions were done accordingly. Through the contract register, a virtually complete list of all contracts featuring expiry dates, options to extend existed. For all high value contracts, there was a Contract Management Review Group which assessed performance midpoint and prior to extension.

b) It was acknowledged that, in the past, there had been various reasons why contracts were extended at the last minute, however having a clear register of all contracts it was possible to review activity in advance and if there was a need to extend in the short term, officers were doing preventive action to ensure it did not happen again.

c) The interim Head of Internal Audit, Mr Russell Smith, explained to Members that the Adult Social Care Budget savings piece of work would continue into 2025 / 2026. The current piece of work focused on governance and therefore further details around those points would be provided at subsequent committees.

d) Mr Smith confirmed that, in terms of managed training, it was down to officers to determine the level and specific focus of training across the authority.

e) Mr Watts confirmed that one of the items tested through the Annual Governance Statement was an accountability for senior officers to ensure management were trained to the appropriate standards. It was highlighted that if a blanket request for all officers to complete mandatory training was made, there was a risk that specific officers who required the training or specific development might not get captured.

f) Ms Maynard confirmed that specific training was now available for Spending the Council's Money Processes. This training made the requirement clear. The Contract Management Review Group were looking at how the Council tiered their contracts. In addition, the Procurement Team were producing a contract handover document which set out the key points, key terms and key performance indicators. This required a signature to signify achievement. The Internal Audit Report showed a number of those contracts being executed in line with the right governance procedure.

g) In relation to a Member's question on the implementation of the Oracle Cloud Programme, the Corporate Director for Growth, Environment and Transport, Mr Simon Jones, explained that the adopt and adapt methodology had been

evolved into phase two. This had presented some challenges, one being the training and development of a new system which resulted in the identification of policy changes required by the organisation. Feedback indicated that the programme implementation was progressing well; given the size of the organisation it was inevitable that some delay and backlog of development would occur.

h) Strategic Manager, Mr Ben Sherreard referred to the procurement CIAs (Contract Intelligence Agent) contained in the Internal Audit Progress Report; he confirmed that 392 acceptances had been received and 57 rejections. The rejections meant that changes were required across the Authority in order for Oracle to adopt and adapt the KCC mantra. Of these 57, 53 were addressed through training, 4 were resolved through specific intervention. The 392 acceptances indicated that all the different teams across the organisation accepted the range of changes and so could accommodate any changes without disruption.

i) Mr Betts confirmed the business basics associated with the move to using the Oracle Cloud Programme had worked well and there were no issues with the fundamentals of using Oracle for the production of management accounts in a timely way or bank reconciliations.

j) Mr Smith confirmed that the reason for the reduction in planned audits for 2024 / 2025 (as specified in the Internal Audit report presented to the Committee on the 3 July 2025) was down to the Annual Governance Statement being picked up in the follow up process. Mr Smith explained that Internal Audit carried out the work as part of the follow up process because the actions were determined to have been implemented and there was no need for a separate report. This reduced the number of audits from 44 to 43.

5. RESOLVED that the Committee NOTED the Internal Audit Progress Report for the period July to September 2025 for assurance.

334. Internal Audit Annual Report

(Item 13)

1. The report was presented by the interim Head of Internal Audit, Mr Russell Smith.

2. Mr Smith took the report as read but highlighted some of the key points for Members. These included the following:

a) Mr Idle reviewed the opinion before he left Kent County Council.

b) The opinion was determined through assessment against the Reasonable Assurance Model, as set out in section one, figure one of the report.

c) Overall, the annual opinion was termed as adequate, but close to being substantial overall. Members were advised that this should be viewed as positive in the current climate of local government.

d) The opinion was primarily based on the assessment against each of the 8 individual pillars, in which 6 had been assessed as adequate.

e) Levels of implementation improved during 2024 / 2025 with around 76% implementation. Mr Smith confirmed that this was very position but would need to be maintained and build upon moving forwards.

f) Mr Smith confirmed that quotes for the External Quality Assessment had been sought and assessed. Following discussions with the Corporate Director, an assessor had been selected and engaged with. Members would be provided with a further update, once the 2026 assessment for the Committee had been completed.

g) Mr Smith directed Members to the section of the report which contained the details of the disclosure of impairment and the statement of independence which confirmed there had been no restriction on the scope of Internal Audit work for 2024 / 2025.

3. Mr Smith confirmed that he would review the discrepancies in the number of audits reflected in the report presented on the 3 July and the two reports presented at the current Committee meeting and provide a response to Members in due course.

4. RESOLVED that the Committee RECEIVED and NOTED the report as a source of independent assurance regarding the risk, control and governance environment across the Council, noting the outcomes from 2024-25 Internal Audit work and the resultant 'Adequate' opinion to the Annual Governance Statement.

Post meeting note

Following the discussion at the Governance and Audit Meeting, Ms Chisman provided documents:

I. RB25 – 2025 – Contract Extensions Follow -Up – Final Report – OFFICIAL

II. RB22 – 2025 – Contract Variations Waiver Process Approval and Contract Novation – Final Report – OFFICIAL

These documents addressed and clarified the reasons as to why the number of audits presented to the Committee in the report dated 3 July 2025, and the two reports presented at the current meeting, differed. The reports (appended to these minutes) also clarified the number of audits carried out in 2024-2025 and the length of time taken to conduct them.

335. Covert Enforcement Techniques

(Item 14)

1. The item was presented by the Head of Community Protection, Mr Mark Rolfe.

2. Mr Rolfe took the report as read. He provided an update in relation to item 5 contained in the report, being the cases included in the previous year's report. These included:

    i. One case was scheduled for imminent trial at Crown Court and the most recent update provided that the jury were in deliberations.

    ii. A sentencing hearing for a fraud involving motor vehicle repair was scheduled for 20 October 2025.

3. Mr Rolfe reminded Members that covert powers were not used regularly or excessively, as they were used in connection with the most serious investigations.

4. In answer to a Member's question relating to the use of CIFAS (Credit Industry Fraud Advisory Service) the Counter Fraud Manager Mr James Flannery explained until recently, a legal and technical issues arose whereby an amendment to the NHS Act resulted in Social Care data not being classified as Local Authority data and could not be submitted to the Cabinet Officer under the National Fraud Initiative. After consultation with other Local Authorities, it was identified that they did not use social care data to pass to CIFAS for that specific data matching, instead they used other sources of information, such as Council Tax records, to fulfil this. Mr Flannery explained that due to a change in legislation, social care data will now be matched against mortality data. Updated reports would be prepared for Members to come to both November 2025 and January 2026 Committees on the outturn of this.

5. Mr Flannery confirmed that a deep dive into data analytics used across the districts and county to detect fraud briefing planned for Members after the November 2025 Committee meeting.

6. RESOLVED that the Committee NOTED for assurance the use of covert investigative techniques during the period and Members ENDORSED the policy in relation to the use of covert investigative techniques.

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Governance and Audit Committee Action Tracker

G&A Reference Number	Meeting Date	Minute No.	Agenda Item/Subject	Action	Responsible Officer/Area	Status
GA001	23 July 2024	222.6.a	Internal Audit Annual Report 2023-24	A progress report from management on the implementation of the agreed management actions would be presented at the next meeting.	Ben Watts	This report was considered by Members at the 9 October 2024 meeting of the Governance and Audit Committee.
GA002	23 July 2024	223.4	Risk Management Verbal Update	Committee's tracking of the risk relating to the Council's financial position would be considered as part of the agenda setting process.	Mark Scrivener John Betts	Completed: This was discussed at the agenda setting meeting for 12 November 2024. It was agreed that further discussions were required to determine what information could be shared and the most appropriate way to share the information to Members. This was subsequently resolved through the Section 25 statement

						that was considered by all Members as part of budget setting, as that set out the key financial risks, how they were being mitigated and the resultant cover from general and earmarked reserves.
GA003	23 July 2024	225.2.b	External Audit Progress Report and Sector Update	Members would receive an update on the Council's progress towards addressing the recommendations outlined in the previous year's VFM findings.	Ben Watts John Betts	Completed. This report was considered by Members at the 9 October 2024 meeting of the Governance and Audit Committee.
GA004	23 July 2024	225.2.c	External Audit Progress Report and Sector Update	The Committee's role in relation to the Council's productivity plans would be considered as part of a review of the Committee's Terms of Reference.	Ben Watts Katy Reynolds	Completed: This was reviewed as part of the Review of Effectiveness and Proposed Updated Terms of Reference, due for consideration at Governance and Audit Committee on 23 January 2025.
GA005	23 July 2024	222.6.b	Internal Audit	Following a request for	Ben Watts	Completed: This was

			Annual Report 2023-24	clarification regarding contract management (and the Council's governance in relation to wholly owned companies), it was agreed that a paper providing further information would be considered as part of the agenda setting process.		added to the Governance and Audit Committee agenda for 12 December 2024. A visit to the companies would be arranged for Members in early 2025.
GA006	23 July 2024	222.6.c	Internal Audit Annual Report 2023-24	Further clarification regarding the Internal Audit process in relation to advisory and follow-up audits would be provided to the Committee.	Jonathan Idle	Completed: Further information provided to the Governance and Audit Committee via email on 13 August 2024.
GA007	9 October 2024	230.7.c	Internal Audit Management Actions Update	It was agreed that a final report be provided before the end of the current administrative cycle (before end of March 2025)	Ben Watts Amanda Beer	Completed: This item has been added to the 23 January 2025 Governance and Audit Committee agenda. A further report would be brought to the March 2025 meeting.
GA008	9 October 2024	230.7.b	Internal Audit Management Actions Update	The latest compliance figures will be uploaded to the Teams site before the Governance and Audit	Ben Watts Amanda Beer	Completed: Compliance figures uploaded to Teams site on 8 November

				Committee meeting on 12 November 2024.		2024. An updated position will be added to the Teams site once available and reported to GAC in January.
GA009	9 October 2024	230.4	Internal Audit Management Actions Update	Training on the audit process and how audits are built will be developed for Committee Members as part of the revised induction programme to be launched in 2025.	Jonathan Idle Katy Reynolds	This has been built into the new Member induction programme, launched in May 2025.
GA010	9 October 2024	230.7.b	Internal Audit Management Actions Update	A detailed version of Appendix 1 would be circulated to the Committee via the Teams site ahead of the Governance and Audit Committee on 12 November 2024.	Ben Watts Amanda Beer	Completed: Detailed version of Appendix 1 circulated to the Governance and Audit Committee via email on 8 November 2024
GA011	9 October 2024	234	Progress Update on the Grant Thornton Value For Money Recommendations	It was agreed that a final report be provided before the end of the current administrative cycle (before end of March 2025)	Ben Watts John Betts	An update will be presented to the Committee in October 2025 as part of the AGS for 2024/25.

GA012	9 October 2024	231.2.m	Annual Customer Feedback Report 2023/24	The Committee would be provided with further details regarding the legal costs of complaints for 2023/24	Ben Watts	Completed: This was discussed with the Committee during the Legal Update Item on 12 November 2024.
GA013	9 October 2024	237.1.b	Audit Backstop and Revised Date	Ahead of the Committee's consideration of the accounts, training would be provided to the Committee on how to effectively read the accounts.	John Betts Cath Head	Ongoing: training on the accounts is provided as part of the 'just-in-time' training offer. In 2024 this was provided in July.
GA014	12 November 2024	244.2.h	Verbal Update on Corporate Risk Register	The Chair suggested that Members receive a briefing on two of the risk areas highlighted during the item. The Chair would discuss this further with the Head of Risk and Delivery Assurance	Mark Scrivener/ Chair	This was discussed as part of the agenda setting process. One of the two items was Oracle Cloud Programme, for which a specific Member briefing has taken place.
GA015	12 November 2024	251.2.e	Internal Audit Progress Report – Exempt Report	School Loans Information: A comprehensive suite of documents referred to by Internal Audit in the key strengths section, and further information on current loans would be provided to Members	David Adams	Completed: This information was provided to Members via Teams on 19 November 2024.

				outside of the meeting.		
GA016	12 November 2024	251.2.c	Internal Audit Progress Report – Exempt Report	RB18-2024 – Loans to Schools: The Corporate Director for Children, Young People and Education, confirmed that policy had been updated and amended. The areas for development which had been identified were historic cases but will be revisited and an update to the Committee would be provided.	The Corporate Director for Children, Young People and Education	Schools Financial Services will be reviewing the other loans and then Internal Audit will review a sample of these as part of our Follow Up and report back to Committee accordingly.
GA017	12 December 2024	258.2.d	Annual Governance Statement	The Selection and Member Services and Sub Committees had been working on Member induction and information would be provided via the Governance and Audit Internal Teams site. How the induction takes place will be included.	Ben Watts	This was provided to Members.
GA018	12 December 2024	258.2.c	Annual Governance Statement	The Annual Governance Statement had 3 key areas for improvement and actions for the year ahead. All actions would be	Katy Reynolds	Completed: The actions have been integrated into the Governance Recommendations

				moved into the individual task tracker on the internal Teams site, so the Committee could monitor the progress.		Improvement Plan.
GA019	12 December 2024	264.1.b	Verbal Update on Committee Business	A report on the effectiveness of the Governance and Audit Committee would be provided in the new year.	Katy Reynolds	Completed: This item has been added to the 23 January 2025 Governance and Audit Committee agenda.
GA020	12 December 2024	266.4	Kent County Council Statement of Accounts	In relation to the Draft Statement of Accounts 2023/24, the Acting Chief Accountant confirmed that further information could be provided to the Committee regarding the payment of £1.5m to Tunbridge Wells Borough Council.	Joe McKay	Completed: This information was provided to Members via the Teams site on 24 December 2024.
GA021	23 January 2025	277.6.I	Corporate Risk Register	Mr Scrivener confirmed that he would ascertain the date in which the Kent Design Guide would be submitted to a Cabinet Committee and inform Members accordingly.	Mark Scrivener	Completed: this information was provided to the Committee via the Teams site on 10 March 2025.
GA022	23 January	278.2.g	External Auditor's	It was confirmed that the	John Betts	Completed: A

	2025		Audit Progress Report and Sector Updates	questions set out on page 9 of the report would be responded to in writing and then provided to Members.		comprehensive update on the impact of leases (and other issues relating to the 2023/24 Statement of Accounts and planning for 2024/25) is contained in a report on March 2025's agenda.
GA023	23 January 2025	281.4	Internal Audit Progress Report	Mr Jones confirmed that if Members created a list of questions concerning the Oracle Cloud Programme he would be content to respond to them.	Simon Jones	Completed: This was resolved via an in-person briefing for Members on 6 March 2025.
GA024	20 March 2025	293.3.c	Verbal Update on Management Actions	The Learning Organisation Panel Terms of Reference would be shared with the Committee when complete.	Pascale Blackburn-Clarke	This is in progress. The first meeting of the Learning Organisation Panel is in December 2025.
GA025	20 March 2025	296.7.c	2023 - 2024 Accounts Update, Accounting Policies Update including IFRS 16 Implementation	In response to a Member's question regarding Peppercorn Leases and specific reserve amounts, Mr McKay confirmed he would note the questions	Joe McKay	Completed: This information is appended to the Committee Update provided at the 24 September 2025

			and External Audit Timetable	and provide the responses to the enquiries in a future Committee.		meeting.
GA026	20 March 2025	301.2.c	Counter Fraud Update	Further information would be sought from colleagues in the District Council and raised at the Kent Intelligence Network, in order to address a Member's question regarding an automated completion process between building enforcement and Council tax Revenue officers.	James Flannery	The Kent Intelligence Network Board meeting took place in August 2025 and this was raised for discussion.
GA027	3 July 2025	312.4.b	Corporate Risk Register	It was discussed and confirmed that interim updates on the progress of the Oracle Cloud implementation could be delivered to the Committee ahead of the next scheduled meeting in September, by way of an informal briefing.	Simon Jones	Completed: An informal briefing has been arranged for Committee Members on Friday 12 September 2025.
GA028	3 July 2025	314.2.b	2024/2025 External Audit Plan for Kent County Council	Mr Watts commented that a briefing on Governance Structure, as part of the new Member medium-term	Ben Watts	In progress: A briefing from the Chief Executive of the Commercial

				induction plan could be arranged		Services Group has been arranged for the Committee Members on 30 October 2025.
GA029	3 July 2025	319.3	Treasury Update Report	In answer to a Member's question, Mr Betts confirmed that he would be content to bring to Committee a review of the strategy for Money Market Funds and Investment Funds.	John Betts	In progress: this has been added to the Work Programme as a future item and will be considered as part of the agenda setting process.
GA030	3 July 2025	312.4.h	Corporate Risk Register	Mr Scrivener confirmed he would liaise with ICT Compliance and Risk Team in relation to CyberEssential Plus external accreditation for larger supply chains.	Mark Scrivener	Completed: This information was circulated to Committee Members via email on 18 August 2025.
GA031	3 July 2025	318.3.a	Internal Audit Plan 2025-26	The number of audits to be completed within the 2025 – 2026 timeframe was accounted for in the resource projections section of the report and it was confirmed that no slippage of any audits	Russell Smith	Completed: This information was circulated to Committee Members via email on 18 August 2025.

				should occur. Mr Smith stated that he would be content provide detailed workings of the viability of delivery, outside of the meeting.		
GA032	24 September 2025	327.5	Verbal Update on Committee Business	It was agreed that arrangements for checking the value of matters covered by earmarked reserves would be included in the Work Programme so the item could feature in future committee meetings	John Betts/Ruth Emberly	In progress: this has been added to the Work Programme as a future item and will be considered as part of the agenda setting process.
GA033	24 September 2025	327.6	Verbal Update on Committee Business	In relation to a question regarding peppercorn rents, contact would be made with the relevant Corporate Director and the Deputy Leader to ensure all relevant questions were covered. It was commented that a list of properties that held a peppercorn rent would be helpful to Members and Mr	Ben Watts	This is currently in progress.

				Watts confirmed that he would reflect with the relevant senior officers to examine how best to present this information to the committee.		
GA034	24 September 2025	329.2.b	Lessons from 2023 / 2024 External Auditor's Annual Report	Mr Watts confirmed that he would take the questions featured on pages 81 and 82 of the Grant Thronton report to the next Corporate Management Team meeting for consideration, alongside other audit issues.	Ben Watts	This will be completed ahead of the meeting on 30 October 2025.
GA035	24 September 2025	330.3	External Auditor's Progress Report	Members unanimously agreed to ask the relevant officers to review and answer the model questions set out in the Grant Thronton report (pages 102 onwards) and if answers were not available, officers would provide these at the next Committee meeting	Katy Reynolds	In progress: This information will be provided to the Committee ahead of the meeting on 30 October 2025.
GA034	24 September	331.6.i	2024/2025 Kent County Council	Members unanimously agreed that a midterm	Ben Watts/Katy	In progress: This has been added to the

	2025		Auditor's Annual Report	review covering the effectiveness of the committee would be helpful. Mr Watts confirmed that one would be added to the Governance Recommendations Improvement Plan (GRIP) and presented to the Committee in January 2026.	Reynolds	Work Programme for the January 2026 meeting
GA035	24 September 2025	335.3.a	Internal Audit Annual Report	Mr Smith confirmed that he would review the discrepancies in the number of audits reflected in the report presented on the 3 July and the two reports presented at the current Committee meeting and provide a response to Members in due course.	Russell Smith	Completed: This information has been provided as a post-meeting note in the minutes of the meeting held on 24 September 2025.
GA036	24 September 2025	335.3.b	Internal Audit Annual Report	Mr Smith acknowledged that Members sought assurance that the Audit Plan, set out at the July 2025 Committee, would be delivered. He confirmed	Russell Smith	Completed: This information has been provided as a post-meeting note in the minutes of the meeting held on 24

				that he would provide a more substantial response to Member questions and observations regarding the presentation of data and the amount of audits carried out and the length of time taken to conduct them.		September 2025.

By: Deputy Leader, Brian Collins
Interim Corporate Director Finance, John Betts

To: Governance and Audit Committee, 30 October 2025

Subject: Draft Statement of Accounts & Annual Governance Statement 2024/25

Status: Unrestricted

Summary: This paper covers items 6, 7 and 8 on the agenda. These items need to be considered together, as the Governance & Audit Committee need to approve the Statement of Accounts, Letters of Representation and Annual Governance Statement at the same meeting to comply with the Accounts and Audit Regulations.

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1) Introduction

a) The draft Statement of Accounts of the County Council for 2024/25 follows this report. The Accounts and Audit Regulations state that:

… the publication date for final, audited accounts is by 27 February 2026. The authority must, following the conclusion of the period of public inspection, in the following order:

i) consider, either by way of a Committee or by the Members meeting as a whole, the Statement of Accounts;

ii) approve the Statement of Accounts by a resolution of that Committee or meeting;

iii) ensure that the Statement of Accounts is signed and dated by the person presiding at the Committee or meeting at which that approval was given.

b) It is recommended that the Statement of Accounts are finalised and signed by the Committee Chair today on the basis that the audit work is substantially completed.

c) The draft Statement of Accounts attached to this report reflect changes identified as part of the audit process.

d) The accounts are the result of the work undertaken as part of the closedown cycle and in collaboration with our external auditors. Responses to approximately 400 queries in relation to our technical accounting and sample evidence for approaching 600 requests have been provided as part of this process.

e) Member training on the Statement of Accounts and external audit process was delivered on Thursday 16 October by the Chief Accountant's Team and Grant Thornton.

f) The Audit Finding Report (AFR) from Grant Thornton is a positive outcome for the Council. The signing of the accounts at this stage of the financial year will allow planning time to implement the audit recommendations in the AFR ahead of the completion of the 2025/26 accounts.

g) The draft accounts were published on kent.gov.uk on 30 June 2025 in line with the deadline set by the Accounts & Audit Regulations. The public inspection of accounts window began on 1 July and closed on 11 August 2025.

h) 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 Interim Corporate Director of Finance.

i) The overall Statement of Accounts document includes KCC's single entity accounts, group accounts and the Kent Pension Fund's Accounts. The Kent Pension Fund Accounts were discussed and agreed at the previous Governance & Audit Committee meeting on 24 September 2025 and are available here.

3) Recommendation

Members are asked to:

- Approve the Annual Governance Statement (AGS) for 2024/25
- Consider and approve the Statement of Accounts for 2024/25
- Approve the Letters of Representation for Kent County Council and the Kent Pension Fund
- Note the Audit Findings Report (AFR) for Kent County Council and the Kent Pension Fund

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Draft Statement of Accounts

2024/2025
Draft Statement of Accounts

Kent County Council
kent.gov.uk

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Statement of Accounts 2024-25

Narrative

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

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

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

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

- Narrative - this provides information on the format of this Statement of Accounts as well as a review of the financial position of the Council for the financial year 2024-25.
- The Statement of Responsibilities - this details the responsibilities of the Council and the Corporate Director Finance concerning the Council's financial affairs and the Statement of Accounts.
- The main Accounting Statements, comprise:

  ~ The Comprehensive Income and Expenditure Statement (CIES) - this provides a high level analysis of the Council's spending. It brings together all the functions of the Council and summarises all of the resources that the Council has generated, consumed and set aside in providing services during the year. (See pages 19 to 20)

  ~ The Movement in Reserves Statement (MIRS) - this statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves', which are held either for statutory purposes or to comply with proper accounting practice. (See pages 21-22)

  ~ The Balance Sheet - this statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets/liabilities of the Council (assets less liabilities) are matched by the reserves held by the Council. (See page 23)

  ~ The Cash Flow Statement - this summarises the changes in cash and cash equivalents of the Council during the reporting period. (See page 24)

- The Expenditure and Funding Analysis - this note brings together the Council's performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund presented on the basis of how the Council is structured for decision making purposes. (See pages 25 to 27)
- Accounting Policies - notes relating to specific accounting statement lines as identified in the main statements of the accounts include the corresponding accounting policy. Note 2 - General Accounting Policies details the policies where there are not accompanying notes.
- The Group Accounts sets out the income and expenditure for the year and the financial position at 31 March 2025 of the Council and the wholly owned subsidiaries. The Group Accounts combines the financial results of Global Commercial Services Group Ltd.

• The Pension Fund Accounts - the Kent County Council Superannuation Fund (Kent Pension Fund) is administered by the Council but is accounted for completely separately. (See pages 142 to 173).

• The Independent Auditor's Report to the Council - this will be provided by the external auditors, Grant Thornton UK LLP, following the completion of the annual audit.

• The accounting arrangements of any large organisation such as Kent County Council are complex, as is local government finance. The Accounts are presented as simply as possible, however it is still a very technical document. A glossary of terms is provided on pages 186 to 187 to make the Statement of Accounts more understandable for the reader.

Changes to financial reporting requirements and accounting policies

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

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

Organisational Overview and External Environment

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

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

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

Governance

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

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

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

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

Strategic and Corporate Plans

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

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

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

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

Risk Strategy

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

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

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

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

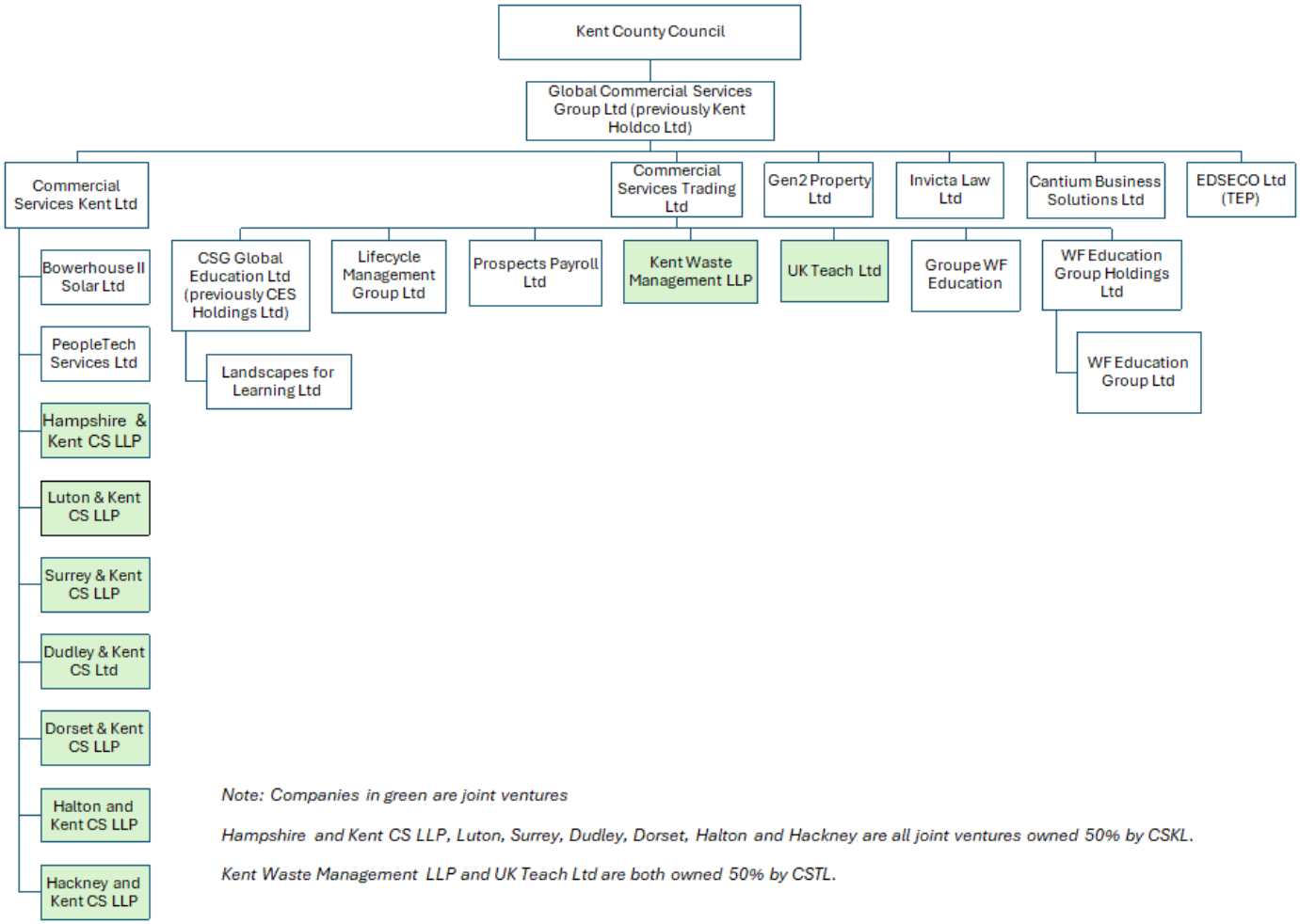
Given the above, in delivering Securing Kent's Future the council is required to increase its risk appetite to successfully mitigate the significant financial risk it currently faces, while also continuing to consider how much control can be exerted over risks, many of which cannot be directly mitigated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

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

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

Council's wholly-owned subsidiaries

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



Joint ventures

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

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

Wholly owned companies

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

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

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

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

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

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

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

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

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

Financial Report

Summary of the revenue outturn position

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

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

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

Summary of the capital outturn position

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

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

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

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

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

Summary of schools outturn position

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

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

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

Budget context

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

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

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

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

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

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

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

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

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

Consulting on the 2024-25 budget

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

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

Setting the 2024-25 budget in the national context

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

Designing the 2024-25 budget – major changes

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

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

The 2024-25 budget presented to County Council for approval comprised of £200.2m of increased spending including base budget changes to reflect the full year effect of forecast variances in 2023-24 budget monitoring, provision for forecast pay, price and other demand and cost driver increases, and changes in spending from specific grants. The budget also included £89.2m of savings and income, £7.2 reduction in specific government grant income and net £4.3m from changes in reserve contributions and drawdown.

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

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

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

Finalising the 2024-25 budget

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

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

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

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

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

Risks associated with the 2024-25 budget

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

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

Looking Forward - 2025-26 Budget Onwards

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

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

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

An initial draft revenue budget and MTFP was published at the end of October 2024 for the November Cabinet Committees. The Administration's draft budget 2025-26 and MTFP over the three years were not completely balanced (unresolved balances of £20.1m in 2026-27 and £14.3m in 2027-28), due principally to underdelivered savings in adult social care and the timing of the £19.8m policy savings previously agreed to replace the use of one-offs to balance the 2024-25 budget. The initial draft included replenishment of general reserves drawn down to balance 2022-23 outturn over two years to return general reserves to 5% by 2025-26.

The initial draft was published before the Autumn Budget Statement 2024 on 30th October 2024. This announcement included a £1.3bn increase in central government funding for local government nationally although at the time there was no detail how this would be allocated through individual grants other than at least £600m would be available for adult social care. Local authorities were also to receive around £1.1bn guaranteed additional income from Extended Producer Responsibilities. The government committed to a fundamental reform of the approach to allocating funding to local authorities starting with a targeted approach to allocating some of the increase for 2025-26 ahead of wider reform and multi-year settlements from 2026-27 onwards. The Autumn Budget also included £250m for children's social care reforms and £1bn increase in Special Educational Needs and Alternative Provision funding. The autumn budget included increases in the National Living Wage and employer's National Insurance contributions which would impact on Council costs.

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

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

Earmarked Reserves

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

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

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

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

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

Pension Fund

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

IAS 19

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

Current Borrowing & Capital Resources

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

The Council's Stewardship, Responsibilities and Financial Management Policies

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

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

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

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

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

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

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

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

I confirm that these Accounts were approved by the Governance and Audit Committee at its meeting on 30 October 2025 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 2025.

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

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

The Corporate Director of Finance has also:

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

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

Certificate of the Corporate Director Finance

John Betts
Interim Corporate Director Finance

Comprehensive Income and Expenditure Statement

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

Year Ended 31 March 2025

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

Year Ended 31 March 2024

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

Movement in Reserves Statement

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

Year Ended 31 March 2024

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

Year Ended 31 March 2025

	General Fund	Earmarked General Fund Reserves	**Total General Fund including Earmarked Reserves**	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Council Reserves**
Balance at 31 March 2024 carried forward	-43,030	-373,220	**-416,250**	-44,234	-163,652	**-624,135**	-2,375,111	**-2,999,246**
Adjustments on transition to new accounting arrangements for leases	4,249	-511	**3,738**			**3,738**	13,401	**17,139**
Transitional adjustments between accounting basis and funding basis	-4,249		**-4,249**			**-4,249**	4,249	**0**
Adjusted balance at 1 April 2024	**-43,030**	**373,731**	**-416,761**	**-44,234**	**-163,652**	**-624,646**	**-2,357,461**	**-2,982,107**
Movement in reserves in 2024-25								
Total Comprehensive Income & Expenditure	-32,908		**-32,908**			**-32,908**	-63,688	**-96,596**
Adjustments between accounting basis and funding basis under regulations	57,002		**57,002**	3,921	-11,349	**49,574**	-49,574	**0**
Net increase/decrease before Transfers to Earmarked Reserves	**24,094**	**0**	**24,094**	**3,921**	**-11,349**	**16,666**	**-113,262**	**-96,596**
Transfer between Usable and Unusable Reserves								
Transfers to/from Earmarked Reserves (total of *s in Note 22)	-59,627	59,627	**0**			**0**		**0**
Increase/Decrease (movement) in year	**-35,533**	**59,627**	**24,094**	**3,921**	**-11,349**	**16,666**	**-113,262**	**-96,596**
Balance at 31 March 2025	**-78,563**	**-314,104**	**-392,667**	**-40,313**	**-175,001**	**-607,980**	**-2,470,723**	**-3,078,703**

Balance Sheet

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

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

Cash Flow Statement

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

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

Note 1a - Expenditure and Funding Analysis

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

Year Ended 31 March 2025

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

Note 9a on page 43 provides an explanation of the main adjustments to the Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

Year Ended 31 March 2024

	As reported to Management £000	Adjustments to arrive at the net amount chargeable to the General Fund Balance £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehen-sive Income and Expenditure Statement £000
Adult Social Care & Health	561,326	11,481	572,807	1,901	574,708
Children, Young People & Education	371,637	4,921	376,558	42,359	418,917
Growth, Environment & Transport	191,465	1,775	193,240	55,275	248,515
Chief Executive's Department	28,076	5	28,081	-1,236	26,845
Deputy Chief Executive's Department	75,643	11,405	87,048	7,551	94,599
Non-Attributable Costs including Corporately Held Budgets	113,568	-110,441	3,127	-84	3,043
Schools' Delegated Budgets	22,664	-22,664	0	0	0
Net Cost of Services	**1,364,379**	**-103,518**	**1,260,861**	**105,766**	**1,366,627**
Other Income and Expenditure	-1,344,402	105,372	-1,242,515	-176,134	-1,415,164
Surplus or Deficit	19,977	1,854	21,831	-70,368	-48,537
Opening General Fund Balance			-452,480		
Less/Plus Surplus or (Deficit) on General Fund in Year			21,830		
Transfers between Usable & Unusable Reserves			14,400		
Closing General Fund Balance at 31 March 2024			**-416,250**		

Note 1b. Basis for Preparation/General

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

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

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

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

General

The Council is required to prepare a Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. The Accounts of Kent County Council have been compiled in accordance with the Code of Practice on Local Authority Accounting in the UK 2024-25 supported by International Financial Reporting Standards. These accounts are prepared in accordance with the historical cost convention, modified for the valuation of certain categories of non-current assets and financial instruments. They are also prepared on a going concern basis.

Accruals of Income and Expenditure

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

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

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

Accounting for Schools

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

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

Intangible Assets

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

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

Fair Value Measurement of non-financial assets

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

a) in the principal market for the asset, or

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

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

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

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

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

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

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

Joint Operations

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

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

East Kent Opportunities

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

Accounting for Value Added Tax (VAT)

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

Inventories

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

Interests in companies and other entities

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

Insurance Fund

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

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

likely cost can be estimated and there is reasonable certainty of payment. It is therefore in accordance with the requirements of IAS 37. Details can be found on page 95.

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

There are two amendments to the CIPFA Code in 2025/26:

The first change is the introduction of indexation for Property, Plant & Equipment valuations. Under the current arrangements, assets are revalued sufficiently regularly to ensure that their carrying value at 31 March does not materially differ from their current value. The change to the Code introduces an option to revalue assets every five years, provided that carrying amounts are updated annually using relevant indices and reviewed for impairment.

As indices for 2025/26 are not yet available, it is not possible to predict the impact of indexation on the Balance Sheet.

The second change relates to the removal of the requirement to measure intangible assets at fair value where an active market exists. Given that the value of intangible assets is only £330k, this change will not have a material impact on the accounts.

Note 4 - Critical Judgements in applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Property, Plant and Equipment

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

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

Kent County Council's - Interest in Companies

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

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

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

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

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

Item	Uncertainties	Effect if Actual results differ from Assumptions
Property, Plant and Equipment: Useful lives	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation would increase and the carrying amount of the assets could fall. It is estimated that the annual depreciation charge would increase by £1.8m for every year that asset lives had to be reduced. 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 £2,285.6m in the balance sheet, are significantly influenced by obsolescence rates, BCIS rates and allowances for fees & externals. These require professional judgement and therefore are not certain. Assets valued on an Existing Use Value basis, totalling £214.8m on the balance sheet, are significantly influenced by assumptions around rents and yields. Surplus assets valued on a Fair Value basis, totalling £98.8m, are significantly influenced by assumptions around land values, 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.

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 £43.3m. A 1-year increase to life expectancy assumptions would result in an increase in the pension liability of £114.1m. A reduction in the value of the assets would increase the pension liability on the Balance Sheet. The net pension liability carrying value for 2024-25 is £29.3m. More information on the carrying amount of the assets & liabilities impacted by estimation uncertainty can be found in Note 37 on pages 108 to 114.
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 notes 16, 17 and 38.	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. Officers Remuneration

Accounting Policy

Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

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

Teachers and former NHS Staff

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

Other employees

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

- The assets of Kent Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value

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

Service cost comprising:

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

Remeasurement comprising:

- net return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) - charged to the Pension Reserve as Other Comprehensive Income and Expenditure,
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve, as Other Comprehensive Income and Expenditure,
- contributions paid to the Kent Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

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

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

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

Remuneration includes:

a) all sums paid to or receivable by an employee including non-taxable termination payments, redundancy payments and pay in lieu of notice. This includes all payments, regardless of whether or not they were due in the year e.g. advance payment of salary in lieu of notice,

b) expense allowances chargeable to tax i.e. the profit element of car allowances; and

c) the money value of benefits such as leased cars and health insurance,

d) but excludes Employer's Pension contributions.

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

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

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

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

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

*This includes all contractual entitlements

Post Holder	Notes	Salary £	Bonus £	Allowance £	Compensation for loss of Office e.g. Redundancy Payment * £	Other £	Total Remun-eration excl pension Contribution £	Employer Pension Contri-bution £	Total Remun-eration incl pension Contribution £
Director of Human Resources & Organisational Development - Paul Royel		128,150					128,150	26,271	154,421

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

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

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

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

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

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. Of the total redundancies made, 60% of those are compulsory redundancies. We do not have the detail across bands £0 - £20,000, £20,001 - £40,000, and £40,001 - £80,000 and have applied this percentage equally to each of these bands. The total cost in 2024-25 of £1.4m includes schools and commitments in 2025-26.

(a) Exit package cost band (inc special payments)	(b) Number of compulsory redundancies 2023/24	(b) Number of compulsory redundancies 2024/25	(c) Number of other departures agreed 2023/24	c) Number of other departures agreed 2024/25	(d) Total number of exit packages by cost band [(b)+(c)] 2023/24	(d) Total number of exit packages by cost band [(b)+(c)] 2024/25	(e) Total cost of exit packages in each band £ 2023/24	(e) Total cost of exit packages in each band £ 2024/25
80,001 - 120,000	0	0	0	1	0	1	£0	£116,529
40,001 - 80,000	2	0	1	0	3	0	£133,207	£0
20,000 - 40,000	12	10	3	6	15	16	£363,410	£442,678
0 - 20,000	40	91	11	60	51	151	£355,255	£823,004
Total	**54**	**101**	**15**	**67**	**69**	**168**	**£851,872**	**£1,382,111**

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Note 7. Members Allowances

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

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

In 2024-25 the cost of the County Cars which includes repairs, maintenance, fuel and employment costs was £6.1k (£11.5k in 2023-24).

Note 8. Material Items of Income and Expense

Accounting Policy

Exceptional Items

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

Material Items of Income and Expense

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

Note 9a - Note to the Expenditure and Funding Analysis

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

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

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

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

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

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

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

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

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

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

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

2. Adjustments for Capital Purposes

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

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

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

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

3. Net Change for the Pensions Adjustments

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

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

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

4. Other Differences

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

For services this represents the following:

i) The finance costs charged to the Comprehensive Income and Expenditure Statement that are different from the finance chargeable in the year in accordance with statutory requirements.

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

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

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

Note 9b. Segmental Income

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

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

Note 10. Expenditure and Income Analysed by Nature

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

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

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

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

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

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

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

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

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

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

Note 12. Other Operating Expenditure

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

Note 13. Financing and investment income and expenditure

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

Note 14. Taxation and non-specific grant income

Collection Fund Accounting Policy

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

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

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

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

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

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

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

Note 15. Grant Income

Accounting Policy

Government Grants and Contributions

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

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

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

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

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

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

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

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

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

Note 16. Property, Plant and Equipment

Accounting Policy

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

The periods over which assets are depreciated are as follows:

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

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

Property will be split into five components:

Land
Structure
Mechanical and Electrical
Fixtures and Furnishings
Temporary Buildings.

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

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

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

Disposals and Non-Current Assets Held for Sale

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

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

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

Gains and Losses on Disposal of Non-Current Assets

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

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

Capital receipts

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

Charges to Revenue for Non-Current Assets

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

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

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

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

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

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

Roads and Other Highways Infrastructure Assets

Movements on balances

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

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

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

Reconciliation to Property, Plant and Equipment balance:

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

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

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

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

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

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

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

Basis of valuation

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

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

- Existing Use Value where the property is not specialised and is owner occupied, for example county offices.

- Depreciated Replacement Cost where no market exists for a property, which may be rarely sold or it is a specialised asset, for example schools.

- Fair value for surplus assets.

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

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

Surplus Assets Fair Value Hierarchy

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

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

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

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

NB The Council does not have any Level 1 valuations.

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

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

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

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

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

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

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

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Valuation Process for Surplus Assets

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

Highest & Best Use of Surplus Assets

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

Contractual Commitments

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

Note 17. - Investment Property

Accounting Policy

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

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

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

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

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

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

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

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

Fair Value Hierarchy

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

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

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

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

NB The council does not have any Level 1 valuations.

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

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

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

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

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

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

Valuation Process for Investment Properties

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

Highest & Best Use of Investment Properties

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

Note 18. Capital Expenditure and Financing

Accounting Policy

Government Grants and Contributions

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

Revenue expenditure funded from capital under statute

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

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

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

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

Note 19. PFI and Similar Contracts

Accounting Policy

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

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

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

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

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

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

Value of assets

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

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

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

Finance Lease Liability

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

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

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

Details of payments to be made under PFI contracts

6 schools

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

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

Swanscombe Schools

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

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

Westview/Westbrook

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

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

Better Homes, Active Lives

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

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

3 BSF Schools

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

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

Excellent Homes for All

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

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

TOTAL for all PFI Contracts

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

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

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

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

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

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

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

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

Westbrook and Westview

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

Gravesham Place

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

Better Homes, Active Lives PFI

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

Excellent Homes for All PFI

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

Note 20. Heritage Assets

Accounting Policy

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

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

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

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

Historic Environment & Monuments

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

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

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

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

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

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

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

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

Artwork

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

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

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

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

KCC Sessions House collection, valued at £83k.

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

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

Archive Collections

Kent County Council looks after its own records and those of its predecessor authorities. In addition, it collects and makes accessible other historic records under the terms of the 1962 Public Records Act and the 1972 Local Government Act. These records include those of public bodies such as courts, health trusts and coroners, of district councils and of individuals and 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 of social history, archaeological and geological, prints, and drawings and other material housed at **Sevenoaks Kaleidoscope Museum**. A marble **roman**

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

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

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

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

Civic Regalia

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

Note 21. Leases

Accounting Policy

The Council as Lessee

For arrangements previously accounted for as operating leases (i.e. without recognising the leased property as an asset and future rents as a liability), a right-of-use asset and a lease liability are to be brought onto the balance sheet at 1 April 2024. Leases for items of low value (under £10,000) and leases that expire within 12 months are exempt from the arrangements. With the exception of nil consideration leases the Council has applied the practical expedient to not reassess whether a contract is, or contains, a lease at the date of initial application.

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

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

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

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

Opening position:

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

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

Right of use assets at 1 April 2024	**£000s**
Assets recognised on implementation of IFRS 16	20,038
Assets already recognised but reclassified to right-of-use assets	5,300
Total	**25,338**

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

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

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

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

In year changes to right of use assets:

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

Comprehensive Income and Expenditure Statement:

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

Maturity analysis of lease liabilities at 31 March 2025:

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

The Council as Lessor

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

Sub-leases

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

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

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

Net investment in sub leases:

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

Note 22. Usable Reserves

Accounting Policy

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

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

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

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

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

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

School Reserves

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

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

Note 23. Unusable Reserves

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

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

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

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

Revaluation Reserve

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

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

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

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

Capital Adjustment Account

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

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

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

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

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

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

Financial Instruments Adjustment Account

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

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

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2024-25	2023-24
Balance at 1 April	34,829	62,449
Remeasurement of the net defined liability/(asset)	29,336	3,359
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	60,942	59,746
Employer's pension contributions and direct payments to pensioners payable in the year	-95,813	-90,725
Balance at 31 March	**29,294**	**34,829**

Collection Fund Adjustment Account

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

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

Accumulated Absences Account

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

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

Post Employment Account

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

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

Pooled Investment Adjustment Account

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

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

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

DSG Adjustment Account

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

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

Note 24. Earmarked Reserves

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

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

Vehicles, plant, and equipment (VPE)

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

Smoothing Reserves

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

Major Projects

These reserves are for future spending on projects.

Partnerships

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

Grants and External Funds

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

Departmental Under/Overspends

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

Insurance Reserve

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

Public Health reserve

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

Special funds

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

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

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

Note 25. Provisions

Accounting Policy

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

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

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

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

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

Insurance

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

Post Employment

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

Accumulated Absences

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

Note 26 - Amounts owed to the Council by debtors

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

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

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

Note 27. Amounts owed by the Council to creditors

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

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

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

Note 28. Cash and Cash Equivalents

Accounting Policy

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

In the Cash Flow Statement and Balance Sheet, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

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

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

Note 29. Cash Flow - Operating Activities

The cash flows for operating activities include the following items:

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

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

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

Note 30. Cash Flow Statement - Investing Activities

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

Note 31. Cash Flow Statement - Financing Activities

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

Note 32. Reconciliation of Liabilities arising from Financing Activities

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

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

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

Note 33. Trading Operations

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

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

Note 34. Audit Costs

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

	2024-25 £000	Restated 2023-24 £000
Fees payable to Grant Thornton UK LLP for external audit services carried out by the appointed auditor	463	456
Fees payable in respect of other services provided by the appointed auditor	10	15
	473	471

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

Note 35. Dedicated Schools Grant

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

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

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

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

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

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

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

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

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

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

Note 36. Related Party Transactions

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

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills). Grants received from government departments are set out in Note 10 on expenditure and income analysed by nature.

Members

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

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

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

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

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

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

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

Entities Controlled or Significantly Influenced by the Council

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

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

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

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

Note 37. Pension Costs

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

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

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

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

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

Note 37b. Defined Benefit Pension Scheme

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

The Council participates in one post-employment scheme:

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

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

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

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

Local Government Pension Scheme

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

Other Employees

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

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

Pension Assets and Liabilities in the Balance Sheet

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

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

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

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

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

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

Liabilities: Local Government Pension Scheme

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

Local Government Pension Scheme assets comprised:

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

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

		2024-25 % Quoted	2024-25 % Unquoted	2023-24 % Quoted	2023-24 % Unquoted
Fixed Interest Government Securities	UK Overseas	0%		0%	
Index Linked Government Securities	UK Overseas	6%		7%	
Corporate Bonds	UK Overseas	4% 10%		4% 11%	
Equities	UK Overseas	11% 42%		16% 37%	
Property	All		8%		9%
Others	Absolute return portfolio	5%		5%	
	Private Equity		5%		5%
	Infrastructure		5%		4%
	Derivatives		0%		-2%
	Cash/Temporary Investments		4%		3%
Net Current Assets	Debtors		0%		1%
	Creditors		0%		0%
Total assets		**78%**	**22%**	**80%**	**20%**

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

IAS19 does not have any impact on the actual level of employer contributions paid to the Kent County Council Fund. Employers' levels of contribution are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields).

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2026 is £91,013k.

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

Local Government Pension Scheme

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

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

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

Highways ex Direct Works DLO Pension Fund

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

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

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

Note 38. Financial Instruments

Accounting Policy

Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial assets

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

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

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take a form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

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

However, the Council has made a number of loans to start up companies at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Expected Credit Loss Model

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

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligation. Credit risk plays a crucial factor in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

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

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

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

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

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

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

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

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

Financial Instruments

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

Financial Liabilities

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

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

Financial Assets

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

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

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

- treasury bills issued by the UK Government

- covered bonds issued by financial institutions and backed by a pool of assets

- loans to other local authorities

- trade receivables for goods and services delivered.

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

- money market funds

- shares in unlisted companies

- unquoted equity investments relating to KCC wholly owned companies

- pooled equity, bond, and property investment funds

Categories of Financial Instruments

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

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

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

Financial Instruments Designated at Fair Value through Profit or Loss

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

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

	2024-25 Surplus or Deficit on the Provision of Services £000	2024-25 Other Comprehensive Income and Expenditure £000	2023-24 Surplus or Deficit on the Provision of Services £000	2023-24 Other Comprehensive Income and Expenditure £000
Net gains/losses on: Financial assets measured at fair value through the profit or loss	-2,982		-474	
Financial assets measured at amortised cost	-	-	-	-
Financial assets measured at fair value through other comprehensive income				
Financial liabilities measured at amortised cost	-866	-866	-950	-950
Total net gain/losses	**-3,848**	**-866**	-1,424	-950
Interest revenue Financial assets measured at amortised cost	8,410	-	10,726	-
Financial Assets measured at fair value through profit or loss	15,418	-	15,101	-
Total interest revenue	**23,828**	**0**	25,827	0
Interest expenses	-31,275	-	-34,599	-
Fee income Financial assets or financial liabilities that are not at fair value through profit or loss	-	-	-	-
Trust and other fiduciary activities	-	-	-	-
Total fee income	**0**	**0**	0	0
Fee expense Financial assets or financial liabilities that are not at fair value through profit or loss	-18,627	-	-18,822	-
Trust and other fiduciary activities	0	-	0	-
Total fee expense	**18,627**	**0**	-18,822	0

Fair Value of Financial Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- PWLB loans have been valued by discounting the contractual cash flows over the whole life of the instrument at the available market rate for local authority loans

- LOBO loans have been increased by the value of the embedded options. Lender's options to increase the interest rates of the loans have been valued according to the proprietary model for Bermudan cancellable swaps. Borrower's options have been valued at zero on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.

- PFI and finance lease liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements)

- Soft loans have been valued by discounting the contractual payments at the market rate of interest for a similar loan

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

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

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

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

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

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

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

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

Credit Risk: Treasury Investments

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

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

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

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

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

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

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

Collateral and Other Credit Enhancements

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

Liquidity risk

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

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

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

Market risk

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

Interest Rate Risk

The Council is exposed to risks arising from movements in interest rates. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

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

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

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

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

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

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

Price Risk

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

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

Foreign Exchange Risk

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

Note 40. Contingent Liabilities

Accounting Policy

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

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

The Council is aware of the 'Virgin Media Ltd v NTL Pension Trustees II Ltd (and others)' case and considers that there is potential for the outcome of this case to have an impact on the Kent Pension Fund. The case affects defined benefit schemes that provided contracted-out benefits before 6 April 2016 based on meeting the reference scheme test. Where scheme rules were amended, potentially impacting benefits accrued from 6 April 1997 to 5 April 2016, schemes needed the actuary to confirm that the reference scheme test was still being met by providing written confirmation under Section 37 of the Pension Schemes Act 1993. In the Virgin Media case the judge ruled that alterations to the scheme rules were void and ineffective because of the absence of written actuarial confirmation required under Section 37 of the Pension Schemes Act 1993. The case was taken to The Court of Appeal in June 2024 and the original ruling was upheld.

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

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

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

Note 41. Subsidiary Undertakings

Accounting Policy

Interests in Companies and Other Entities

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

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

Subsidiary Undertakings

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

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

Note 42. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

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

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

Note 43. Other Notes

Pension Fund

Once credited to the Pension Fund, monies may only be used to provide for the statutory determined pension and other payments attributable to staff covered by the Fund. The assets and liabilities of the Pension Fund are shown separately from those of Kent County Council, although the legal position is that they are all in the ownership of Kent County Council as the administering Council. Any actuarial surplus or deficit is apportioned to the constituent member bodies of the Fund. Details of the Fund are disclosed in the Pension Fund Accounts found on pages 142 to 173.

Group Accounts

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

Group Accounts Introduction

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

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

The following pages include:

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

Basis of Identification of the Group Boundary

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

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

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

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

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

Basis of the Preparation of Group Financial Statements

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

Subsidiaries have been consolidated by:

▪ adding like items of assets, liabilities, reserves, income and expenses together on a line by line basis to those of other group members in the financial statements; and
▪ eliminating intra-group balances and transactions in full.
Joint Ventures have been consolidated using the equity method by:
▪ adjusting the investment originally recognised at cost for the company's post-acquisition change in its share of the net assets of the investee,
▪ including the company's share of profits and losses in its Comprehensive Income and Expenditure Statement.

Commercial entities

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

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

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

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

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

Group Accounting Policies

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

IFRS16

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

Group Comprehensive Income and Expenditure Statement

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

Year Ended 31 March 2025

Directorate/Department	Notes	Budget £000	Outturn £000	Variance £000
Adult Social Care & Health including Public Health	ASCH	926,996	-309,131	617,866
Children, Young People & Education	CYPE	1,722,603	-1,320,017	402,586
Growth, Environment & Transport	GET	334,632	-72,124	262,508
Chief Executive's Department	CED	24,525	-21,043	3,482
Deputy Chief Executive's Department	DCED	126,732	-10,469	116,264
Non-Attributable Costs including Corporately Held Budgets	NAC	17,273	-12,096	5,177
Groups – Global Commercial Services		132,720	-36,214	96,506
Group Cost of Services		**3,285,481**	**-1,781,092**	**1,504,389**
Other Operating Income and 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	**14**			-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)/deficit arising on revaluation of non-current assets				-91,920
Remeasurement of the net defined benefit liability				29,336
(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income				-866
Other Comprehensive Income and Expenditure				**-63,450**
Total Comprehensive Income and Expenditure				**-96,574**

Year Ended 31 March 2024

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

Group Movement in Reserves Statement

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

Year Ending 31 March 2024

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

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Year Ending 31 March 2025

	General Fund and Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Profit and Loss Reserve	Total Usable Reserves	Unusable Reserves	Total Group Reserves
Balance at 31 March 2024 carried forward	-416,250	-44,234	-163,652	-9,299	-633,434	-2,367,468	-3,000,902
Adjustments on transition to new accounting arrangements for leases	3,738			-240	3,498	13,401	16,899
Transitional adjustments between accounting and funding basis	-4,249				-4,249	4,249	0
Adjusted balance at 1 April 2024	**-416,761**	**-44,234**	**-163,652**	**-9,539**	**-634,186**	**-2,349,818**	**-2,984,003**
Movements 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 and funding basis under regulations – Note 12	57,246	3,921	-11,349		49,818	-49,818	0
Net increase/decrease before transfers to/from Earmarked Reserves	**24,733**	**3,921**	**-11,349**	**-611**	**16,694**	**-113,268**	**-96,574**
Transfers 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**	**-617,492**	**-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 2025. The net assets of the Group are matched by Group reserves.

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

Group Cash Flow Statement

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

	Notes	2024-25 £000	2023-24 £000
Net (Surplus) or deficit on the provision of services		-33,655	-45,010
Adjustments to net surplus or deficit on the provision of services for non-cash movements	**G9**	-230,086	-184,636
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**G9**	218,667	249,456
Taxation		1,031	364
Net cash flows from operating activities		**-44,043**	**20,174**
Investing Activities	**G10**	18,293	-48,374
Financing Activities	**G11**	53,073	36,562
Net increase (-) or decrease in cash and cash equivalents		**27,323**	**8,362**
Cash and cash equivalents at the beginning of the reporting period		147,628	155,990
Cash and cash equivalents at the end of the reporting period	**G6**	**120,305**	**147,628**

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

Note G1 - Critical Judgements

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

Use of unaudited accounts for Group Accounts consolidation

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

Consideration of IFRS 15 - Revenue from Contracts with Customers

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

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

Elimination of Income and Expenditure

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

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

Supporting the Comprehensive Income and Expenditure Statement

Note G2 - Reconciliation of Group CIES

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

	2024-25 £000	2023-24 £000
(Surplus) or deficit per single entity Comprehensive Income and Expenditure Statement	-32,907	-48,536
Adjustment removing fair value gain/loss included in the single entity accounts as part of Group Accounts consolidation.	394	4,039
(Surplus) or deficit attributable to subsidiaries	-611	-839
Total Group (Surplus) or Deficit	**-33,124**	**-45,336**

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

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

Note G3 - Tax Expenses of Group Entities

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

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

Supporting the Balance Sheet

Note G4 - Debtors

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

	Short Term Debtors 31 March 2025 £000	Short Term Debtors 31 March 2024 £000	Long Term Debtors 31 March 2025 £000	Long Term Debtors 31 March 2024 £000	Total Debtors 31 March 2025 £000	Total Debtors 31 March 2024 £000
Medway Council	0	0	26,674	27,784	26,674	27,784
Recoverable VAT	29,020	55,979	0	0	29,020	55,979
Trade Receivables	143,508	166,028	0	0	143,508	166,028
Payments in Advance	39,187	34,708	0	0	39,187	34,708
General Debtors	179,645	154,731	31,463	23,003	211,109	177,734
	391,360	**411,446**	**58,138**	**50,787**	**449,498**	**462,233**

Note G5 - Creditors

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

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

Note G6 - Cash & Cash Equivalents

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

	31 March 2025 £000	31 March 2024 £000
Single Entity Cash and Bank balances	-40,297	-10,967
Subsidiary cash and bank balances	17,624	16,084
Short term deposits with the Money Market	142,979	142,511
Total Group Cash and Cash Equivalents	**120,306**	**147,628**

Note G7 - Reserves

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

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

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

Note G8 - Financial Instruments

Categories of Financial Instruments

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

Financial Assets

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

Financial Liabilities

	31 March 2025 Long term £000	31 March 2025 Short term £000	31 March 2024 Long term £000	31 March 2024 Short term £000
Borrowing				
- Amortised cost	650,338	90,510	705,532	78,369
- Non-financial liabilities	230,288	23,092	178,549	9,207
	880,626	**113,602**	**884,081**	**87,576**
Creditors				
- Amortised cost	533	354,069	34	367,069
- Non-financial assets	13,955	125,709	14,343	103,149
	14,488	**479,778**	**14,377**	**470,218**
Cash & Cash Equivalents		40,297		10,967
Total	**895,114**	**633,677**	**898,458**	**568,761**

Supporting the Cash Flow

Note G9 Cash Flow - Group Operating Activities

The cash flows for operating activities include the following items:

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

The Surplus or Deficit on the Provision of Services has been adjusted for the following non-cash movements:	**2024-25 £000**	**2023-24 £000**
Movement in pension liability	34,871	30,979
Carrying amount of non-current assets sold	-80,940	-99,289
Carrying amount of Capital Inventory sold	-187	-162
Carrying amount of Financial Assets held at FVPL	3,056	3,958
Amortisation of fixed assets	-1,579	-2,652
Depreciation of fixed assets	-119,727	-111,549
Depreciation of right of use assets	-536	0
Impairment and downward valuations	-5,037	-7,925
Income from shares in group undertakings	0	0
Increase/(decrease) debtors	-19,749	46,359
(Increase)/decrease creditors	12,121	23,841
Increase/(decrease) stock	-1,497	-1,849
Change in provisions	-109	-51
Movement on investment properties	470	-7,165
REFCUS	-54,219	-36,801
Other non-cash items charged to the net surplus/deficit on the Provision of Services	-10	-22,330
Taxation	0	0
Negative Goodwill	949	0
IFRS16 back to back leases initial profit recognition	2,036	0
	-230,087	**-184,636**

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

Note G10 - Group Cash Flow Statement - Investing Activities

	2024-25 £000	2023-24 £000
Purchase of property, plant and equipment, investment property, and intangible assets	266,483	242,742
Purchase of short-term and long-term investments	2,146,632	2,774,912
Proceeds from capital inventory	-243	-195
Other payments for investing activities	0	0
Proceeds from sale of property, plant and equipment, investment property, and intangible assets	-21,727	-12,472
Proceeds from short-term and long-term investments	-2,133,472	-2,818,943
Other receipts from investing activities	-239,380	-234,418
Net cash flows from investing activities	**18,293**	**-48,374**

Note G13 - Group Cash Flow Statement - Financing Activities

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

Pension Fund Accounts

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

Fund Account for the year ended 31 March:

	Notes	2024-25 £000	2023-24 £000
Dealings with members, employers and others directly involved in the Fund			
Contributions	7	352,490	321,214
Transfers in from other pension funds	8	24,781	12,280
		377,270	333,494
Benefits	9	-332,551	-303,175
Payments to and on account of leavers	10	-16,129	-15,424
		-348,680	-318,599
Net additions from dealings with members		**28,590**	**14,895**
Management expenses	11	-40,132	-34,788
Net withdrawals including fund management expenses		**-11,541**	**-19,983**
Returns on investments			
Investment Income	13	169,754	157,148
Taxes on Income		-228	-371
Profit and (loss) on disposal of investments and changes in the market value of investments	15a	151,075	157,715
Net return on investments		**320,601**	**314,492**
Net increase in the net assets available for benefits during the year		**309,060**	**294,599**
Opening net assets of the scheme		**8,142,551**	**7,847,952**
Closing net assets of the scheme		**8,451,611**	**8,142,551**

Net Assets Statement as at 31 March

	Notes	2024-25 £000	2023-24 £000
Investment assets		8,449,146	8,144,656
Investment liabilities		-781	-3,800
Net investment assets	15	**8,448,364**	**8,140,856**
Current assets	21	39,602	34,778
Current liabilities	22	-36,356	-33,083
Net assets available to fund benefits at the period end		**8,451,611**	**8,142,551**

Notes to the Pension Fund Accounts

1. Description of the Fund

General

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

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

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

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

Membership

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

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

	Kent County Council 31-Mar-25	Kent County Council 31-Mar-24 Restated	Other Employers 31-Mar-25	Other Employers 31-Mar-24 Restated	Total 31-Mar-25	Total 31-Mar-24 Restated
Contributors	21,870	22,005	33,843	33,286	55,713	55,291
Pensioners	26,548	25,252	25,988	25,156	52,536	50,408
Deferred Pensioners	34,033	32,724*	37,647	36,304*	71,680	69,028*
Total	82,451	79,981*	97,478	94,746*	179,929	174,727*

Prior Period Adjustment Disclosure Note for Membership Disclosures

During the 2024/25 reporting period, an adjustment has been made to the membership disclosures to include the undecided members within the deferred pensioner category. As a result, a prior period adjustment was required to restate the 2023/24 comparative of deferred pensioners.

The figure stated for deferred pensioners in 2023/24 accounts was 50,645; it is now considered to be 69,028, an increase of 18,383, and has been restated accordingly, for consistency of disclosures and ease of comparability between the two financial years. No other areas of the accounts have been affected.

This adjustment is presentational only and does not affect the IAS 26 actuarial valuation. The membership data used by the actuary was based on the 2022 triennial valuation when the deferred pensioners communicated to the actuary had included the undecided members, therefore consistent with the restated disclosures. Accordingly, there is no impact on the Fund's liabilities, funding position or net assets.

The management acknowledge their responsibility for the accuracy and completeness of the financial statements, including the identification and correction of such prior period adjustments. Having evaluated the impact of this adjustment, the financial statements present a true and fair view of the Fund's financial position and performance.

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 2025. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. Employers' contribution rates consist of a primary rate (representing the rate required to meet the cost of future accrual of benefits) and a secondary rate, which is an adjustment to the primary rate for employer specific circumstances (e.g. to allow for deficit recovery). Currently, employers' primary contribution rates range from 15.7% to 36.4% of pensionable pay.

Benefits

Pension benefits under the LGPS are based on the following:

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

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

2. Basis of preparation

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

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 which is based upon International Financial Reporting Standards, as amended for the UK public sector. The accounts are prepared on a going concern basis. Adoption of IFRS 16 which came to effect in April 2024, is not expected to have a material impact on the pension fund accounts.

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

Going concern

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

3. Summary of significant accounting policies

Fund Account - revenue recognition

a) Contribution income

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

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

b) Transfers to and from other schemes

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

c) Investment income

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

Fund Account - expense items

d) Benefits payable

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

e) Taxation

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

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

f) Management expenses

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

Net Assets Statement

g) Financial assets

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

recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

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

- Quoted investments are stated at market value based on the closing bid price quoted on the relevant stock exchange on the final day of the accounting period.

- Fixed income securities (bonds) are recorded at net market value based on their current yields

- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager

- Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers. The valuation standards followed by the managers are in accordance with the industry guidelines and the constituent management agreements. Such investments may not always be valued based on year end valuation as information may not be available, and therefore will be valued based on the latest valuation provided by the managers adjusted for cash flow and foreign exchange rate movements to the year end.

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

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

h) Freehold and Leasehold Properties

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

i) Derivatives

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

j) Foreign currency transactions

Assets and liabilities in foreign currency are translated into sterling at spot market exchange rates ruling at the year-end. All foreign currency transactions including income are translated into

sterling at spot market exchange rates ruling at the transaction date. All realised currency exchange gains or losses are included in change in market value of assets.

k) Cash and cash equivalents

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

l) Financial liabilities

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

m) Actuarial present value of promised retirement benefits

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

n) Contingent assets and liabilities

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

o) Pooling expenses

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

p) Additional voluntary contributions

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

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

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

Changes in accounting policies are only made when required by accounting practice or the change provides more reliable or relevant information about the effect of transactions, other

events and conditions on the Fund's financial position or performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

4. Critical judgements in applying accounting policy

The Fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants with rental periods. 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.

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

Item	Uncertainties	Effect if actual results differ from assumption
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £104m. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approx. £7m, and a one year increase to the life expectancy assumptions would increase the value of the liabilities by approx. £253m.
Private equity and infrastructure 3 investments (Note 17)	Valuation of unquoted private equity and infrastructure investments is highly subjective and inherently based on forward looking estimates and judgements involving many factors. They are valued by the investment managers using guidelines set out in the British Venture Capital Association.	The total private equity and infrastructure, which are level 3 investments, on the financial statements are £833m. Potential change in valuation due to changes in these factors is estimated in Note 17.
Freehold and leasehold property and pooled property	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	The effect of 10% variations in the factors supporting the valuation would be an increase or decrease in the value of directly held property and property pooled funds of £70m on a fair value of £704m. Details of potential factors affecting the valuation are in

funds (Note 17)	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.	Note 17.

6. Events after the reporting date

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

On 9 April 2025, the Kent Pension Fund was informed by letter, from the Ministers for Local Government and Pensions, that the Government had declined the proposal submitted by the ACCESS Pool which would have seen ACCESS build to establish a company to meet the requirements of the Government's 'Local Government Pension Scheme (England and Wales): Fit for the Future' consultation. As such, ACCESS authorities including the Kent Pension Fund, have been told to 'consider and identify which Pool you wish to partner with going forward.'

Following this, the Kent Pension Fund has announced its intention to join Border to Coast as its new pool, subject to the necessary governance processes and Government approval. This development will not impact the valuation of the Fund's investments as disclosed in the 2024/25 accounts. However, it is expected to lead to changes in how the Fund's assets are managed in future periods. In addition, it might generate additional costs that will fall in future accounting periods.

7. Contributions receivable

	2024-25 £000	2023-24 £000
By category		
Employees' contributions	76,820	71,244
Employers' contributions		
-normal contributions	250,048	231,833
-deficit recovery contributions	20,138	13,852
-augmentation contributions	5,485	4,284
Total Employers' contributions	275,671	249,969
Total contributions receivable	**352,490**	**321,214**
By type of employer		
Kent County Council	123,564	116,271
Scheduled bodies	205,491	186,945
Admission bodies	23,436	17,998
	352,490	**321,214**

8. Transfers in from other pension funds

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

9. Benefits payable

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

10. Payments to and on account of leavers

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

11. Management expenses

	Notes	2024-25 £000	2023-24 £000
Administration costs		5,841	5,258
Governance and oversight costs		1,297	1,660
Investment management expenses	12	32,615	27,641
Audit fees		149	96
Pooling expenses		229	133
		40,132	**34,788**

The audit fees disclosed above excludes VAT. The amount includes fees of £121,429 relating to the 2024/25 external audit with the balance being related to 2022/23 and 2023/24 audits. In addition, the amount also includes non-audit fees of £3,500 in respect of an IAS 19 assurance letter issued to the National Audit Office (NAO) for the prior year and a proposed fee of £3,500 for the current year. These amounts are outside the PSAA scale and have been separately agreed.

12. Investment management expenses

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

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

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

12a. Investment management fees

	2024-25 £000	2023-24 £000
Bonds	4,433	4,054
Equities	14,411	13,356
Private equity / infrastructure	7,855	6,906
Property	3,118	3,103
Total	**29,817**	**27,419**

13. Summary of income from investments

	Notes	2024-25 £000	2024-25 %	2023-24 £000	2023-24 %
Bonds		16,798	9.9	17,862	11.4
Equities		14,411	8.5	10,356	6.6
Pooled investments		100,522	59.2	97,933	62.3
Private equity / infrastructure		9,423	5.6	9,941	6.3
Property	**14**	13,045	7.7	11,556	7.4
Pooled property investments		11,257	6.6	5,518	3.5
Cash and cash equivalents		4,183	2.5	3,884	2.5
Stock lending and miscellaneous		115	0.1	98	0.1
Total before taxes		**169,754**	**100.0**	**157,148**	**100.0**

14. Property income and expenditure

	2024-25 £000	2023-24 Restated £000
Rental income from investment properties	24,503	24,377
Provision for doubtful debts	-4,282	-5,811
Direct operating expenses	-7,176	-7,010
Net operating income from property	**13,045**	**11,556**

Comparative information for the year ended 31 March 2024 has been restated to correct a misclassification between the doubtful debts provisions relating to rent and service charges. This adjustment has been made to ensure the correct presentation and classification of the doubtful debt provisions. The net impact on this note and on the overall financial position of the Fund was nil.

15. Investments

	Market Value as at 31 March 25 £000	Market Value as at 31 March 24 £000
Investment assets		
Bonds	415,195	400,903
Equities	0	406,065
Pooled investments		
Fixed income	856,819	792,897
Equities	4,892,344	4,390,583
Absolute return	430,001	410,961
Private equity/infrastructure funds	833,484	763,399
Property	473,188	461,774
Pooled property investments	231,081	265,421
Derivatives-forward currency contracts	369	375
Investment cash and cash equivalents	306,353	240,140
Investment income due	10,314	9,585
Amounts receivable for sales	0	1,247
Margin cash	0	1,307
Total investment assets	**8,449,146**	**8,144,656**
Investment liabilities		
Amounts payable for purchases	0	-2,444
Margin cash liability	-688	0
Derivatives-forward currency contracts	-94	-1,355
Total investment liabilities	**-781**	**-3,800**
Net investment assets	**8,448,364**	**8,140,856**

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

15a. Reconciliation of movements in investments and derivatives

	Market Value as at 31 March 24 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Market Value as at 31 March 25 £000
Bonds	400,903	137,994	-122,757	-946	415,195
Equities	406,065	490,063	-944,550	48,422	0
Pooled investments	5,594,441	1,193,488	-630,510	21,745	6,179,163
Private equity/infrastructure	763,399	69,795	-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**

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

15b. Analysis of derivative contracts

Objectives and policy for holding derivatives

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

Open forward currency contracts

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

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

15c. Property holdings

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

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

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

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

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

15d. Investments analysed by fund manager

	Market Value as at 31 March 2025 £000	Market Value as at 31 March 2025 %	Market Value as at 31 March 2024 £000	Market Value as at 31 March 2024 %
Investments managed in the ACCESS Pool				
Baillie Gifford	985,230	11.7	1,204,259	14.8
M&G	669,267	7.9	593,948	7.3
Ruffer	186,826	2.2	180,143	2.2
Schroders	1,426,143	16.9	1,721,968	21.2
Columbia Threadneedle	207,610	2.5	0	0
Robeco	840,382	9.9	0	0
	4,315,457	51.1	3,700,318	45.5
Investments managed outside the ACCESS Pool				
CQS	280,612	3.3	257,039	3.2
DTZ	603,240	7.1	527,294	6.5
Fidelity	45,819	0.5	135,589	1.7
Goldman Sachs	438,513	5.2	417,890	5.1
HarbourVest	326,547	3.9	308,604	3.8
Impax	65,479	0.8	74,660	0.9
Insight	853,325	10.1	962,656	11.8
Kames	26,755	0.3	27,943	0.3
Kent County Council investment team	129,368	1.5	37,430	0.5
M&G	332,277	3.9	318,162	3.9
Partners Group	431,872	5.1	376,066	4.6
Pyrford	243,174	2.9	230,817	2.8
Sarasin	920	0.0	425,462	5.2
Schroders	277,915	3.3	259,889	3.2
YFM	75,065	0.9	78,729	1.0
Link Fund Solutions	2,025	0.0	2,308	0.0
	4,132,907	48.9	4,440,538	54.5
Total	**8,448,364**	**100**	**8,140,856**	**100**

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

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

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

15f. Stock lending

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

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

31 March 2025

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

31 March 2024

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

16. Financial instruments

16a. Classification of financial instruments

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

	31 Mar 25 Fair value through profit and loss £000	31 Mar 25 Assets at amortised cost £000	31 Mar 25 Financial liabilities at amortised cost £000	31 Mar 24 Fair value through profit and loss £000	31 Mar 24 Assets at amortised cost Restated £000	31 Mar 24 Financial liabilities at amortised cost Restated £000
Financial assets						
Bonds	415,195			400,903		
Equities	0			406,065		
Pooled investments	6,179,163			5,594,441		
Property pooled investments	231,081			265,421		
Private equity/infrastructure	833,484			763,399		
Derivative contracts	369			375		
Cash & cash equivalents	299,099	20,480		230,973	15,587	
Other investment balances		10,314			12,139	
Debtors/ receivables		4,472			5,272	
	7,958,391	**35,267**	**0**	**7,661,577**	**32,999**	**0**
Financial Liabilities						
Derivative contracts	-94			-1,355		
Other investment balances			-688			-2,444
Creditors			-13,524			-11,524
	-94	**0**	**-14,211**	**-1,355**	**0**	**-13,968**
Total	**7,958,297**	**35,267**	**-14,211**	**7,660,222**	**32,999**	**-13,968**

16b. Net gains and losses on financial instruments

Financial assets	31 March 2025 £000	31 March 2024 £000
Fair value through profit and loss	141,139	177,025
Assets at amortised cost	1,163	734
Total	**142,302**	**177,760**

17. Valuation of assets and liabilities carried at fair value

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

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

Bespoke fund for equity protection programme assets	2	Net asset value of Fund based on valuation of underlying assets with quoted prices for bond holdings and market prices for derivatives	Wide range of deals executed in the bond holdings but limited comparable transactions for specialist equity derivatives	Valuation of derivatives is affected by the equity and foreign exchange market conditions

Note: Quoted fund in administration refers to the UK equities Fund managed by Link Fund Solutions. Bespoke fund for equity protection programme assets is managed by Insight.

Sensitivity of assets valued at level 3

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

	Assessed valuation range (+/-)	Value as at 31 March 2025 £000	Value on increase £000	Value on decrease £000
Private equity	23.4%	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

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

17a. Fair Value Hierarchy

Level 1

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

Level 2

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

Level 3

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

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

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

Values at 31 March 2025	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
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**

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

17b. Reconciliation of fair value measurements within level 3

	Private equity £000	Infrastructure £000	Direct and pooled property	Other £000	Total £000
Market value 1 April 2024	387,333	376,066	727,195	2,308	1,492,901
Transfers into level 3					0
Transfers out of level 3					0
Purchases during the year	50,941	18,854	71,221	0	141,017
Sales during the year	-49,683	-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	**401,912**	**431,872**	**704,268**	**2,025**	**1,539,778**

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

18. Nature and extent of risks arising from financial instruments

Risk and risk management

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

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

a) Market risk

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

Other price risk

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

Other price risk - sensitivity analysis

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

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

Private equity	23.4

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

Asset Type	Value as at 31 March 25 £000	Percentage change %	Value on increase £000	Value on decrease £000
Cash and cash equivalents	306,353	0.0	306,353	306,353
Investment portfolio assets:				
UK equities	0	15.5	0	0
Overseas equities	0	15.9	0	0
Pooled emerging market equities	408,638	18.0	482,192	335,083
Global pooled equities inc UK	4,913,707	15.9	5,694,986	4,132,427
Bonds incl bond funds	1,272,014	8.0	1,373,775	1,170,253
Property pooled funds	231,081	8.9	251,647	210,515
Private equity	401,612	23.4	495,589	307,635
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**

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

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

Interest rate risk

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

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

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

Interest rate risk - sensitivity analysis

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

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

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

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

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

Currency risk

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

Currency exposure - asset type	Asset value as at 31 March 25 £000	Asset value as at 31 March 24 £000
Overseas equities	0	368,006
Overseas pooled funds	4,686,215	3,829,079
Overseas bonds	0	0
Overseas private equity, infrastructure and property funds	758,419	684,669
Non GBP cash	13,435	6,758
Total overseas assets	**5,458,069**	**4,888,513**

Currency risk - sensitivity analysis

Following analysis of historical data and expected currency movement during the financial year, in consultation with the fund's investment advisors, the Fund has determined that the following movements in the values of financial assets denominated in foreign currency are reasonably possible for the 2024-25 reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. A relevant strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Asset value as at 31 March 25 £000	Change to net assets available to pay benefits +5.5% £000	Change to net assets available to pay benefits -5.5% £000
Overseas equities	0	0	0
Overseas pooled funds	4,686,215	4,943,957	4,428,473
Overseas bonds	0	0	0
Overseas private equity, infrastructure and property funds	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**

Currency exposure - asset type	Asset value as at 31 March 24 £000	Change to net assets available to pay benefits +5.4%	Change to net assets available to pay benefits -5.4%

		£000	£000
Overseas equities	368,006	387,879	348,134
Overseas pooled funds	3,829,079	4,035,849	3,622,309
Overseas bonds	0	0	0
Overseas private equity, infrastructure and property funds	684,669	721,642	647,697
Non GBP cash	6,758	7,123	6,393
Total change in assets available	**4,888,513**	**5,152,493**	**4,624,533**

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment of a receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties. Derivative contracts are also covered by margins which provide collateral against risk of default by the counterparties.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Fund's credit criteria. The Fund has also set limits as to the maximum amount that may be placed with any one financial institution. The Fund's cash was held with the following institutions:

	Rating	Balance as at 31 March 25 £000	Balance as at 31 March 24 £000
Money market funds			
Northern Trust Sterling Fund	AAAm	187	18,372
SSGA Liquidity Fund	AAAm	0	0
Blackrock ICS	AAAm	11,361	41
Blackrock USD Government Liquidity Fund	AAAm	64	8
Aberdeen Sterling Liquidity Fund	AAAm	10,766	5
Goldman Sachs Liquid Reserve Government Fund	AAAm	11,425	6,478
Aviva Investors Sterling Liquidity Fund	AAAm	49,777	7,889
Federated (PR) Short-term GBP Prime Fund	AAAm	0	0
Deutsche Managed Sterling Fund	AAAm	2,311	2,330
HSBC Global Liquidity Fund	AAAm	0	0
LGIM Liquidity Fund	AAAm	53,457	25,315
Insight Sterling Liquidity Fund	AAAm	156,893	168,694
		296,241	**229,132**
Bank deposit accounts			
NatWest SIBA	A+	1,631	1,841
		1,631	**1,841**

Bank current accounts			
NatWest current account	A-	50	50
NatWest current account - Euro	A+	11,922	134
NatWest current account - USD	A+	28	9
Northern Trust - current accounts	AA-	7,470	12,802
Barclays - DTZ client monies account	A+	2,237	2,592
		21,707	**15,587**
Total cash and cash equivalents		**319,579**	**246,560**

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments. The Council has immediate access to the Fund's money market fund and current account holdings.

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2025 are due within one year.

Refinancing risk

The key risk is that the Fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

19. Funding arrangements

In line with Local Government Pension Scheme (Administration) Regulations 2013 (as amended), the Fund is required to obtain an actuary's funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022.

The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund and ensure that sufficient funds are available to meet all the benefits as they fall due for payment

- To ensure employer contribution rates are as stable as possible

- To minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return

- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so

At the 2022 valuation a maximum deficit recovery period of 11 years (2019 - 14 years) is used for all employers. Shorter recovery periods have been used where affordable. This will provide a buffer for future adverse experience and reduce the interest cost paid by employers. For Transferee Admission Bodies the deficit recovery period is set equal to the future working life of current employees or the remaining contract period, whichever is the shorter.

In the 2022 triennial valuation, the smoothed value of the Fund's assets at the valuation date was £7,555m and the liabilities were £7,374m. The assets therefore, represented 102% (2019 - 98%) of the Fund's accrued liabilities, allowing for future pay increases.

The primary contribution rate for the average employer, including payments to target full funding has increased from 18.4% to 20.5% of pensionable salaries after the latest valuation. Secondary rates however differ from employer to employer depending upon their funding position and agreed deficit recovery period. The funding level for the Fund as a percentage has increased (due to good investment returns and employer contributions) although this has been partly offset by the changes in the financial assumptions used to calculate the liabilities.

The actuarial valuation has been undertaken on the projected unit method. At individual employer level the projected unit funding method has been used where there is an expectation that new employees will be admitted to the Fund. The attained age method has been used for employers who do not allow new entrants. These methods assess the costs of benefits accruing to existing members during the remaining working lifetime, allowing for future salary increases. The resulting contribution rate is adjusted to allow for any differences in the value of accrued liabilities and the market value of assets.

The 2022 actuarial assumptions were as follows:

Valuation of Assets:	Assets have been valued at a 6 month smoothed market rate
Rate of return on investments (discount rate)	4.5% p.a.
Rate of general pay increases:	
Long term	3.9% p.a.
Short Term	n/a
Assumed pension increases	2.9% p.a.

20. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, every year the Fund's actuary undertakes a valuation of the Fund's liabilities on an IAS 19 basis, using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

Actuarial present value of promised retirement benefits	31 March 25 £m	31 March 24 £m
Present value of promised retirement benefits	-7,057.8	-7,923.6
Fair value of scheme assets at bid value	8,424.9	8,134.2
Net asset	**1,367.1**	**210.6**

The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. Based on the latest valuation, the fair value of net assets of the Fund represents 119% of the actuarial valuation of the promised retirement benefits. Future liabilities will be funded from future contributions from employers.

The liability above being calculated on an IAS 19 basis and differs from the results of the 2022 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects a market rate.

Assumptions used:	**% p.a.**
Salary increase rate	3.90%
Inflation/Pensions increase rate	3.20%/2.90%
Discount rate	5.85%

In December 2018 the Court of Appeal passed the McCloud judgement, which relates to age discrimination in relation to judges and firefighters pensions. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases and legislation is now being drafted to bring forward these changes. Updated Regulations are to be consulted on in 2023 with the earliest effective date expected to be October 2023. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. For the 2022 valuation, as instructed by the Department of Levelling Up, Housing and Communities (DLUHC), our actuaries have assumed that the legislation will bring forward the changes as currently proposed, and have valued the benefits in line with this. This exercise has estimated the additional costs to be approximately 0.7% of the Fund's liabilities and these have been included in the total liabilities of the Fund at the 2022 valuation.

21. Current assets

	31 March 25 £000	31 March 24 £000
Debtors		
- Contributions due - employees	5,118	5,391
- Contributions due - employers	16,785	17,694
	21,903	23,085
Sundry debtors	4,472	5,272
Total debtors	**26,375**	**28,357**
Cash	13,227	6,421
Total current assets	39,602	34,778

22. Current liabilities

	31 March 25 £000	31 March 24 £000
Creditors		
- Benefits payable	22,832	21,559
- Sundry creditors	13,524	11,524
Total current liabilities	**36,356**	**33,083**

23. Additional voluntary contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 4(2)(b) of the LGPS (Management and Investment of Funds) Regulations 2009, these AVC contributions are not included within the Pension Fund Accounts. These contributions are paid to the AVC provider directly by the employer and are invested separately from the Pension Fund, with either Utmost Life, Prudential Assurance Company or Standard Life Assurance Company. These amounts are included within the disclosure note figures below.

	Prudential 2024-25 £000	Prudential 2023-24 £000	Standard Life 2024-25 £000	Standard Life 2023-24 £000	Utmost Life 2024-25 £000	Utmost Life 2023-24 £000

Value at 1 April	12,895	10,054	1,918	1,914	282	277
Value at 31 March	14,958	12,895	2,422	1,918	245	282
Contributions paid	4,047	3,303	595	318	0	0

24. Related party transactions

The Fund is required to disclose material transactions with related parties, not disclosed elsewhere, in a note to the financial statements. During the year each member of the Kent Pension Fund Committee is required to declare their interests at each meeting. None of the members of the Committee or senior officers undertook any material transactions with the Fund. 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.

	2024-25 £000	**2023-24 £000**
KCC is the largest single employer of members of the Fund and during the year contributed:	93,395	88,527
A list of all contributing employers and amount of contributions received is included in the Fund's annual report available on the pension fund website		
Charges from KCC to the Fund in respect of pension administration, governance arrangements, investment monitoring, legal and other services.	7,082	6,497
Year end balance due to KCC arising out of transactions between Kent County Council and the Fund	-7,445	-6,252

The year end credit balance due to KCC mainly comprises of recharges and of VAT payable to KCC.

Key management personnel

The key management personnel of the Fund for 2024-25 are the Interim Corporate Director Finance as well as the Head of Pensions and Treasury. The Interim Corporate Director Finance charges a proportion of their time to the Kent Pension Fund as part of the County Council's charge for the administration of the Fund. Full details of the salary of Interim Corporate Director Finance can be found in the main accounts of Kent County Council.

Total costs charged to the Fund, including amounts recharged by the Interim Corporate Director Finance, in respect of key management are shown below.

	31 March 25 £000	31 March 24 £000
Salary	**125**	118
Allowances	**12**	12
Other	**27**	16
Employer's pension contributions	**17**	27
Total	**181**	173

25. Contingent liabilities

The Fund is aware of the 'Virgin Media Ltd v NTL Pension Trustees II Ltd (and others)' case and considers that there is potential for the outcome of this case to have an impact on the Kent Pension Fund. The case affects defined benefit schemes that provided contracted-out benefits before 6 April 2016 based on meeting the reference scheme test. Where scheme rules were amended, potentially impacting benefits accrued from 6 April 1997 to 5 April 2016, schemes needed the actuary to confirm that the reference scheme test was still being met by providing written confirmation under Section 37 of the Pension Schemes Act 1993. In the Virgin Media case the judge ruled that alterations to the scheme rules were void and ineffective because of the absence of written actuarial confirmation required under Section 37 of the Pension Schemes Act 1993. The case was taken to The Court of Appeal in June 2024 and the original ruling was upheld.

The Department for Work and Pensions (DWP) published an announcement on 5 June 2025 noting the plan to introduce new legislation in response to the ruling. The legislation will allow affected pension schemes to retrospectively obtain written actuarial confirmation that historic changes to scheme rules met the required standards. The new legislation is hoped to provide clarity to affected schemes. No further information has been provided at this time.

The Fund still awaits further information but at this time are hopeful there will be no impact on the scheme.

26. Contractual commitments

Outstanding capital commitments (investments) as at 31 March 2025 totalled £375m (31 March 2024: £309m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over the life of each fund.

27. Contingent assets

30 admitted body employers in the Fund hold insurance bonds and 11 hold guarantees with their Employing Authority to guard against the possibility of being unable to meet their pension obligations. These bonds and guarantees are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

Independent Auditor's Report to the Members of Kent County Council - DRAFT

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 (the 'group') for the year ended 31 March 2025, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the 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 2024/25.

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 2025 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 2024/25; 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 Interim 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 Interim 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 2024/25 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 Interim 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 Interim 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 Interim 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 2024/25, 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 Interim 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 Interim Corporate Director Finance. The Interim 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 2024/25, for being satisfied that they give a true and fair view, and for such internal control as the Interim 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 Interim 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 2024/25, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Regulations 2024, 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. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - unusual journal entries made during the year and at the accounts preparation stage; and
  - the appropriateness of assumptions applied by management in determining significant accounting estimates, such as the valuation of land and buildings and investment property and the valuation of the defined benefit pension liability.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
  - journal entry testing, with a focus on testing unusual journal entries and journal entries with a higher level of inherent risk made during the year and accounts preparation process for appropriateness and corroboration;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings and investment property and the valuation of the defined benefit pension liability; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- 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 events and transactions reflected in the financial statements, the less likely we would become aware of it.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud and error in revenue and expenditure recognition and the significant estimates related to the valuation of land and buildings and investment property and the valuation of the defined benefit pension liability. 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's 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 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.

- 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. No such matters were identified by the component auditors.

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 2025.

We have nothing to report in respect of the above matter except on 12 December 2024 we identified two significant weaknesses in the Authority's arrangements for financial sustainability:

- The Authority continued to experience a stubbornly high spend on Adult Social Care and Health. We recommended that the Authority should explore options for increased efficiency in the Adult Social Care and Health directorate in 2024/25 and future years. The significant cost pressures have continued in 2024/25, with the position deteriorating in the financial year. Therefore, the significant weakness in arrangements remains in place for the year ended 31 March 2025. We have again recommended that the Authority should explore further options for increased efficiency in the Adult Social Care and Health service as reducing current overspends will be essential if reserves are to remain robust in the future.
- The Authority is party to a 'safety valve' agreement with the Department for Education with regards to the Dedicated Schools Grant. Under this agreement, the Authority is expected to contribute £80m and keep to an agreed profile of deficit reduction, and the Department for Education will provide additional funding until March 2027/28. We recommended that the Authority should work holistically to reduce spend on the high needs block. At 31 March 2025 the Authority had fallen behind its forecast deficit profile for Dedicated Schools Grant, having been slightly ahead of it in March 2024. A temporary 'statutory override' on accounting treatment has been implemented nationally, which means that that local authorities do not need to offset deficits on the Dedicated Schools Grant against general fund reserve. This is due to expire in March 2028, and the Authority is forecasting a residual deficit on the Dedicated Schools Grant at that point of over £30m. We recommend that the

Authority should ensure that its Dedicated Schools Grant management plan is sufficient to address the legacy deficit as well as control the in-year pressure on the high needs block.

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 guidance issued by the Comptroller and Auditor General in November 2024. 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 2025 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 the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

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

Paul Dossett, Key Audit Partner

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

London

Date: Date to follow

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

Opinion on financial statements

We have audited the financial statements of Kent Pension (the 'Pension Fund') administered by Kent County Council (the 'Authority') for the year ended 31 March 2025, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. 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 2024/25.

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 2025 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 2024/25; 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 Acting 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 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 Acting 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 2024/25 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 Acting Corporate Director Finance's 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 Acting Corporate Director Finance's 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 Acting Corporate Director Finance's 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 Acting 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 Acting Corporate Director Finance's. The Acting Corporate Director Finance's 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 2024/25, for being satisfied that they give a true and fair view, and for such internal control as the Acting Corporate Director Finance's 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 Acting Corporate Director Finance's 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 2024/25, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Regulations 2024 and the Local Government Act 2003, the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulation 2013 and the 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. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

  - journals entries posted which met a range of criteria determined during the course of the audit, in particular
  - those posted around the reporting date which had an impact on the fund's financial position, and
  - accounting estimates made in respect of valuation of level 3 investment assets including directly held properties.
- Our audit procedures involved:
  - 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;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of valuation of level 3 investments, including Private Equity, Infrastructure and direct and Pooled property investments; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- 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 events and transactions reflected in the financial statements, the less likely we would become aware of it.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition. 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: Date to follow

Glossary of terms

Agency - The provision of services by one local authority, on behalf of and reimbursed by the responsible local authority or central government.

Budget - A statement defining the Council's policy over a specified period and expressed in financial or other terms.

Capital expenditure - Expenditure on the provision and improvement of permanent assets such as land, buildings, and roads.

Capital receipts - Money obtained on the sale of a capital asset.

Derivatives - A derivative is a contract that derives its value from the performance of an underlying entity. Common derivatives include forwards, futures, options, and swaps.

Employee expenditure - The salaries and wages of employees together with national insurance, superannuation, and all other pay-related allowances. Training expenses and professional fees are also included.

Fair value - The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Page 31 of the accounts provides clarification of level 2 and 3 inputs.

Government grants - Part of the cost of local government's services is paid for by central government from its own tax income. These grants are of two main types. Some (specific grants and supplementary grants) are for particular services such as Highways and Transportation. Others are in aid of local services generally.

Intangible Assets - Capital spend on items such as software licences and patents.

Local Authority Accounting Panel -The Local Authority Accounting Panel issues LAAP Bulletins to assist practitioners with the application of the requirements of the Code of Practice on Local Authority Accounting, Service Reporting Code of Practice, and the Prudential Code.

Long-term debtors - Amounts due to Kent County Council where payment is to be made over a period of time in excess of one year.

Minimum Revenue Provision - The amount that the Council is required to charge to the revenue account each year to provide for the repayment of debt.

Net operating expenditure - This comprises all expenditure minus all income, other than the precept and transfers from reserves.

Non-Delegated - Spend on Education Services which is not delegated to schools.

Precept - The levying of a rate by one authority which is collected by another. Kent County Council precepts upon the district council’s collection funds for its income but some bodies, e.g. the Environment Agency, precept upon Kent County Council.

Public Works Loans Board - A Government controlled agency that provides a source of borrowing for public authorities.

Related party transaction - A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party irrespective of whether a charge is made.

Revenue expenditure - Expenditure to meet the continuing cost of services including salaries, purchase of materials, and capital financing charges.

Revenue expenditure funded from capital under statute (Refcus) - Refcus includes expenditure that has been treated as capital expenditure but does not lead to the acquisition by the Council of a tangible asset.

Specific grants - See 'government grants'.

Support service costs - The 'overhead' cost to Service Directorates of support services, such as architects, accountants, and solicitors.

Unusable reserves - Those reserves that the Council is not able to utilise to provide a service.

Usable capital receipts - The proportion of the proceeds arising from the sale of fixed assets that can be used to finance capital expenditure.

Further information on the accounts can be obtained from the Chief Accountant (please call 03000 41 41 41).

This publication can be made available in alternative formats and can be explained in a range of languages. Please call 03000 41 41 41 or Text Relay 18001 03000 41 41 41.

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From: Katy Reynolds, Governance Advisor

To: Governance and Audit Committee, 30 October 2025

Subject: 2024/2025 External Audit Findings Report for Kent County Council

Status: Unrestricted

Summary: The Audit Findings Report for Kent County Council sets out the opinion of the External Auditor on the Council's financial statements. The Governance and Audit Committee has the responsibility of receiving and reviewing this report.

---

1) Introduction

a) Under the International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), the Appointed Auditor, Grant Thornton UK LLP, are required to issue as opinion as to whether:

- Kent County Council's financial statements give a true and fair view of both the financial position and the income and expenditure for the year; and
- Have been properly prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

b) The External Auditor is also required to report whether other information published together with the audited financial statements is materially inconsistent with the financial statements and/or whether information obtained in the audit or otherwise appears to be materially misstated.

2) Governance and Audit Committee's Responsibility

a) In accordance with CIPFA's Position Statement 2022, the Committee is responsible for considering the opinion and recommendations of External Audit and their implications for governance, risk management or control, and for monitoring management action in response to the issues raised by external audit.

b) Members are reminded that the purpose of this Committee, in accordance with its Terms of Reference, is to provide independent and high-level focus on the adequacy of governance, risk, finance, and control arrangements.

c) Towards this purpose, its role is to:

i. ensure there is sufficient assurance over governance risk and control and provide reports to full Council on the effectiveness and adequacy of these arrangements;

ii. have oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability, and

iii. through i and ii above, give greater confidence to all those charged with governance for Kent County Council that its arrangements are effective and reporting to full Council or other Committees as necessary where the Committee has concerns that these arrangements are not effective.

3) Recommendation

The Governance and Audit Committee is asked to note the External Auditor's Findings Report for Kent County Council for assurance.

4) Appendices

Appendix: Grant Thornton's Audit Findings Report for Kent County Council 2024/25

5) Background Documents

CIPFA's Position Statement 2022
International Standard on Auditing (UK) 260
National Audit Office (NAO) Code of Audit Practice

6) Contact Details

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Audit Findings (ISA 260) Report for Kent County Council

Year ended 31 March 2025

30 October 2025

Kent County Council
County Hall
Maidstone
Kent
ME14 1XQ

Grant Thornton UK LLP
8 Finsbury Circus
London
EC2M 7EA

www.grantthornton.co.uk

30 October 2025

Dear Members of the Governance and Audit Committee

Audit Findings for Kent County Council for the year ended 31 March 2025

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 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 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. 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-2024-.pdf (grantthornton.co.uk).

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.

Paul Dossett

Partner
for Grant Thornton UK LLP

Chartered Accountants

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Headlines and status of the audit

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 2025 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; and
- 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-October, as planned. Our findings are summarised on pages 14 to 34. We have identified no adjustments to the financial statements, other than disclosure errors.

We have also raised recommendations for management as a result of our audit work. These are set out at page 49. Our follow up of recommendations from the prior year's audit are detailed at page 50.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (page 66) or material changes to the financial statements, subject to the following outstanding matters:

- Completion of final audit file quality reviews by engagement team
- receipt of management representation letter (see separate committee item); and
- 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, is consistent with our knowledge of your organisation and with the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unmodified. We anticipate signing your accounts shortly after the Governance and Audit Committee on 30 October 2025. The Council continues to set a high standard in terms of the quality of accounts in an environment where over 50% of audits are subject to a backstop disclaimed opinion.

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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:

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

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which was presented to the Governance and Audit Committee on 24 September 2025.

We identified significant weaknesses in the Authority's financial sustainability arrangements and so are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (page 48).

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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; and
- to certify the closure of the audit.

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

We have completed the majority of 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:

- We have concluded our work in relation to consolidation returns for the Whole of Government Accounts for 2024/25 and 2023/24 and a certificate has been issued for 2023/24.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

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Headlines

National context – audit backlog

Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

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Headlines

Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

Introduction

IFRS 16 updates the definition of a lease to:

- "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration."

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

- leases of low value assets
- short-term leases (less than 12 months).

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

Impact on the Authority

The implementation of IFRS 16 has not had a material impact on the financial statements. Appropriate changes have been made to the accounting policies and disclosures in the financial statements for this change in accounting standard. The Council put in place a robust system of identification and reporting leases, and have implemented a new software system to record, maintain and calculate the net present value of the liability of their leases.

The Council has a limited number of peppercorn leases, where IFRS 16 requires that a market value is shown for the right of use asset.

We are content that IFRS 16 has been implemented appropriately and there are no material misstatements in the financial statements arising from this change.

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Materiality

Our approach to materiality

As communicated in our Audit Plan dated 2 July 2025, we determined materiality at the planning stage as £55.5m for Kent County Council and £56m for the Kent County Council Group 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 £55.5m for Kent County Council based on professional judgement in the context of our knowledge of the Authority.
- We have used 1.8% of gross expenditure as the basis for determining materiality.
- We use a benchmark of gross expenditure as the Council prepares an expenditure-based budget for the financial year with the primary objective of providing services to the local community.
- The benchmark of gross expenditure has increased to 1.8% from 1.5% in the prior year due to a change in the benchmark range permitted by the GT methodology

Performance materiality

- Performance materiality is the level at which we perform specific audit testing. This is based on a percentage of materiality. This percentage is assessed at 65% and has not changed from the planning phase of the audit.

Component Performance materiality

- Where audit work on components is being performed using component performance materiality, this has been set at £36.4m, 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 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 £20k 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 £2.775m, in addition to any matters considered to be qualitatively material.

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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	£56.0m	£55.5m	We considered materiality from the perspective of the users of the financial statements. The Council 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. This benchmark was also used in the prior year.
Performance materiality	£36.4m	£34.5m	Performance Materiality is based on a percentage of the overall materiality. We have determined to apply 65% of overall materiality considering the requirements of ISA 320.
Specific materiality for senior officer remuneration	-	£20k 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.
Reporting threshold	£2.775m	£2.775m	

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Overview of significant risks identified

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	Green
The revenue cycle includes fraudulent transactions	Significant	↔	✓	Low	Green
The expenditure cycle includes fraudulent transactions	Significant	↔	✓	Medium	Green
Valuation of land and buildings (including investment property)	Significant	↔	×	High	Green
Valuation of the pension fund net asset / liability	Significant	↔	×	High	Green
Valuation of leased assets and rebasing of PFI liabilities	Significant	↔	×	High	Amber

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

● Not likely to result in material adjustment or change to disclosures within the financial statements
● Potential to result in material adjustment or significant change to disclosures within the financial statements
● Likely to result in material adjustment or significant change to disclosures within the financial statements

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Significant risks

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 journals; • 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 for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; and • reviewed contract waivers and any incidences of non-compliance with procurement regulations	Our audit work has not identified any issues in respect of management override of controls. We again noted that journals can be posted by a user other than the person who prepared it. While this functionality should only be used in rare circumstances, it represents a weakness in the control environment. We sample tested a number of such journal entries and did not find evidence that was indicative of management override of controls. We understand that implementation of the new Oracle system will remove this functionality.

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Significant risks

Risk identified	Audit procedures performed	Key observations
The revenue cycle includes fraudulent transactions Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud related to revenue recognition. Having considered the risk factors set out in ISA (UK) 240 and the nature of the Council and Group's revenue streams, at the planning stage we determined that the risk of fraud in revenue recognition could 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 the Council, mean that all forms of fraud are seen as unacceptable.	We have evaluated the Council and Group's accounting policy for recognition of income for appropriateness and compliance with the Code 2024/25, updated our understanding of the Council 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.

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Significant risks

Risk identified	Audit procedures performed	Key observations
The expenditure cycle includes fraudulent transactions Practice note 10: Audit of financial statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition for public sector bodies. 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 Council and Group's accounting policy for recognition of expenditure for appropriateness and compliance with the Code 2024/25, updated our understanding of the Council 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 assessment of risk.

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Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of land and buildings (including investment property) The valuation of land, building and investment property represents a significant estimate by management in the financial statements due to the large values involved and the sensitivity of estimates due to changes in key assumptions. The Authority revalues its land and buildings on a rolling four-yearly basis so that management can ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.	We have: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. • Evaluated the competence, capabilities and objectivity of the valuation expert. • Confirming the basis on which the valuation was carried out by the external valuation expert to ensure that the requirements of the Code are met. • Engaged our own valuer to assess the instructions to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation. • Testing revaluations of land and buildings and investment properties recorded during the year to see if they had been input correctly into the Council's asset register and financial statements. • Assessing the value of a sample of assets in relation to market rates for comparable properties. • Considered management's judgement that assets not revalued would not cause a material misstatement.	Our audit work has not identified any issues in respect of the valuation of land and buildings (including investment property). One immaterial, unadjusted misstatement has been recognised for the Council's accounting policy not to depreciate assets in the year of acquisition.

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Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of net pension liability 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 (£29m in the Authority's Balance Sheet at 31 March 2025, falling from £38m at 31 March 2024 and £62m at 31 March 2023) 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)	We have: • Updated our understanding of the processes and controls put in place by management to ensure that the Council'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 Council'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 Council 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)	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. Our audit work has not identified any issues in respect of the valuation of the net pension liability as at 31 March 2025.

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Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of net pension liability (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.	• Confirmed through analysis of the actuarial report that there was no impact arising from an asset ceiling, as per requirements of IFRIC 14. • 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.	

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Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of leased assets and rebasing of PFI liabilities The implementation of IFRS 16 – Leases, which requires the value of leased assets to be shown on the balance sheet, with a corresponding lease liability. This includes leases on a peppercorn rental which require to be shown at market value. Existing PFI liabilities require to be restated. The implementation of IFRS 16 is a significant change to the disclosures made by the Council in their financial statements with regard to leases. An initial review performed by the Council indicated the impact would be £23.7m, however, this did not include the recalculation of the PFI liabilities or peppercorn lease agreement. The draft financial statements recorded a right of use asset of £36.7m, which is not material to the financial statements	We have: • Documented our understanding of the processes and controls put in place by management to ensure that the Council's lease agreements are not materially misstated. • Reviewed steps implemented by management to identify leases which are impacted by IFRS16 and confirming they meet the requirements of the Code. • Reviewed and considered steps taken by management to ensure the completeness of lease liabilities • Reviewed and reperformed calculations to determine the future lease liabilities using present value calculations • Reviewed and reperformed calculations on PFI liabilities to ensure they meet the requirements of IFRS 16 and the Code.	Our audit work has not identified any issues in respect of the implementation of IFRS 16 and the valuation of leased assets and rebasing of PFI liabilities in the financial statements.

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Other findings

Other findings – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Assessment:

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of land and buildings £2,512m at 31 March 2025	Other land and buildings comprises over £2bn of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature, such as offices, and are required to be valued at existing use in value (EUV) at year end for operational assets or fair value (FV) for assets designated as surplus. The Council has engaged Wilks Head & Eve LLP to complete the valuation of properties as at 31 March 2025 on a four yearly cyclical basis. 84% of total assets were revalued during 2024/25. (continued)	As part of our work we have: • reviewed the land and buildings valuation estimate in line with ISA540 requirements and have no issues to raise; • reconciled the fixed asset register to the ledger and the financial statements • assessed management's valuation expert and found them to be competent, capable and independent; and • verified the valuer's outcome against our independent auditor's expert valuation trend report. • verified that management's judgement that the carrying value of assets is not materially different to the current value is reasonable. This has been done by setting an independent expectation of the difference using indices provided by Montague Evans. • assessed the reasonableness of judgements and assumptions made by management and the valuer (continued)	Green We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of land and buildings £2,512m at 31 March 2025	Management has considered the year end value of properties not re-valued in year (£404.6m). In particular, management have considered the potential valuation change in the assets based on the market review provided by the valuer as at 31 March 2025, to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties' value.	• assessed the accuracy and completeness of underlying information used to determine the estimate. • assessed the reasonableness of key underlying assumptions for DRC buildings i.e. build costs, floor areas and obsolescence. This assurance was provided to us by our auditor's expert. • assessed the reasonableness of key underlying assumptions for EUV assets and assets held at market value i.e. investment properties. This included assessing the reasonableness of yields and rental figures. This assurance was provided to us by our auditor's expert. • considered management's assessment of assets not revalued through the application of indices provided to us by our auditor's expert. • considered the useful economic lives applied to assets by management's expert with reference to our auditor's expert, unlike prior years, no differences have been identified. Conclusion: Our work has not identified any material issues in relation to this accounting estimate.	● Green We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of investment property £43.3m at 31 March 2025	The Authority has engaged Wilks, Head and Eve LLP to complete the annual valuation of investment properties held at fair value as at 31 March 2025. The council owns a range of investment properties, that are used solely to earn rentals and/are for capital appreciation. These assets are not used to deliver services. None of the investment property assets are held outwith Kent county. Management have adequately set out in the notes to the financial statements the valuation approach and the sensitivity of those valuations, specifically where they have been classed as 'level 3' investments, meaning that there are limited observable inputs to the valuation. The total year end valuation of investment property was £43.32m, a net increase of £0.15m from 2023/24 (£43.16m).	As part of our work we have: • reviewed the land and buildings valuation estimate in line with ISA540 requirements and have no issues to raise; • reconciled the fixed asset register to the ledger and the financial statements • assessed management's valuation expert and found them to be competent, capable and independent; and • verified the valuer's outcome against our independent auditor's expert valuation trend report • assessed the accuracy and completeness of underlying information used to determine the estimate **Conclusion:** Our work has not identified any material issues in relation to this accounting estimate.	● Green We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of net pension liability £29.3m at 31 March 2025	The Council's net pension liability at 31 March 2024 is £29.3m (PY £34.8m) comprising the Local Government pension scheme as administered by Kent County Council. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2022. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £29.3m net actuarial gain during 2024/25, compared to a £3.3m net actuarial gain during 2023/24.	• We have assessed the Council's actuary, Barnett Waddingham, to be competent, capable and objective. • We have performed additional tests in relation to the accuracy of the contribution figures, benefits paid and asset returns, to gain assurance over the 2023-24 roll-forward calculation carried out by the actuary. • We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate. • We have confirmed there were no significant changes in 2024/25 to the valuation method. • We conducted an analytical review to confirm reasonableness of the Council's share of LGPS pension assets. • We have conducted appropriate work to confirm that the application of an asset ceiling, as required by IFRIC 14 is not required. (continued)	● Green We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of net pension liability £29.3m at 31 March 2025		• We have used PwC as our auditor expert to assess the actuary's assumptions – see table below for our comparison of actuarial assumptions:	Green We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assumption	Actuary value	PwC range	Assessment
Discount rate	5.8%	5.6% - 5.95%	Reasonable
Pension increase rate	2.9%	2.85% - 2.95%	Reasonable
Salary growth	3.9%	3.9%	Reasonable
Life expectancy (years) – Males currently aged 45/65	Pensioners: 20.7 Future pensioners: 22.0	Pensioners: 19.2 – 21.8 Future pensioners: 20.6 – 23.1	Reasonable
Life expectancy (years) – Females currently aged 45/65	Pensioners: 23.3 Future pensioners: 24.7	Pensioners: 22.7 – 24.3 Future pensioners: 24.1 – 25.74	Reasonable

Conclusion:

Our work has not identified any material issues in relation to this accounting estimate.

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Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Minimum revenue provision £64.6m in 2024/25	The Authority is responsible on an annual basis for determining the amount charged for the repayment of debt known as its minimum revenue provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The Council's approach to the MRP is set out to Members as part of the Budget and council tax proposals each year. The basis for the charge is set out in Regulations and statutory guidance. For 2024/25,the MRP charge was £64.6m, a net increase of £5.1m from the prior year of £59.4m.	We have carried out the following work: • Confirmed that the Council's policy on MRP complies with statutory guidance. • Assessed that there are no changes to the Council's MRP policy in comparison to 2023/24. Assessed and benchmarked the percentage of the Council's MRP charge against the opening capital financing requirement (4.98%). As this is well above 2%, it falls within our 'Green' range – no concerns identified. • Assessed and benchmarked the percentage of the Council's total debt against the capital financing requirement (80%). As this is below 100%, it falls within our 'Green' range – no concerns identified. New statutory guidance takes full effect from April 2025, introducing new provisions for capital loans. This guidance also clarifies the practices that authorities should already be following. This guidance clarifies that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute. **Conclusion:** Our work has not identified any material issues in relation to this accounting estimate.	● Green We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
PFI Liability Carrying value - £197m at 31 March 2025	PFI transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM , are accounted for as 'on-Statement of Financial Position' by the entity. The PFI liability is determined by the original financial model updated for inflation and relevant variations. The source data is derived from the financial model. Estimates are used for un-invoiced variations (or credits for insurance) based on estimates provided at the time of the variation. In line with IFRS 13 requirements, in addition to the carrying value of the liability on the balance sheet, management must also disclose the fair value of the liability. Management has engaged an expert to estimate the fair value of the PFI liability (£218.4m). Following the implementation of IFRS 16, PFI schemes required to have their liabilities remeasured where indexation or changes in a rate affects future payments. The 'Better Homes, Active Lives' and 'Excellent Homes for All' PFI contracts do not have indexation applied and therefore those liabilities have not been remeasured.	As part of our work we have: • reviewed the PFI asset valuation estimate in line with ISA540 requirements and have no issues to raise; • reconciled the fixed asset register to the ledger and the financial statements • assessed management's valuation expert and found them to be competent, capable and independent; and • engaged our internal financial modelling team to review the PFI contracts and models to confirm the remeasurement of the liability due to IFRS 16 is materially accurate Conclusion: Our work has not identified any material issues in relation to this accounting estimate.	● Green We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Depreciation £118m in 2024/25	Buildings are depreciated in accordance with the valuers estimation of value/remaining life. Equipment including vehicles are depreciated based on standard lives and estimates from relevant managers and contract lengths where relevant. For existing assets the source data is the carrying value at the start of the year. For existing buildings this was provided by the valuer. For other existing assets it is the brought forward depreciated replacement cost. For new assets it is the purchase cost during the year. For buildings this is the revaluation performed at year end. The point estimate for depreciation is generated by the asset register based on the inputs of costs and expected lives for each asset. There has been no change in the methodology or underlying assumptions in management's estimation process compared with the prior year.	As part of our work we have: • reviewed the building valuation estimate in line with ISA540 requirements and have no issues to raise; • reconciled the fixed asset register to the ledger and the financial statements • assessed management's valuation expert and found them to be competent, capable and independent; and • Performed substantive analytical procedures to give assurance on the completeness and accuracy of the depreciation balance in the financial statements. As we communicated in the prior year, management's accounting policy to not depreciate assets in the year it was brought into use is not consistent with the LG Code (4.1.2.41) which requires assets to be depreciated at the point in which they are brought into use. We have performed work that confirms this departure does not lead to a material misstatement in the accounts. We have estimated the impact as £2.9m, which is significantly below our materiality level. This has been recognised as an unadjusted misstatement on page X. Conclusion: Our work has not identified any material issues in relation to this accounting estimate.	● Amber We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic

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Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Provision for adult social care debts	The Council provides social care support to adults as part of their statutory duties. Some of these services are charged to the individual and remain unpaid at the year-end. The Council have a methodology for estimating the value of debts that they consider are unlikely to be settled – typically referred to as a bad debt provision. Where debt is secured and the Council has a right to recover debts against a person's estate, no provision is made. For unsecured debts, the Council calculate the provision using a weighted average. This is based purely on the age of the debt, with no account taken of the type of debt – in a cost of living crisis, individual debts are more likely to remain unpaid.	The Council provides social care support to adults as part of their statutory duties. Some of these services are charged to the individual and remain unpaid at the year-end. As at 31 March 2025, the total debt outstanding from KCC residents was £66.4m (PY £60.5m) In line with accounting standards, management must estimate a provision for doubtful debt on an expected loss basis. Management's estimate for the provision in the draft financial statements is £25.5m (PY £18.5m). The Council has a methodology for estimating the value of debts they consider are unlikely to be recovered – typically referred to as a provision for doubtful debts. Where debt is secured and the Council has a right to recover debts against a person's estate, no provision is made. For unsecured debts, the Council calculate the provision using a weighted average. This is based purely on the age of the debt with no account of the type of debt. As in prior years, we consider that the weighted averages used by the Council in their calculations are overly optimistic and that they are unlikely to recover the full value of social care debtors not covered by the provision for doubtful debts. Whilst there is no risk of material misstatement- we are of the view that the Council's approach is not sufficiently prudent.	● Amber We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic

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Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Provision for adult social care debts		The weighted averages are set out below.	

Age profile of debt	Council percentages applied	Audit percentages applied
Current	1%	10%
Up to 6 months	5%	38%
6 months to 1 year	41%	75%
1 year to 3 years	47%	100%
Over 3 years	62%	100%

We have performed a sensitivity analysis using alternative percentage figures to quantify the level of optimism considered to be in management's calculation. This suggests that the estimate could be potentially understated by £19.2m. This is not a factual misstatement but rather a judgemental quantification of the impact of the optimistic assumptions applied by management. In line with auditing standards, we are reporting this to you, again, as an audit difference in our unadjusted misstatements.

This issue was raised in our 2022/23 and 2023/24 Audit Findings Reports. We have again, re-iterated our recommendation to review the provision methodology.

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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.

			ITGC control area rating			
IT application	**Level of assessment performed**	**Overall ITGC rating**	**Security management**	**Technology acquisition, development and maintenance**	**Technology infrastructure**	**Related significant risks/other risks**
Oracle EBS - General Ledger	ITGC assessment (design and implementation effectiveness only)	Green	Green	Green	Green	Management override of control
Innervision lease valuations	ITGC assessment (design and implementation effectiveness only)	Amber	Amber	Amber	Amber	Implementation of IFRS 16

Innervision is a new system used by management in 2024/25 for the purposes of maintaining a lease register and calculating the value of lease liabilities under IFRS 16. As such, we reviewed the ITGC this year, as implementation of IFRS 16 was assessed as a significant risk of material misstatement. A service auditor report was not available for Innervision that would give management and external audit assurance over the ITGC in place. We have therefore marked this as amber but recognise that the valuation of Right of Use assets is not material to the financial statements and will not repeat this work in future years.

In August 2025, Kent County Council implemented Oracle Fusion, an upgrade to the Oracle EBS ledger system. Given the date of the transition, there has been no impact on the 2024/25 audit. Additional IT audit work will take place during the 2025/26 audit to provide assurance on the data migration between the two Oracle systems.

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

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Communication requirements and other responsibilities

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 have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
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 Council, 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. Investment requests were not all returned and some were returned with incorrect balances. In these cases we have performed alternative procedures to gain assurance over the investment levels.
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 xx.
Audit evidence and explanations	All information and explanations requested from management was provided as promptly as possible.
Significant difficulties	No significant difficulties arose during the audit that we require to bring to the attention of those charged with governance.
Other matters	There are no other matters that we are required to bring to the attention of those charged with governance.

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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. 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 its group and the environment in which it operates • the Authority and Group's financial reporting framework • the Authority and Group's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment for the Authority and its group. 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.

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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. We have nothing to report on these matters, except for arrangements to secure value for money which is referred to on page 54 of this report.
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 2025.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2024/25 audit of Kent County Council and its group in the audit report to a point after the audit opinion is signed, as detailed in Appendix D. Formal closure of the audit will not take place until we have completed procedures on the Whole of Government Accounts.

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Audit adjustments

Audit adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

No adjusted misstatements have been identified at the date of issuing our report. We will provide an update to management and the Governance and Audit Committee should any issues be identified from finalisation of the audit file.

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?
Officer's Remuneration	A number of disclosure changes regarding narrative supporting officer remuneration tables have been requested	✓
Audit Fee	The audit fee has been updated to reflect the PSAA Scale Fee payable by the Council	✓
Accounting policies	Draft accounts omitted details of accounting standards issued but not yet adopted	✓
Expenditure and Funding Analysis	The comparative 2023/24 figures in the note had been incorrectly stated and did not match the prior year statements	✓
Throughout	A number of typographical errors have been identified throughout the financial statements.	✓

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Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Governance and Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Pension Fund Liability Identifying the Council's share of a projected error in the pension fund liability at 31 March 2025		DR Pension Liability 3,400 CR Pensions Reserve (3,400)	Nil	Nil	Immaterial, projected audit difference
Depreciation Calculation of depreciation not charged in the year of acquisition	DR Depreciation expense 2,996	CR Accumulated depreciation (2,996)	2,996	Nil	Immaterial, projected audit difference
Schools cash balances 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
Provision for doubtful debts – Adult Social Care Difference arising from audit calculation for provision for doubtful social care debts using more prudent assumptions – see page x	DR Expenditure 19,292	CR Provision for doubtful debts (19,292)	19,292	(19,292)	Immaterial, projected audit difference
Overall impact of current year indicative unadjusted misstatements	25,495	(25,495)	25,495	(22,499)	

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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 2023/24, and the resulting impact upon the 2024/25 financial statements. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2024/25 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Schools bank reconciliation – where school bank reconciliations were not performed as at 31 March 2024	Dr Income 4,880	Cr Cash (4,880)	4,880	(4,880)	Immaterial, projected audit difference
Depreciation – difference in valuer opinion on estimated useful life of assets	Dr Depreciation expense 10,008	Cr Accumulated deprecation (10,008)	10,008	Nil	Immaterial, projected audit difference
Depreciation – expected first year charge not charged by Council	Dr Depreciation expense 2,822	Cr Accumulated deprecation (2,882)	2,882	Nil	Immaterial, projected audit difference
Provision for doubtful debts – application of audit assumptions to adult social care bad debt provision	Dr Expenditure 14,394	Cr Bad debt provision (14,394)	14,394	(14,394)	Immaterial, projected audit difference
Overall impact of prior year unadjusted misstatements	32,104	(32,104)	32,104	(19,274)	
Cumulative impact of prior year and current year indicative unadjusted misstatements on 2024/25 financial statements	43,205	(43,205)	43,205	(27,379)	

Note: the impact of current year unadjusted misstatements in the table above has been reduced to take account of the prior year unadjusted misstatement for the adult social care bad debt provision to remove double counting

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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.

Assessment	Issue and risk	Recommendations
● Medium	Formal impairment review of assets under construction Audit work identified that the Council 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.	We recommend that the Council document and formalise a year end process for the impairment review of the value of assets under construction. **Management response** We are confident that any impairments would be identified in monitoring conversations between capital accountants and budget managers during the year but will bolster this with an additional formalised year end process to fully mitigate this risk.
● High	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 recommend, as we have in our 2022/23 and 2023/24 AFRs, that the Council obtains updated information regarding default rates in adult social care debtors to inform the percentages they apply to the debt. We further recommend that a full review of the aged debt is performed alongside review of default rates, to enable clear understanding of the nature of the aged debt and what the most appropriate level of bad debt provision is. **Management response** Our stance on the value of the bad debt provision remains consistent with previous years. Our average default rate for KentCare accounts in 2024 was 6.7% compared to 7.2% in 2022/23 and 7.3% in 2023/24. We will reconsider the appropriateness of this calculation in 2025/26.

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

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Follow up of prior year recommendations

We identified the following issues in the audit of the Authority's 2023/24 financial statements, which resulted in 3 recommendations being reported in our 2023/24 Audit Findings Report. We are pleased to report that management have implemented our recommendations. We further follow up on 3 recommendations reported in our 2022/23 Audit Findings Report which were not fully implemented at the point of reporting for 2023/24.

Assessment	Issue, risk and recommendation previously communicated	Update on actions taken to address the issue
✓	**Publication of group financial statements** The council financial statements were published on the Kent County Council website by 31 May 2024, alongside the appropriate publication notice, as required by legislation. These accounts were for the Council only and did not contain the group financial statements and notes. Group accounts were not presented for audit until August 2024. Group accounts are required because the component companies which are owned by the Council are deemed to be financially material by management. Their exclusion from the financial statements that are published for inspection could raise the point that the published accounts are not materially accurate. The financial statements on the website have not been updated for the inclusion of group accounts and they have therefore not been open for public inspection. This practice was followed in the prior year. For 2024/25 and beyond, the council should produce full group accounts for publication on the website by 30 June, so the public inspection period is applied to the group accounts and not only the council accounts.	We are pleased to report that the financial statements published on the Kent County Council website on 30 June 2025, included the group accounts.

Assessment
✓ Action completed
X Not fully addressed

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Follow up of prior year recommendations

Assessment	Issue, risk and recommendation previously communicated	Update on actions taken to address the issue
✓	**Preparation and publication of the Annual Governance Statement** The Annual Governance Statement (AGS) is a key part of the annual reporting for the Council. While the Council chooses to report its AGS separately to the financial statements, which it is entitled to, the AGS should be published with the draft financial statements by 30 June of the reporting year. For 2024/25 and beyond, the council should produce the Annual Governance Statement at the same time as the full group accounts, by 30 June.	The Annual Governance Statement was published by the Council shortly after the 30 June deadline, in draft. In future years, the Council will seek to publish their Annual Governance Statement at the same time as the financial statements, as required by the legislation.
✓	**Implementation of IFRS 16 – Leases** The Council has undertaken work during 2023/24 to identify the impact of the implementation of IFRS 16 for leases. The work done did not consider the impact of IFRS 16 on PFI liabilities, or peppercorn leases. Peppercorn leases will require the asset and resulting liability to be stated at market value, which could be a significant value depending on the level and nature of assets held on peppercorn leases. Management will require to undertake a review of PFI liabilities and peppercorn leases to ascertain the full impact of the implementation of IFRS 16 in the 2024/25 accounts.	This was identified as a significant risk of material misstatement in our 2024/25 audit. No issues arising from the implementation of IFRS 16.

Assessment
✓ Action completed
X Not fully addressed

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Follow up of prior year recommendations

Assessment	Issue, risk and recommendation 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 council funds are allocated and accounted for appropriately.

Assessment
✓ Action completed
X Not fully addressed

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Follow up of prior year recommendations

Assessment	Issue, risk and recommendation previously communicated	Update on actions taken to address the issue
✓	**Journals authorisation** As reported in prior years (since 2021/22), manual journals posted to the general ledger do not require authorisation or approval. There is no segregation of duties between the preparer and poster of a journal. There has been no change to the journal control environment for 2024/25. We continue to flag the lack of journal authorisation 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. We note that the Council is currently planning a new ledger system and encourage that appropriate controls around manual journals are implemented. Management have engaged with the external auditors for guidance on their proposed approach in the new accounting system. The new system will improve controls.	There has been no change to the control environment for 2024/25. We continue to note this lack of journal authorisation in our Audit Findings Report to ensure there is complete transparency with the Governance and Audit Committee. We expect that this finding will be removed following the implementation of the new Oracle Fusion system in August 2025.
X	**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 2022/23 Audit Findings Report was received after the closedown instructions had been sent to schools for 2023/24. We have therefore projected an error on the schools bank balances again.	We have noted an improvement in the number of school bank account reconciliations that are performed as at 31 March, however, anomalies remain. A projected misstatement of £2.9m has been raised on page 41.

Assessment

✓ Action completed

X Not fully addressed

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Value for Money arrangements

Value for Money arrangements

Approach to Value for Money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. 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 2024-25. Our draft AAR was reported to you at the Governance and Audit Committee on 24 September 2025 and the final AAR reported to you on 30 October 2025.

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

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.

Financial sustainability

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

Governance

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

In undertaking this work we have identified significant weaknesses in arrangements regarding financial sustainability in relation to Adult Social Care costs and the Dedicated Schools Grant deficit, with reference to spend on the High Needs Block. This was reported to the Governance and Audit Committee on 24 September 2025.

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Independence considerations

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers). In this context, we disclose the following to you:

Matter	Threats	Safeguards	Conclusion
Paul Dossett, the Key Audit Partner, is currently serving his eighth year on the engagement. This extension has been discussed and agreed with you and approved by PSAA and the Grant Thornton ethics team. Paul will be rotated from the audit at the end of the 2024/25 audit.	Familiarity	An Engagement Quality Control Reviewer and Safeguarding Partner has been appointed to review key judgements made on the audit file.	We have concluded that our independence is not compromised due to the safeguards put in place

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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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 Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

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Fees and non-audit services

The following table 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 24 September 2025, 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 Authority's policy on the allotment of non-audit work to your auditor.

None of the below 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 County Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest and self review threat from these fees.

Audit-related non-audit services

Service	2023/24 £	2024/25 £	Threats Identified	Safeguards applied
Certification of Teachers Pension Return	15,000	15,000	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 £15,000 and £7,500 in comparison to the scale fee for the audit of £462,551 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 Major Scheme return	7,500		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

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Fees and non-audit services

Audit fees	Proposed fee £	Final fee £
Scale fee set by PSAA	462,551	462,551
Fee variation – implementation of IFRS 16	-	
Use of expert for PPE valuations	10,000	10,000
Total audit fees (excluding VAT)	**£472,551**	**£472,551**

Total audit and non-audit fee	
Audit fee - £472,551	Non-audit fee - £37,500

The above fees are exclusive of VAT and out of pocket expenses.

The fees above reconcile to the financial statements.

A fee variation for our work on the implementation of IFRS 16 is currently being calculated and will then be discussed with management, before submission to PSAA for approval. We will update the Governance and Audit Committee when the fee variation is approved.

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

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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		●

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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		●

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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B. Our team and communications

Grant Thornton core team

Paul Dossett
Engagement Lead/ Key Audit Partner

- Paul is the key contact for senior management and the Governance and Audit Committee
- Responsible for overall quality assurance and audit opinion

Lucy Nutley
Engagement Senior Manager

- Lucy is responsible for overall audit management and quality assurance of audit work
- Key contact for the finance team
- Oversees the Value for Money work and its conclusions

Zargham Malik
Audit Manager

- Zargham will support Lucy with overall audit management
- Responsible for resource management
- Key contact for the finance team and the audit team

Thomas Foster
Value for Money Lead Manager

- Thomas leads on our Value for Money work
- Responsible for meeting with Officers and Members and concluding on the efficacy of arrangements for obtaining value for money

Pool of specialists and other technical specialists (e.g. IT audit, property valuations and financial modelling)

As part of our overall service delivery, we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same was as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

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C: 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.

Subsidiary Level 1 2 3 4 5 6	Risk of material misstatement to the group	Auditor	Planning - Audit scope	Final – Audit Scope	Status
Kent County Council Group		Grant Thornton UK LLP			
Kent County Council	Yes	Grant Thornton UK LLP			
Global Commercial Services Group Ltd	Yes	All entities are audited along with the consolidation of all entities into Global Commercial Services Group Ltd by UHY Hacker Young			
Cantium Business Solutions Ltd	No				
EDSECO Ltd (the Education People)	No				
Invicta Law Ltd	No				
Gen2 Property Ltd	No				
Commercial Services Trading Ltd	No				
CSG Global Education Ltd	No				
Landscapes for Learning Ltd*	No				
Lifecycle Management Group Ltd	No				
Prospects Payroll Ltd	No				
Kent Waste Management LLP*	No				
UK Teach Ltd*	No				
Groupe WF Education*	No				
WF Education Group Holdings Ltd*	No				
WF Education Group Ltd*	No				

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C: Group audit

Subsidiary Level 1 2 3 4 5 6	Risk of material misstatement to the group	Auditor	Planning - Audit scope	Final – Audit Scope	Status
Kent County Council Group					
Commercial Services Kent Ltd	Yes	All entities are audited along with the consolidation of all entities into Global Commercial Services Group Ltd by UHY Hacker Young			●
Bowerhouse II Solar Ltd	No				●
PeopleTech Services Ltd*	No				●
Hampshire & Kent CS LLP	No				●
Luton & Kent CS LLP	No				●
Surrey & Kent CS LLP	No				●
Dudley & Kent CS LLP	No				●
Dorset & Kent CS LLP	No				●
Halton & Kent CS LLP*	No				●
Hackney & Kent CS LLP*	No				●

Key		
	Scope 1	Audit of entire financial information of the component, either by the group audit team or by component auditors (full-scope)
	Scope 2	Specific audit procedures designed by the group auditor (specific scope)
	Scope 3	Specific audit procedures designed by the component auditor (specific scope)
	Out of scope	Out of scope components are subject to analytical procedures performed by the Group audit team to group materiality.
	●	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.

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C: Group Audit
Involvement in the work of component auditors

Scope	Component auditors involved	Summary of involvement	Changes compared to planned involvement
Scope 1	Grant Thornton UK LLP	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

- We will also require that the component auditor is independent under the independence requirements of the FRC and this may be stricter than the requirements for completing their local reports.
- Where a member of the Grant Thornton International network is involved, we will communicate to them your policy on non-audit services. You will ensure that each component entity within your group is aware of your policy.

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D: 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 (the 'group') for the year ended 31 March 2025, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the 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 2024/25.

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 2025 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 2024/25; 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 Interim 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.

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D: Draft Audit Opinion

In our evaluation of the Interim 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 2024/25 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 Interim 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 Interim 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 Interim 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 2024/25, 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.

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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 2024/25, 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.

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Responsibilities of the Authority and the Interim 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 Interim Corporate Director Finance. The Interim 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 2024/25, for being satisfied that they give a true and fair view, and for such internal control as the Interim 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 Interim 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 2024/25, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Regulations 2024, 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.

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- 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. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
    - unusual journal entries made during the year and at the accounts preparation stage; and
    - the appropriateness of assumptions applied by management in determining significant accounting estimates, such as the valuation of land and buildings and investment property and the valuation of the defined benefit pension liability.
- Our audit procedures involved:
    - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
    - journal entry testing, with a focus on testing unusual journal entries and journal entries with a higher level of inherent risk made during the year and accounts preparation process for appropriateness and corroboration;
    - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings and investment property and the valuation of the defined benefit pension liability; and
    - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- 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 events and transactions reflected in the financial statements, the less likely we would become aware of it.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud and error in revenue and expenditure recognition and the significant estimates related to the valuation of land and buildings and investment property and the valuation of the defined benefit pension liability. 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's 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 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.

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- 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. No such matters were identified by the component auditors.

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 2025.

We have nothing to report in respect of the above matter except on 12 December 2024 we identified two significant weaknesses in the Authority's arrangements for financial sustainability:

- The Authority continued to experience a stubbornly high spend on Adult Social Care and Health. We recommended that the Authority should explore options for increased efficiency in the Adult Social Care and Health directorate in 2024/25 and future years. The significant cost pressures have continued in 2024/25, with the position deteriorating in the financial year. Therefore, the significant weakness in arrangements remains in place for the year ended 31 March 2025. We have again recommended that the Authority should explore further options for increased efficiency in the Adult Social Care and Health service as reducing current overspends will be essential if reserves are to remain robust in the future.

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- The Authority is party to a 'safety valve' agreement with the Department for Education with regards to the Dedicated Schools Grant. Under this agreement, the Authority is expected to contribute £80m and keep to an agreed profile of deficit reduction, and the Department for Education will provide additional funding until March 2027/28. We recommended that the Authority should work holistically to reduce spend on the high needs block. At 31 March 2025 the Authority had fallen behind its forecast deficit profile for Dedicated Schools Grant, having been slightly ahead of it in March 2024. A temporary 'statutory override' on accounting treatment has been implemented nationally, which means that that local authorities do not need to offset deficits on the Dedicated Schools Grant against general fund reserve. This is due to expire in March 2028, and the Authority is forecasting a residual deficit on the Dedicated Schools Grant at that point of over £30m. We recommend that the Authority should ensure that its Dedicated Schools Grant management plan is sufficient to address the legacy deficit as well as control the in-year pressure on the high needs block.

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 guidance issued by the Comptroller and Auditor General in November 2024. 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.

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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 2025 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 the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

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.

Paul Dossett, Key Audit Partner

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

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Chief Executive's Department - Finance
Sessions House
County Hall
Maidstone
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External Tel: (03000) 419205
Ask for: John Betts
Email: john.betts@kent.gov.uk
Date: 30 October 2025

Grant Thornton UK LLP
8 Finsbury Circus
London
EC2M 7EA

Dear Grant Thornton UK LLP

Kent County Council

Financial Statements for the year ended 31 March 2025

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 2025 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 2024-25 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 2024-25 ("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 depreciation and useful lives of property, plant and equipment and the level of provisions. 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. During the year we evaluated our estimation process for the implementation of IFRS 16 and made changes, as appropriate. 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 unadjusted misstatements schedule included in your Audit Findings Report and attached to this letter. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the group and Authority and their financial

position at the year-end. 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 group and 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 Council's Governance and Audit Committee at its meeting on 30 October 2025.

Yours faithfully

……..

Name: Michael Brown

Position: Chair of the Governance and Audit Committee

Date: 30 October 2025

……..

Name: John Betts

Position: Interim Corporate Director Finance

Date: 30 October 2025

Signed on behalf of the Council

Appendix I – List of subsidiary undertakings

Global Commercial Services Group Ltd (Holding Company)	100% subsidiary
Commercial Services Trading Ltd	100% subsidiary
CSG Global Education Ltd	100% subsidiary
Landscapes for Learning Ltd	100% subsidiary
Lifecycle Management Group Ltd	100% subsidiary
Prospects Payroll Ltd	100% subsidiary
Kent Waste Management LLP	100% subsidiary
UK Teach Ltd	100% subsidiary
Groupe WF Education	100% subsidiary
WF Education Group Holdings Ltd	100% subsidiary
WF Education Group Ltd	100% subsidiary
Commercial Services Kent Ltd	100% subsidiary
Bowerhouse II Solar Ltd	100% subsidiary
PeopleTech Services Ltd	100% subsidiary
Hampshire and Kent Commercial Services LLP	Joint venture
Luton and Kent Commercial Services LLP	Joint venture
Surrey and Kent Commercial Services LLP	Joint venture
Dudley and Kent Commercial Services Ltd	Joint venture
Dorset and Kent Commercial Services LLP	Joint venture
Hackney and Kent Commercial Services LLP	Joint venture
Halton and Kent Commercial Services LLP	Joint venture
Cantium Business Solutions Ltd	100% subsidiary
EDSECO Ltd (trading as The Education People)	100% subsidiary
Invicta Law Ltd	100% subsidiary
Gen2 Property Ltd	100% subsidiary

Appendix II – Schedule of unadjusted misstatements

Detail	Comprehensive Income & Expenditure Statement (£000s)	Balance Sheet (£000s)	Impact on total net expenditure (£000s)	Impact on general fund (£000s)	Reason for not adjusting
Pension Fund Liability Identifying the Council's share of a projected error in the pension fund liability at 31 March 2025		DR Pension Liability 3,400 CR Pensions Reserve (3,400)	Nil	Nil	Immaterial, projected difference
Depreciation Calculation of depreciation not charged in the year of acquisition	DR Depreciation expense 2,996	CR Accumulated depreciation (2,996)	2,996	Nil	Immaterial, projected difference
Schools cash balances 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 difference
Provision for doubtful debts – Adult Social Care Difference arising from audit calculation for provision for doubtful social care debts using more prudent assumptions	DR Expenditure 19,292	CR Provision for doubtful debts (19,292)	19,292	(19,292)	Immaterial, projected difference

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Kent Pension Fund

Chief Executive's Department - Finance
Sessions House
County Hall
Maidstone
Kent ME14 1XQ

External Tel: (03000) 419205
Ask for: John Betts
Email: john.betts@kent.gov.uk
Date: 30 October 2025

Grant Thornton UK LLP
8 Finsbury Circus
London
EC2M 7EA

Dear Grant Thornton UK LLP

Kent Pension Fund

Financial Statements for the year ended 31 March 2025

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 2025 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 2024-25 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 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 2024-25 ("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 the valuation of investments, in particular private equity, infrastructure and freehold and leasehold property and pooled property investments held at level 3 in the fair value hierarchy which

have significant unobservable inputs into valuations. 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. We have considered adjusted misstatements, and disclosure changes schedules included in your Audit Finding Report. The financial statements have been amended for these misstatements and disclosure changes and are free of material misstatements, including omissions.

x. We confirm that we have considered the effects of the unadjusted misstatement identified by the auditor as included in your Audit Findings Report and as included in appendix A of this letter. We are satisfied that the unadjusted misstatement is not material, either individually or in aggregate, to the financial statements. The unadjusted misstatement relates to the auditor's projected misstatement in respect of benefits payable, which are understated in the fund account. Having considered the amount involved and the impact on the financial statements as a whole we have considered that adjustment is not required.

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. The prior period adjustments disclosed in note 1 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xiv. 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

xv. 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. access to persons within the Fund 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 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.

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. 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.

xxiii. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

xxiv. 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.

xxv. 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 Governance and Audit Committee its meeting on 30 October 2025.

Yours faithfully

……..

Name: Michael Brown

Position: Chair of the Governance and Audit Committee

Date: 30 October 2025

……..

Name: John Betts

Position: Interim Corporate Director Finance

Date: 30 October 2025

Signed on behalf of the Council

Appendix A – Schedule of unadjusted misstatements

	Pension Fund Account		Net Asset Statement		
Detail	**Debit (£000s)**	**Credit (£000s)**	**Debit (£000s**	**Credit (£000s)**	**Reason for not adjusting**
1 – Based on our testing of benefit payments, we identified one unadjusted projected difference of £8.4m. This arose from comparing sample benefit payments against expectations derived from pension increase and calculation sheets. The difference represents a projected, rather than an actual, error and was estimated by extrapolating the small variances identified in the sample to the wider population	Benefit payment - £8,404			Benefit payable – (£8,404)	As this relates to a projected, not actual, error no adjustments have been made.

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By: Katy Reynolds, Governance Advisor

To: Governance and Audit Committee, 30 October 2025

Subject: External Auditor's Annual Report on Kent County Council for 2024/25

Status: Unrestricted

Summary: The appended report provides a summary of the work undertaken by Grant Thornton for Kent County Council during 2024/25. The core element of the report is the commentary on the value for money (VFM) arrangements.

---

1) Introduction

a) The Appointed Auditor, Grant Thornton UK LLP have issued their Annual Report which is appended. The report enables Grant Thornton to discharge their responsibilities as External Auditor in accordance with the Local Audit and Accountability Act 2014 (the Act) and the National Audit Office Code of Practice, this includes reporting on:

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

b) The Act also requires the External Auditor to issue an opinion each year as to whether the Council's Financial Statements give a fair view of the financial position of the Council and have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code.

2) Governance and Audit Committee's Responsibility

a) In accordance with CIPFA's Position Statement 2022, the Committee is responsible for considering the opinion and recommendations of External Audit and their implications for governance, risk management or control, and for monitoring management action in response to the issues raised by external audit.

b) Members are reminded that the purpose of this Committee, in accordance with its Terms of Reference, is to provide independent and high-level focus on the adequacy of governance, risk, finance, and control arrangements.

c) Towards this purpose, its role is to:

i. ensure there is sufficient assurance over governance risk and control and provide reports to full Council on the effectiveness and adequacy of these arrangements;

ii. have oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are

adequate arrangements in place for both internal challenge and public accountability, and

iii. through i and ii above, give greater confidence to all those charged with governance for Kent County Council that its arrangements are effective and reporting to full Council or other Committees as necessary where the Committee has concerns that these arrangements are not effective.

3) Recommendation

The Governance and Audit Committee is asked to note the External Auditor's Annual Report on Kent County Council 2024/25 for assurance.

Appendices

Appendix: Auditor's Annual Report on Kent County Council 2024/25

Background Documents

CIPFA's Position Statement 2022

Contact Details

Katy Reynolds
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03000 422252

Kent County Council

Auditor's Annual Report
Year ending 31 March 2025

October 2025

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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 completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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.

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01 Introduction and context

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Introduction

This report brings together a summary of all the work we have undertaken for Kent County Council during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its 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 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Auditor's powers

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of a local authority has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State. They may also issue:

- Statutory recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

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Local government – context

Local government has remained under significant pressure in 2024/25

National

Past

Funding Not Meeting Need

The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.

Workforce and Governance Challenges

Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.

Present

Financial Sustainability

Many councils continue to face significant financial challenges, including housing revenue account pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.

External Audit Backlog

Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.

Future

Funding Reform

The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.

Reorganisation and Devolution

Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

Local

Kent County Council has a population of approximately 1.61m residents. The Council operates under an Executive decision-making model, which oversees the formation of all major policies, strategies and plans and as such the Council's formal decision making and governance structure constitutes the Full Council and an Executive (the Cabinet). Full Council and Cabinet are supported by two overview committees and two scrutiny committees. The Council has 81 councillors, and the Council is elected every four years. The most recent elections were in May 2025 when Reform UK secured a majority with 57 elected councillors.

It is within this context that we set out our commentary on the Council's value for money arrangements in 2024/25.

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02 Executive Summary

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Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council's arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023/24 Assessment of arrangements		2024/25 Risk assessment	2024/25 Assessment of arrangements	
Financial sustainability	R	Significant weaknesses in arrangements to manage overspends in Adult Social Care and DSG. Two Key Recommendations raised.	Significant weaknesses identified in 2023/24 present risk of significant weaknesses in 2024/25.	R	Significant weakness in arrangements for control of Adult Social Care spend and Dedicated School Grant (relating to the High Needs Block element of SEND). Two revised key recommendations continue in place as the Council continues to address these challenges. We raise one new improvement recommendation.
Governance	R	Significant weaknesses identified in relation to Internal Audit recommendations. One Key Recommendation raised.	Significant weakness identified in 2023/24 presents risk of a significant weakness in 2024/25.	A	No significant weaknesses in arrangements identified for 2024/25, as the Council has now improved its performance in regard to the implementation of Internal Audit Recommendations. We have raised four new improvement recommendations.
Improving economy, efficiency and effectiveness	G	No significant weaknesses identified; no improvement recommendations made.	No risks of significant weakness identified	G	No significant weaknesses in arrangements identified and no improvement recommendations made.

G No significant weaknesses or improvement recommendations.
A No significant weaknesses, improvement recommendation(s) made.
R Significant weaknesses in arrangements identified and key recommendation(s) made.

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Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.

Financial sustainability

The Council continues to face significant financial pressures. The Council overspent its 2024/25 revenue budget by a net £20.2m, primarily driven by pressures in Adult's services. Early indications in 2025/26 show overspending continues, despite significant work to transform services. In Children's services, special educational needs provision overspent by £30.3m in 2024/25, moving further away from the deficit 'safety valve' plan (2023). The Council is reliant on a temporary statutory exemption to avoid depleting general reserves. These remain critical issues and continue to reflect significant weaknesses in arrangements (recognising that some aspects of these challenges are beyond the Council's control). It remains vital that transformation continues to progress. While reserves are currently at reasonable levels, these will quickly erode unless the Council can improve its ability to develop and deliver sufficient savings, particularly in social care.

Governance

The Council has worked hard to establish improved governance, including arrangements to support effective decision making and internal assurance. Significant progress has been made in addressing internal audit findings and is no longer a significant weakness in the Council's arrangements. Further work is needed to complete this improvement journey. The Council has a prominent role in Local Government Re-organisation (LGR) in Kent and it is important that this is sustained as the Council enters the critical phase of working with partners to develop proposals. It is vital that the Council makes financial and other decisions that are compatible with creating sustainable successor authorities. Following the May 2025 election, a large number of new members have been inducted. The Council is now focusing on developing training plans. The new administration's 'DOLGE' initiative continues, but at this stage the Council has been able to integrate this with the ongoing transformation effort.

Improving economy, efficiency and effectiveness

The Council has well-developed performance management arrangements, with key performance indicators reported quarterly, along with extensive narrative. It is involved in a number of partnerships with the health and police service, along with other local authorities that improve the quality of services to its residents. It is also working effectively in partnership with local district Councils in relation to the proposed Local Government Reorganisation. Procurement arrangements appear to be operating as expected. The Council implemented its upgraded Oracle Cloud System in August 2025. Arrangements were in place to monitor and report on the Programme and Internal audits and business readiness reviews have been performed ahead of 'Go live'. We note that services have delivered significant savings and transformation over the period. Overall, the Council has demonstrated appropriate arrangements in this area.

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Executive Summary –Significant Weakness Carried Forward

Significant weakness identified in relation to Adult Social Care and Health cost pressures

Key Finding: The Council continues to experience significant cost pressures with regard to Adult Social Care and Health (ASCH), a situation that has deteriorated in the last year.

Evidence: The budget for ASCH was overspent by £46.4m in 2024/25, an increase from the overspend in 2023/24 (£32m). Part of the overspend related to undelivered savings of £32.8m in the year. Moreover, at the time of setting the budget for 2025/26 the forecast 2024/25 overspend for ASCH was £10m lower than the actual outturn, imposing an immediate strain on the budget. Pressures on the service arise from a variety of factors, including demand and unit cost of older people residential care services (demand being driven by demographics and hospital discharge arrangements), the requirements of the criminal justice system and mental health services.

The Council has a number of initiatives in place to mitigate the overspend, including the development of social care hubs, intended to identify problems and solutions more quickly, and promotion of enablement. Moreover, there is an opportunity for a "reset" in the near future, with the renewal of significant contracts for elderly accommodation, assisted living and domiciliary care, but these will not produce savings in 2025/26.

Initial information for the first quarter of 2025/26 shows that the cost pressures are continuing and savings are still taking longer than hoped to achieve.

Impact: If the Council cannot effectively manage demand to reduce costs, and deliver all planned savings, reserve levels will reduce, potentially putting the medium-term financial sustainability of the Council at risk. We will be monitoring this issue closely and will consider exercising statutory powers if the situation deteriorates further.

Key recommendation 1 (Revised)

KR1: The Council should explore further options for increased efficiency in the Adult Social Care and Health service. Reducing current overspends will be essential if reserves are to remain robust in the future.

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Executive Summary –Significant Weakness Carried Forward

Significant weakness identified in relation to the Dedicated Schools Grant deficit

Key Finding: With regard to the Dedicated Schools Grant (DSG) the Council is party to a 'Safety Valve' agreement with the Department for Education (DFE). Under this agreement, the Council is expected to contribute £80m and keep to an agreed profile of deficit reduction, and DfE will provide additional funding until March 2027/28. At March 2025 the Council had fallen behind its forecast DSG deficit profile, having been slightly ahead of it in March 2024. A temporary 'statutory override' on accounting treatment has been implemented nationally, which means that that local authorities do not need to offset the DSG deficit against general fund reserve. This is due to expire in March 2028 and the Council is forecasting a residual DSG deficit at that point of over £30m.

Evidence: High Needs Block deficits are recognised as a critical issue for councils nationally and the government are expected to make further announcements on how this will be tackled. We note that DFE has continued to provide the agreed levels of additional funding, despite the Council being behind plan. While Kent's deficit position may not yet be as acute as that faced by some other councils, it remains a significant financial challenge. In March 2024, the Council's DSG reserve was showing a deficit of £67.2m. In 2024-25 the DSG budget had an in year overspend of £54.5m (compared to £53.5m forecast at Q2). This variance comprised £57.6m overspend on the High Needs Block and a £3.1m underspend on the Early Years Block. The cumulative deficit at 31 March 2025 is £97.5m. Initial information for the first quarter of 2025/26 indicates that a further overspend of £28.6m is expected. Of the projected £30m residual deficit at the expiry of the Safety Valve Agreement, £23m is attributed to the delay in the building of two special schools by the DFE. Further cost pressures arise from the fact that many children in the care system are from out of the County and while their care costs are covered by the placing council, education costs are not, and these children are more likely to be high needs. There is limited capacity in mainstream schools to take pupils with an Education, Health and Care Plan (EHCP), which is the lowest cost solution. We note that Kent operates a selective secondary school system which contributes to a distinct set of challenges in the County in this service area. The Council has a number of initiatives (Early Years Revised Models, Synergy Review, Communities of Schools, Promoting the Inclusion of Neurodiversity in Schools) to mitigate the overspends and these have been taken into account in the £30m forecast residual deficit.

Impact: Without further intervention from government the Council will have to cover the DSG deficit from general reserves when the current statutory exemption expires in 2028. This would significantly reduce the options available to the Council, or any successor bodies under LGR, to mitigate financial risks in future.

Key recommendation 2 (Revised)

KR2: The Council should ensure that its DSG management plan is sufficient to address the legacy deficit as well as control the in-year pressure on the high needs block.

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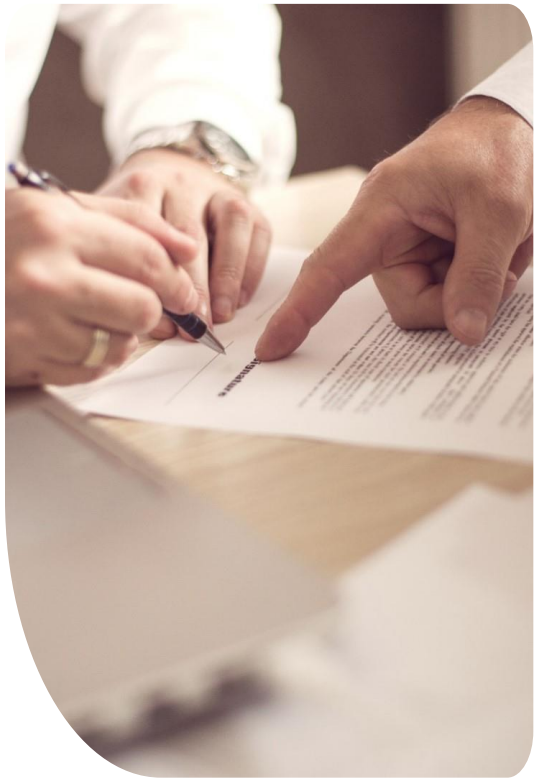
Executive summary – auditor's other responsibilities

This page summarises our opinion on the Council's financial statements and sets out whether we have used any of the other powers available to us as the Council's auditors.

Auditor's responsibility	2024/25 outcome
Opinion on the Financial Statements	We have completed our audit of your financial statements and will issue an unqualified audit opinion, following the Governance and Audit Committee on 30 October 2025.
Use of auditor's powers	We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014. We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014. We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014. We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.



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Grant Thornton Insights – Local Government Reorganisation (LGR)

National perspectives - devolution and LGR

In December 2024, the English Devolution White Paper set out the government's vision for a simpler form of local government. The intention is to produce better outcomes, save money for reinvestment in local services and to improve local accountability. All councils with a two-tier county and district system of local government (together with neighbouring small unitary councils) were required to set out the plans for a programme of devolution and local government reorganisation.

On 5 February 2025, the government's Devolution Priority Programme was announced to establish six new regional Mayoral Strategic Authorities. Those selected for the programme submitted plans by May 2025 with the ambition of holding Mayoral elections in May 2026.

On the same date, all remaining councils with a 2-tier were required to develop proposals to reconfigure county and district services into one or more new unitary councils. Plans are required to be submitted by 28 November 2025 with the ambition of establishing the new unitaries from April 2028.

Local perspectives - LGR in the Kent region

In February 2025 the 14 councils in the Kent region (including Medway) were informed they would not be included in the Devolution Priority Programme. The move to a Mayoral Strategic Authority model for regional services would be delayed.

Kent councils submitted an interim plan for LGR in March 2025 and are currently developing a full proposal for submission by 28 November 2025. Governance arrangements are in place to manage the process, overseen by the Kent and Medway Joint Chief Officers group. A single external development partner has been appointed to develop options for consultation over the summer and autumn of 2025 and will support the development of the final proposals in November.

Our discussion with councils in the Kent region indicate a good level of collaboration between officers to progress the LGR agenda. Kent has a diverse political landscape and the political discussion is expected to become more challenging as the proposals crystallise, particularly in regard to the specific configuration of the new unitaries.

Grant Thornton insight

What the Council is already doing

- Active participation of officers in the governance and options appraisal process.
- Consideration of LGR compatibility in contract renewal and capital investment decisions.
- Consideration of our detailed Technical Briefing.
- Modelling potential outcomes to discuss with members and establish political priorities.

The Council should consider

- Considering the potential cost of transition for the council and how this will be funded.
- Making advance preparations for member and public engagement within a tight timeframe.
- Safeguarding responsible financial decisions in the medium-term including use of reserves.
- Ensuring that all key decisions are made based on future sustainability and not the short term interests of the County Council.

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03 Opinion on the financial statements and use of auditor's powers

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Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

Our work on the financial statements audit is complete. We will issue an unqualified opinion on the Council's financial statements shortly after the Governance and Audit Committee on 30 October 2025. The full opinion will then be included in the Council's Annual Report for 2024/25, which can be obtained from the Council's website.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its 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 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts for Kent County Council and its group in line with the national deadline of 30 June 2025.

Draft financial statements were of a good standard and supported by detailed working papers.

We have no significant findings from our audit work. We have identified no material adjustments to the draft financial statements from our audit work.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report, which was presented to the Governance and Audit Committee on 30 October 2025. Requests for this Audit Findings Report should be directed to the Council.

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Opinion on the pension fund statements

These pages set out the key findings from our audit of the pension fund financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

The Pension Fund is required to publish its Annual Report by 1 December 2025. We issue an auditor's consistency report which includes our opinion that the 2024/25 Kent Pension Fund financial statements within the Pension Fund Annual Report are consistent, in all material aspects, with those within the audited administering authority's Financial Statements.

We intend to issue an unqualified consistency report on the pension fund financial statements contained within the Pension Fund's Annual Report.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Pension Fund as at 31 March 2025 and of its 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 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

This opinion on the Pension Fund will be issued at the same time as the audit opinion of the administering authority (Kent County Council).

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Pension Fund provided draft accounts in line with the national deadline of 30 June 2025. As in previous years, the draft financial statements were of a good standard and supported by a full suite of working papers. Your pension fund team have engaged well with the audit process and provided complete and timely responses to our queries throughout.

No significant findings were identified during our audit of the Kent Pension Fund.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report was presented to the Governance and Audit Committee on 24 September 2025.

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Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office 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 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 do not anticipate having anything to report in this regard.

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04 Value for Money commentary on arrangements

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Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Council's report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and budget management, risk management, and making decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

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Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	The Council's three-year medium term financial strategy includes assumptions regarding future demand and cost pressures, and scenarios relating to funding levels. It projects an increase in reserves over the course of the three years, but this is dependent on over £120m of savings over that period and does not include the risk that the deficit on the Dedicated Schools Grant (DSG) might have to be offset by the Council's general fund reserves if the government statutory override on DSG accounting is not extended past 2025/26. Risks to the plan are highlighted in the Section 25 Assurance Statement and include non-delivery of savings plans, cost pressures, the DSG deficit and the national funding position and Local Government Funding Reform. The outturn for 2024/25 showed a revenue overspend of £20.2m (excluding the DSG) compared to the budget. The Council continues to experience significant cost pressures in Adult Social Care and Health (ASCH), which was overspent by £46.4m, offset by underspends in other areas. Of the spending increases of £151.2m included in the 2025/26 budget, £88.3m relates to ASCH. Preliminary information for the first quarter of 2025/26 indicates that the cost pressures in ASCH are continuing, with a forecast overspend in that Directorate of £31m, partially offset by small underspends in other Directorates resulting in a net overspend for the Council of £27.9m. The Council has a programme of savings in ASCH, however, in-year savings are proving difficult to achieve, as short term demands and unit costs increase. We have therefore reiterated our key recommendation from last year and more detail is on page 9. In addition, the DSG was overspent by £30.3m in 2024/25 after net of contributions of £15.1m from the Council and £9.0m from the Department For Education (DFE). This overspend is forecast to continue with an initial forecast of a further £28.6m overspend in 2027/28. We note that the DFE are continuing to make payments under the Safety Valve Agreement, but in light of the significance of the DSG deficit we repeat our key recommendation from last year. Further details are set out on page 10.	R

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
plans to bridge its funding gaps and identify achievable savings	In 2024/25 the Council achieved £73.3m of savings out of a target of £111.2m (66%). The majority of the £37.9m unachieved savings was in Adult Social Care and Health (£32.8m). Of the total savings not achieved in 2024/25, £22.4m is expected to be achieved in future years (£18.7m for ASCH). This demonstrates the longer-term nature of savings in ASCH. Including the carried forward savings, the ASCH savings target for 2025/26 is £63.2m and preliminary information indicates that some £24.3m of these are assessed as dark amber or red, with delays to commissioning savings being a common theme. This will have an impact on the level of reserves available to the Council to deal with unplanned pressures. It is important that the Council is realistic with regard to the timing of savings that can be achieved, and we have therefore raised an improvement recommendation (IR1).	A
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	The Council's overarching plan is Framing Kent's Future which was adopted in 2022. This was supplemented in October 2023 by Securing Kent's Future (SKF), which concentrated more on responding to financial constraints. The budget is closely aligned to SKF. Progress against savings to achieve the objectives of SKF is monitored by the Strategic Reset Board. As part of the budget setting process members were given information on the Council's budget, with amounts spent on policy choices identified. In the context of LGR it is crucial that financial planning supports the financial sustainability of the successor unitary councils in Kent following reorganisation in 2028. The disaggregation of social care services will be a major factor in this. We note that the Council has continued to support the LGR process and had done preliminary modelling to better understand the impact of the main options.	G

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Council's budget planning aligns with other areas of activity such as capital expenditure and treasury management. We note that the Council has published an updated Asset Management Strategy in accordance with a recommendation we made in our report for last year. The capital programme continues to be significantly underspent, albeit in 2024/25 at a slightly lower rate (43%) to that in 2023/24 (47%). In our report for 2023/24 we commented that some of the slippage to expenditure related to repairs and maintenance works and recommended that the Council analyse reasons for slippage. We note that slippage on the Urgent Safety Critical Works programme has reduced and the reasons for slippage remain the same as in previous years, being contractor delays, and delays obtaining third party consents, such as English Heritage, Environment Agency or Network Rail approval which are not directly under the control of the Council's arrangements. We have raised an insight related to that (see page 24).	G
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	The Council has reserves to protect against future cost fluctuations. In 2024/25 it transferred £39m from earmarked reserves to the General Reserve, with the result that the latter now stands at 5.3% of net expenditure, slightly higher than the amount required in the Council's Reserves Strategy. There is no formal documentation of the review of reserves that led to the transfer from earmarked reserves to the General Reserve and we have raised an insight related to that (see page 23). In our report for 2023/24 we raised an improvement recommendation that spending cuts in areas such as staff training and revenue account repairs should not be applied indiscriminately, with distinction being made as to what costs can be cut in the short term and which need to be continued to protect future services. We note that spending on these areas continues albeit with careful monitoring.	G

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Financial sustainability (continued)

Area for Improvement identified: realism of savings plans

Key Finding: Due to financial pressures, predominantly in Adult Social Care and Health, the Council has set challenging targets for savings in order to balance its budget. However, in 2024/25 the Council fell well short of its target. Future savings targets will continue to be challenging.

Evidence: In 2024/25, the Council achieved £73.3m of savings compared to a target of £111.2m. Around half of the shortfall was deemed to be undeliverable with the remainder deferred to the future. The Medium Term Financial Strategy includes the requirement for over £120m of new savings in the three years to March 2028. Given the need for the Council to make savings in order to balance its budget and to maintain its reserves at an acceptable level it is critical that savings plans are realistic both in terms of achievability and timing.

Impact: Failure to achieve savings plans targets will jeopardise the financial stability of the Council in the medium term.

Improvement Recommendation 1

IR1: The Council should: ensure that savings plans are realistic, and when a plan is deemed no longer deliverable or is deferred, carry out a review in order to learn from the situation and prevent repetition.

Grant Thornton insight

Strengthening narrative on the use of reserves

At 31 March 2025 the General Reserve was £78.5m, which is 5.3% of the net revenue budget. However, this was achieved by the transfer of £39.3m from earmarked reserves. While there is no evidence that the transfer from earmarked reserves was inappropriate, given that such a transfer might limit the Council's ability to allocate reserves to specific projects in the future, we would expect there to be a written justification for the reduction or deletion of specific earmarked reserves:

- Consider making sure that transfers of earmarked reserves are fully documented and reported to Cabinet.

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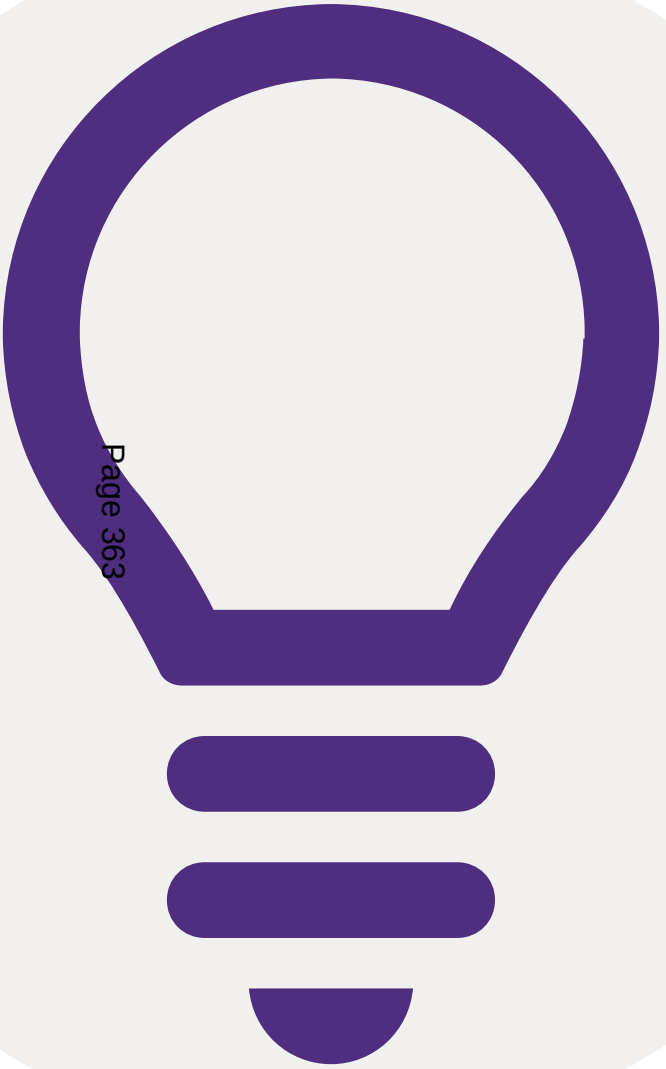
Grant Thornton insights – learning from others

The Council has included in its Medium Term Financial Strategy scenarios regarding funding levels, but we believe there is value in including other scenarios related to spending levels



What the Council is already doing

- In the Medium Term Financial Strategy there are scenarios, on a most likely / best case / worst case basis, for funding levels (council tax base and rate of increase, retained business rates, government Settlement Funding Allocation and social care grants).
- The impact of each of these is shown as a narrative, along with a single value, where appropriate, of the value to the Council over the term of the MTFS.

What others do well

- Other organisations that we have seen include sensitivity analysis that extends to spending levels. This would include inflationary pressures and demand levels. This enables members to better understand the financial impact of changes to assumptions and the margin for error that is included in the MTFS, in other words, how wrong the assumptions can be before a serious financial situation arises.

The Council could consider

- Including sensitivity analysis related to demand levels and inflation, as well as for example the percentage achievement of savings. It can then report for each sensitivity the impact year on year on the general reserve.
- The Council should also consider how to improve its forecasting when setting the Capital budget. The value of the information presented to members and the utility of using the budget as a means of challenging slippage is significantly undermined if budgets are habitually underspent by a large margin.

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Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	Kent County Council manages strategic risks via its Corporate Risk Register, which is regularly reviewed, updated, and reported quarterly to Cabinet. The Risk and Delivery Assurance Team advises on strategic risk and supports directorates with training and best practice. The Governance and Audit Committee (GAC) met eight times in 2024/25, receiving updates on audits and approving the creation of an Organisational Learning Panel to address recurring themes from audits and feedback. The Council's Counter Fraud Function takes a proactive stance, delivering awareness campaigns, targeted training, and using the Kent Intelligence Network to help identify £1.8 million in fraudulent activity. The 2024/25 Internal Audit Plan was approved and reviewed quarterly to ensure relevance. The 2023/24 Annual Audit Report made a key recommendation highlighting the need for better implementation of high-priority recommendations. We note that this has improved as at July 2025 demonstrating the impact of stronger oversight but there is further work to be done. Our Key Recommendation has been closed and a revised Improvement Recommendation made to reflect this improvement (see page 28). Following the departure of the Head of Internal Audit, it is vital the Council recruits a suitably experienced successor to help maintain the standard of assurance provided by the service.	A
approaches and carries out its annual budget setting process	The 2025/26 Budget and MTFS detail financial plans by directorate, updated after national announcements and consultation. The process included Cabinet and Committee scrutiny, with amendments before approval in February 2025. The Council considered various funding scenarios. Public and internal input shaped the budget, with responsibilities and priorities clearly documented. Quarterly reports showed consistent overspending, suggesting budget assumptions may need review. No significant weaknesses were found.	G

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Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	Cabinet and the full Council received financial and non-financial information throughout the year. Quarterly Revenue and Capital Budget Monitoring Reports were presented to Cabinet providing detailed analysis of financial revenue performance, variances, savings delivery, and capital forecasts across directorates. These reports also include updates on treasury management, reserves, and financial indicators. The Treasury Management Outturn Report, Mid-Year Update, and Quarterly Treasury Group updates offer further assurance. These summarise borrowing and investment activity, compliance with the CIPFA Code, and benchmarking against other authorities. The GAC is responsible for scrutinising these reports and ensuring oversight of financial management arrangements, including value for money and compliance with statutory codes. No significant weaknesses were found.	G
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	The GAC and Scrutiny Committee monitor performance and key decisions, with Cabinet members updating on their areas. Notable steps include a new Decision-Making App, a Governance Working Group, structured training and constitutional changes (e.g. the Scrutiny Chair from the opposition and a second independent GAC member). In 2023/24 we recommended full implementation of actions by January 2025. We recognise the progress and have revised the recommendation to ensure that the improvement journey is completed and embedded (see page 28). A December 2024 review found that only 4 of 13 members attended all GAC meetings in the year. The updated Terms of Reference set clearer expectations and we have raised an Improvement Recommendation to encourage better attendance (see page 30). Following the May 2025 elections, 30 training sessions and an induction program were launched for members. While no major weaknesses were found, limited experience and inconsistent training attendance could hinder effective challenge. Ongoing member training and engagement must remain a high priority.	A

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	The Council has defined roles for key officers, the Executive and committees, with Codes of Conduct for members and officers. The Monitoring Officer ensures legal and regulatory compliance as part of the Corporate Management Team. The Commercial and Procurement Division oversees procurement and provides commercial support, with rules in place to ensure compliance. Contract management sits within directorates to reflect local needs. The Council is currently identifying relevant staff to perform this role. Oversight is provided by the Commercial and Procurement Oversight Board (pre-tender) and the Contract Management Review Group (during the contract lifecycle). In 2024/25, internal audit raised two high priority contract management actions, with one from 2023/24 still outstanding regarding the management and maintenance of the Councils contracts register. We have made an Improvement Recommendation (see page 30) that contract management responsibilities should be clearly defined and supported by training and guidance.	A

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Governance (continued)

Area for Improvement identified: Internal Audit Recommendations

Key Finding:

During 2023/24 only 38% internal audit recommendations were implemented, up until January 2025 implementation rates remained low, with implementation rates less than 35%.

Evidence:

Implementation of high priority audit recommendations has been ongoing and regularly reported to the Governance and Audit Committee throughout the year :

- July 2024 – 34%
- January 2025– 31%
- July 2025 – 62%.

At the July 2025 meeting, it was noted that the implementation rate for management actions had improved significantly from 31% in January 2025 to 62% by July 2025.

Impact:

Although there have been improvements, 38% of high-priority actions remain outstanding, which continues to present a risk to the Council. While the Council has made demonstrable progress, it is essential that momentum is maintained.

Improvement Recommendation 2

IR2: The Council should maintain progress in the implementation of high priority recommendations from Internal Audit.

Grant Thornton insight

Strengthening the tracking of audit recommendations

The Council introduced a new Power BI tracker for monitoring progress with all external and internal audit recommendations as well as recommendations from the CIPFA governance review and its own Annual Governance Statement. Regular updates have been provided throughout the year in October 2024, November 2024, January 2025 and March 2025. It is clear the Council are monitoring the implementation of recommendations. The Power BI tracker is a key tool and should be regularly updated to reflect recent developments and recommendations.

- The Council should continue to report on and maintain momentum in addressing both key and improvement recommendations.

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Governance (continued)

Area for Improvement identified: Implementation and roll out of decision making app

Key Finding: In previous years, significant weaknesses were identified in governance and compliance regarding key decision-making processes. To address this, the Council developed a decision-making app to strengthen its arrangements.

Evidence: The Council has made progress in strengthening its arrangements and is rolling out a bespoke decision management system. The app has completed testing and is being implemented on a phased basis, with a paper presented to CMT in August 2025. Although the initial rollout was planned for May 2025, it was delayed due to post-election support needs. Full implementation is expected by March 2026. Dashboards showing planned and completed decisions will be available to the Chief Executive, Leader, Monitoring Officer, and Section 151 Officer to support oversight and challenge.

Impact: If the rollout is not fully completed and embedded, it could lead to the relapse of significant weaknesses in governance and decision-making. A lack of training may also affect the app's effectiveness, it is therefore important that training needs are supported.

Improvement Recommendation 3

IR3: Implementation of the new decision-making app should be rolled out and embedded across directorates. The Council should ensure compliance and training support.

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Governance (continued)

Area for Improvement identified: Governance and Audit Committee

Key Finding: Member attendance at Audit Committee has been inconsistent in 2024/25.

Evidence: There were nine Governance and Audit meetings held during 2024/25 however one was postponed which means eight meetings were held. The Committees page on Kent County Council's website records and publishes attendance of members. Four out of thirteen members attended all meetings, while only 46% attended more than half.

Impact: The lack of attendance limits the Committees ability to scrutinise and make effective decisions.

Area for Improvement identified: Contract management

Key Finding: Internal audit have identified high priority actions in relation to contract variations and the contract register. We are also aware the CPO is in the process of identifying individuals responsible for contract management within the directorates.

Evidence: Internal audit work in 2024/25 identified 2 high priority actions, including the need for specific training and better monitoring of contract variations and novations. One high priority action from 23/24 remains outstanding relating to incomplete contract register. The Council should aim to resolve the actions within the agreed timeframe.

Impact: An incomplete contract register could add complexity to managing contracts effectively. If the Council is not fully aware of all contract managers, it could lead to inconsistent approaches and processes. As training may not be targeted towards the appropriate individuals.

Improvement Recommendation 4

IR4: To ensure the Governance and Audit Committee is effective in its role member attendance should be improved by setting clearer expectations and introducing accountability measures, as only 4 out of 13 members attended all meetings and less than half attended more than half.

Improvement Recommendation 5

IR5: The Council should ensure that individuals responsible for contract management are clearly identified and provided with appropriate training. Strengthening awareness and capability in this area will support more effective oversight and will also help address current gaps, such as those reflected in the incomplete contract register.

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Grant Thornton insights – learning from others

The Council has the arrangements we would expect to see in respect of Governance, but could challenge itself to go further, based on the best arrangements we see across the sector

What the Council is already doing

- The Council's Organisational Learning Panel aims to bring together representatives from Internal Audit, Analytics, Risk Management, and Complaints teams to address themes arising from audits, complaints, and performance feedback. Working collaboratively with service directorates, the panel identifies key issues and develops targeted action plans. This is a good demonstration of cross departmental collaboration as it promotes open communication and enables shared learning and insights across the Council.

What others do well

- The most effective financial planning arrangements we see include development of best case, worst case and likely case scenarios, alongside effective sensitivity analysis on key cost, demand and income assumptions.

The Council could consider

- While the Council has produced comprehensive and detailed treasury management reports, the mid-year update was presented to the Council in March 2025, six months after the mid-year point. To support more effective oversight and timely decision-making, the Council should aim to bring forward the timing of mid-year reporting in future years.
- Implementing arrangements to improve new members attendance of training and engagement at meetings. For example, incorporating feedback into future training sessions, monitoring and reporting attendance, input from members when scheduling meetings.

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Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
uses financial and performance information to assess performance to identify areas for improvement	The Council produces a Performance report which is presented quarterly to Cabinet. It includes 38 Key Performance Indicators with progress assessed against targets set at the start of the financial year. Assessment is on a Red / Amber / Green (RAG) basis. We note that in the performance report for the fourth quarter of 2024/25 although ten measures remain rated as red (the same number, and the same measures as for 2023/24), two measures that were rated as amber in 2023/24 are now rated as green. The most recent internal audit report (in July 2024) was positive about the robustness and relevance of the data provided in Performance Reports. The Council carries out benchmarking regularly, for example on Adult Social Care, Children's Services, Waste Disposal and recycling, and Highways and Transport.	G
evaluates the services it provides to assess performance and identify areas for improvement	The Adult Social Care and Health Service was the subject of a Care Quality Commission (CQC) inspection in 2024/25. All areas scored 2 (some shortfalls) except two (Equity in Experience and Outcomes, and Learning, Improvement and Innovation) which both scored 3 (good). The most recent feedback form Ofsted, arising from a focused visit in January 2024 was generally positive but identified two areas for improvement around the quality and impact of management oversight and the need to work better with health partners regarding safeguarding. The Council is a party to a Safety Valve Agreement with the Department for Education, relating to the costs of the High Needs Block (pupils with Special Educational Needs). Please refer to the financial sustainability section for more details.	G

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives	The Council has various strategic partnerships, most notably with the Kent and Medway Integrated Care System ("ICS"). Following publication of the ICS delivery plan on June 2024, the Council has developed its own delivery plan that includes specific actions for each Directorate the contribute to the achievement of the ICS's six shared goals. Cabinet members for the various services receive regular updates on the performance of key partnerships. As a result of the proposed Local Government Reorganisation the Council is working with Districts to develop options for a business case to be submitted in November. The Council has played a leading role in helping to co-ordinate the new region, including liaison with a single advisor on LGR (KPMG). It is important that the Council continues to engage constructively with the LGR process as the more difficult discussions occur in Autumn 2025 as the regions discusses the options for reform and the chosen business case to present to government in November 2025. No significant weaknesses identified and no improvement recommendations made.	G
commissions or procures services, assessing whether it is realising the expected benefits	The Council has updated its policy on procurement to reflect the requirements of the Procurement Act 2023. This includes setting out as part of any procurement process KPIs which are reported on by the contract manager. It has a number of PFI projects, in particular for schools. The manager dedicated to managing these contracts has a good understanding of them and the contracts operate in the way they were intended for the Council. It is involved in collaborative partnerships with other public sector bodies which produce procurement efficiencies. We note the Internal Audit report on contract management and have discussed this under the Governance theme (see page 27). The Council implemented a new Oracle Cloud system in August 20205, with the budget revised from £15m to £24m. Governance and reporting structures are in place, including the Oracle Cloud Programme Board, which reports to the Governance and Audit Committee and Cabinet Members. Internal audits and business readiness reviews were completed ahead of 'Go live'. Three high-risk areas were identified and will be followed up on in the 2025/26 audit plan. The original go-live date was postponed to allow the Council to resolve issues identified during testing. We have not identified any weaknesses in arrangements and have made no improvement recommendations.	G

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Grant Thornton insights – learning from others

The Council has the arrangements we would expect to see in respect of contract management, but could challenge itself to go further, based on the best arrangements we see across the sector

What the Council is already doing

- The Council has a Procurement and Contracting tool (PACT) which informs staff of where each contract is within its cycle. This also has data on procurement outcomes.
- Contracts are managed within individual directorates. The Contract Management Review Group (CMRG) periodically selects contracts to review, usually at the mid-point of their term. A template is completed by contract managers and this is subject to challenge at the relevant CMRG meeting.

What others do well

- We are aware in some organisations that for significant contracts a Post-Implementation Review is carried out around the first anniversary of their signing. This compares the contract performance (financial and non-financial) against benefits that were set out in the business case.

The Council could consider

- Requiring the setting out in business cases the benefits expected from significant contracts, along with any measures and anticipated timescales.
- Implementing a system, possibly linked to PACT whereby for those contracts the contract manager prepares a report comparing the performance of the contract with the expected benefits, along with any learning points and actions arising.

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05 Summary of Value for Money Recommendations raised in 2024/25

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Key recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
KR1	The Council should: explore further options for increased efficiency in the Adult Social Care and Health service. Reducing current overspends will be essential if reserves are to remain robust in the future.	Financial Sustainability	**Actions:** Continue to build on revised governance regarding monitoring and strengthened savings plans and as part of 2026/27 budget build. **Responsible Officer:** Corporate Director - ASCH **Due Date:** Ongoing
KR2	The Council should: ensure that its DSG management plan is sufficient to address the legacy deficit as well as control the in-year pressure on the high needs block.	Financial Sustainability	**Actions:** Much depends on the Government's proposed changes to SEND (due to be announced in the Autumn) and corresponding financial changes. Will continue to review options for managing in-year pressures. **Responsible Officer:** Corporate Director - CYPE **Due Date:** Ongoing

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Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR1	The Council should ensure that savings plans are realistic, and when a plan is deemed no longer deliverable or is deferred, carry out a review in order to learn from the situation and prevent repetition.	Financial sustainability (page 23)	**Actions:** Agreed. **Responsible Officer:** Corporate Director - Finance **Due Date:** December 2025 (to feed into 2026/27 savings proposals)
IR2	The Council should maintain progress in the implementation of high priority recommendations from Internal Audit	Governance (pages 28)	**Actions:** Continue to monitor progress and take any remedial action necessary. **Responsible Officer:** Corporate Management Team **Due Date:** Ongoing
IR3	Implementation of the new decision-making app should be rolled out and embedded across directorates. The Council should ensure compliance and training support.	Governance (pages 29)	**Actions:** Agreed **Responsible Officer:** General Counsel **Due Date:** December 2025
IR4	To ensure the Governance and Audit Committee is effective in its role member attendance should be improved by setting clearer expectations and introducing accountability measures, as only 4 out of 13 members attended all meetings and less than half attended more than half.	Governance (pages 30)	**Actions:** This relates to Members largely no longer on the committee. G & A committee training for new Members has emphasised the importance of attendance. **Responsible Officer:** General Counsel **Due Date:** Ongoing
IR5	The Council should ensure that individuals responsible for contract management are clearly identified and provided with appropriate training. Strengthening awareness and capability in this area will support more effective oversight and will also help address current gaps, such as those reflected in the incomplete contract register.	Governance (pages 30)	**Actions:** Agreed **Responsible Officer:** Chief Procurement Officer **Due Date:** March 2026

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06 Follow up of previous Key recommendations

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Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR1	The Council should explore options for increased efficiency in the adult social care and health directorate in 2025/26 and future years. Reducing current overspends will be essential if reserves are to remain robust in future. Although the forecast adult social care and health overspend for 2024/25 is lower (£16.5 million) than it was for 2023/24 (£32 million), options for further cost reduction need to be identified. Where it is the case that planned savings for adult social care and health need longer timeframes to secure than had been expected (for example with brokerage of new prices and access to new community rehabilitation services), new timeframes should be calculated or new options for savings and additional income should be explored.	2023/24	In fact the 2024/25 outturn for ASC was an overspend of £46.4m, which was higher than for 2023/24. There were overspends in most areas, the most significant of which was in older people residential care services (£39.0m). Total gross overspends of £78.5m were offset by £32m from centrally held budgets. Common themes were increases in activity, complexity and costs and slippage in savings delivery. With the assistance of PwC the council has instigated a Rapid Savings Review. However, we understand that ASCH expenditure budgets are still proving to be inadequate, with a "considerable" overspend forecast for 2025/26.	Significant weakness remains in place	Yes Key Recommendation KR1 revised and carried forward in 2024/25

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Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR2	The Council should work holistically to reduce spend on the high needs block. The Council has made good progress in slowing the rate of growth in spend on high needs, but continued discipline is essential to limit the call required on reserves to the agreed total of £80 million.	2023/24	While work is ongoing to reduce costs in this area, the overspend for 2024/25 was £30.3m, net of a £9m contribution from DFE and £15.1m from the Council. As a result the Council has now fallen behind the projected cumulative deficit in the Safety Valve Agreement. The latest Safety Valve Agreement Monitoring report states that the Council is predicting a residual balance of at least £30m by March 2028, £23m of which is attributed to the delayed opening of two special schools and the rejection of a bid for a third.	Significant weakness remains in place	Yes Key Recommendation KR2 revised and carried forward in 2024/25
KR3	Remaining high priority actions from Internal Audit recommendations should be completed and closed. Any improvements made to implementation rates under the new operating standards should be maintained.	2023/24	Implementation rate for management actions had improved significantly from 31% in January 2025 to 62% July 2025. Sufficient progress has been made to remove significant weakness	Sufficient progress made to remove significant weakness	Yes New Improvement Recommendation raised to complete the improvement journey.

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Follow up of 2022/23 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
1	The Council should strengthen its pace and tighten its corporate grip over progress with addressing Key Recommendations. A holistic approach should be taken towards improving financial sustainability, governance and performance across the board	2022/23	Superseded by new IR and removal of sig weakness under KR3.	Closed	No
	Steps need to be taken by the Council to control expenditure. We will consider the robustness of the Council's proposals and reserves for the 2024/25 Revenue Budget and the 2024-27 High Level Financial Plan to determine whether further statutory action is required.	2022/23	Superseded by revised KR1 as the focus on spending control is now on ASC. Other areas have been brought under control, including Children's services (other than DSG/ HNB).	Closed	No
3	The Council should take a holistic approach towards managing Special Educational Needs and Disability (SEND) demand and SEND financial management, and focus on EHCP demand and approval processes if it is to have a lasting impact on returning SEND services to a sustainable footing	2022/23	Superseded by revised KR2. We established from meeting with CYP Director that EHCP arrangements have been reviewed and improved, but demand continues to outstrip funding and there are societal pressures that EHCP arrangements alone cannot counter. The solution is wider, as is covered by KR2.	Closed	No

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Follow up of 2022/23 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
4	Compliance with the Council's decision-making arrangements needs to be strengthened. An action plan for implementing recommendations both from CIPFA and from our own 2023 review of governance should be adopted. The Council should aim to maintain full implementation rates for Internal Audit findings and should complete its review of Internal Audit lessons learnt from the SEND transport re-procurement at pace	2022/23	Progress was considerable within year, with priority being given to reviewing the relevant governance and training, assisted by Member decisions at the end of the financial year which committed support. The app has now completed its test phase and is being rolled out with a paper going to CMT in August 2025 to ensure full implementation by March 2026 on a rolling directorate and service basis. This was slightly delayed by the support required following election but is still on track for implementation by year end with dashboards of planned and taken decisions available for Chief Executive, Leader, Monitoring Officer and s151 to provide oversight and challenge. A full refresh of Member training was conducted and the Member Development Sub Committee worked with officers to develop a new induction plan which resulted in over 30 separate training opportunities. All 81 Members were met by the Chief Exec and MO to explain importance and value of governance and appropriate decision making. Three training sessions and an information session for the Cabinet have been run alongside surgery style support.	Closed	**Yes** New Improvement Recommendation raised to complete the improvement journey.

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Follow up of 2022/23 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
5	The Council should aim to maintain full implementation rates for Internal Audit findings and should complete its review of Internal Audit lessons learnt from the SEND transport re-procurement at pace.	2022/23	Superseded by new IR and removal of significant weakness under KR3.	Closed	No

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07 Appendices

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Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council's Value for Money arrangements

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

A range of different recommendations can be raised by the Council's auditors as follows:

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council's arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

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Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	The Council's Asset Management Strategy should be updated.	2023/24	This was approved by the Policy and Resources Cabinet Committee in September 2024. Asset Management Strategy is now in place.	Closed	No
IR2	The Council should analyse the reasons for re-phasing of capital repairs and maintenance work. Left unchecked, there is a risk that delays to capital repairs and maintenance work could have a detrimental effect on the Council's ability to deliver from its asset base and perform on its statutory duties.	2023/24	The rephased capital budget at the end of 2024/25, at 43% of the budget for that year, was slightly lower as a percentage than for 2023/24 (47%). At the end of 2023/24 there was a rephasing of £8.5m on roads maintenance for "Urgent Safety Critical works". The equivalent figure for 2024/25 was £5.0m. Work required on assets is regularly reviewed and revised to take account of backlog maintenance and risks.	Closed	No

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Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR3	The Council should agree a sustainable approach towards applying revenue account spending controls. Spending controls look likely to last for some time, but the approach for some areas, such as staff training and revenue account repairs and maintenance needs to be considered carefully.	2023/24	Given ongoing financial pressures, spending controls have continued. In 2024/25 the total outturn was an overspend of £20.2m, although that for Adult Social Care and Health (ASCH) was £46.4m. Clearly savings were made elsewhere in the Council to mitigate the impact of the overspend in ASCH. Spending controls continue. Maintenance spending remains, as does mandatory training, but these are monitored carefully.	Closed	No
IR4	There are aims to implement all recommendations on the Council's new BI tracker by early January 2025. As the pace of improvement was initially slow during 2023-24 it will be important that progress towards this target is monitored. The Council should consider whether more regular meetings of the Standards Committee is another area where the pace of addressing issues could be improved.	2023/24	This recommendation is superseded following the closure of KR3.	Closed	No

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Appendix C: Follow up of 2022/23 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
9	Sensitivity analysis should be adopted for the budget for 2024/25, and the Council should also explore this for in-year financial monitoring	2022/23	The Authority included a sensitivity analysis in its Budget Setting Report for 2025/26, considered by County Council in February 2025 (see Section 8 of that report). At this point in time it does not see any major advantages in expanding this to include in-year financial monitoring (as the forecasts themselves reflect a degree of sensitivity analysis).	Closed	No
10	Delays on capital projects should be reviewed for common factors. Project management (including through schools and contract partners) and specialist skills should be reviewed	2022/23	There are many reasons for re-phasing. The introduction of the 10 year programme and the potential projects pages aim to alleviate the optimism bias by encouraging a more realistic view on timescales. It is acknowledged that the re-phasing has not improved substantially in 2024/25.	Closed	No

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Final Audit Findings (ISA 260) Report for Kent Pension Fund

Year ended 31 March 2025

30 October 2025

Kent Pension Fund
Sessions House
County Hall
Maidstone, Kent
ME14 1XQ

Grant Thornton UK LLP
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Dear Members of the Governance and Audit Committee,

Audit Findings for Kent Pension Fund for the 31 March 2025

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 will be discussed with management and the Governance and Audit Committee.

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. 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-2024-.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.

Parris Williams

Director

for Grant Thornton UK LLP

Chartered Accountants

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Headlines and status of the audit

Headlines

Financial statements

Introduction

These are 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 2025 for the attention of those charged with governance.

ISA Requirements

Under 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 during the year ended 31 March 2025 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; and
- 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.

Audit Work

Our audit work was carried out between June and September, starting as scheduled on 16 June. The Pension Fund team provided a well-prepared set of financial statements along with comprehensive working papers, all in line with the agreed timetable. Notably, this timetable was set two weeks ahead of the statutory deadline at the end of June.

In line with the audit plan, which targeted completion by the end of September 2025, we have successfully finalized the audit within the agreed timeline. Consistent with previous years, the quality of information provided and the communication from the Pension Fund team have been outstanding. We would like to express our sincere appreciation to management for their continued efforts and cooperation throughout the audit.

During the audit, we identified two adjustments to the draft financial statements, both proposed by management. The first adjustment relates to updated investment valuations received after the draft accounts were published, resulting in a £19m change. The second adjustment involves the reclassification of a distribution initially recorded as investment income, which has now been correctly reflected as a distribution sale. This reclassification does not affect the overall net assets.

We have reviewed and tested both adjustments and are satisfied that they are supported by appropriate evidence. Further details are provided on pages 38 to 39 of this report.

We also identified one unadjusted misstatement, which relates to the auditor's projected error of £8.4m in benefits payable. This was noted during our comparison of sample benefit payments against expectations based on calculation sheets and pension increases. It is important to note that this represents a projected error, not an actual misstatement. Further details are provided on page no 42 of this report.

We have also made three recommendations for management based on our audit work. These are detailed on pages 43 to 45.

Continued overleaf . . .

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Headlines

Financial statements

Audit Work - continued

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

Items relating to the conclusion of the audit:

- Senior engagement quality review

Matters which can only be closed following the audit committee on 30th October 2025:

- 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 give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Fund's Annual Report on 5TH November 2025 at the same time we issue our financial statement audit opinion.

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Headlines

Local & National Context

National Context – Administration and Governance

The total membership of the LGPS was 6.7 million people. Of this number around one third are active employees who still contribute to the scheme. 71.1% (4.8 million) of all the members of the LGPS are covered by local authorities and other connected bodies, though local authorities and connected bodies represent only 16.5% of employers (with 3,478 employers). In total, there were 21,131 employers covered by the Local Government Pension Scheme at the end of March 2024.

In respect of administration and governance some key matters impacting 2024/25:

- The Pension Regulator's (TPR) General Code of Practice came into effect on 28 March 2024. It replaces Code of Practice 14 for public service pension schemes and brings together ten previous codes into one. The Code provides an opportunity for funds to review current practices but also presents challenges during what is already a busy time for the LGPS.
- The Pensions Dashboards Regulations 2022 set out in law the connection to the ecosystem and that maintenance of connection is a legal requirement, it also sets out that schemes must connect to the ecosystem by the 'connection deadline' 31 October 2026. To avoid placing undue strain on all parties facilitating connection, the Department for Work & Pensions (DWP) published guidance confirming that public service pension schemes should 'connect by' 31 October 2025.
- The regulations implementing the McCloud remedy took effect from 1 October 2023. Statutory Guidance was published in June 2024 and pension funds have, for most members, the period up until a fund's annual benefit statements for 2024/25 are issued to complete implementation i.e. by the end of August 2025.

In executing our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

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Headlines

Local & National Context

National Context – Investment and Funding

Triennial valuations for local government pension funds as at 31 March 2022 (the 2022 valuation) were published in March 2023. These valuations, provide updated information regarding the funding position of local government pension funds and set employer contribution rates for the period 2023/24 – 2025/26. In August 2024 the Government Actuary's Department (GAD) published its Section 13 report analysing the outcomes of the valuations. GAD noted that funding levels have improved since 2019, however not all funds were in a surplus after the 2022 valuation, with 26 out of 87 being in deficit. In addition, there continues to be considerable variation between funds, with the highest funding level at 154% and the lowest funding level at 67%. This is a wider range than previously reported in the 2019 valuation. The average primary contribution rate to cover future benefit accruals has increased from 18.6% to 19.8% following the 2022 valuations.

At the end of March 2024, the market value of LGPS funds was £391.5 billion, an increase of 9.0% compared to the end of March 2023. Total LGPS income in England and Wales in 2023-24 was £20.7 billion with expenditure of £17.1 billion.

The Fund will be entering the 2025 valuation (as at 31 March 2025) process this calendar year. The valuation will set employer contribution rates for 1 April 2026 through to 31 March 2029. The national and international economic context continue to present challenges for pension funds with a consequential impact on the investments held by pension funds but investment performance and setting stable, affordable contributions for employers will be key factors.

In July 2024 the government launched a Pensions Review of workplace defined contribution pensions schemes and the Local Government Pension Scheme in England and Wales (LGPS). The focus of the review for the LGPS is to look at how tackling fragmentation and inefficiency can unlock the investment potential of the scheme, including through further consolidation. This review, Fit for the Future, is being led by the Ministry of Housing, Communities and Local Government (MHCLG). Consultation on the Government's proposals sought views in three key areas; reforming the LGPS asset pools, boosting LGPS investment in their localities and regions in the UK, and strengthening the governance of both LGPS administering authorities (AAs) and LGPS pools. The consultation closed in January 2025 and the outcome was published on 29 May 2025. Kent Pension fund's response to 'Fit for future' is set out on the next page.

In executing our audit, we have taken account of this national and international context in designing a local audit programme which is tailored to your risks and circumstances.

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Headlines

Local & National Context

Local Context

The net assets of the Kent Pension Fund as at the end of March 2025 amounted to £8,432.55m (31 March 2024: £8,142.55m).

In relation to the local context, several key matters for 2024/25 are as follows.

- During 2025, the Local Government Pension Scheme (LGPS) underwent significant changes to its pooling framework under the UK Government "Fit for the Future" reforms. The Government confirmed that ACCESS Pool would not be permitted to continue in its current form and required the LGPS funds within the pool transition into the one of six FCA-regulated investment companies by 31 March 2026. As the Kent Pension Fund holds a material proportion of its assets within the ACCESS pool, this development has direct local implications for the way in which investments are managed. In response, on 11 August 2025, the Fund announced that it will join the Border to Coast Pension Partnership, ensuring compliance with the revised framework.
- For Kent Pension Fund, the 2022 triennial valuation was undertaken by Barnett Waddingham, and showed that the Fund had sufficient assets to cover 102% of the accrued liabilities as at 31 March 2022, which had increased from 98% at the 2019 valuation.
- We have received requests from employer body auditors to undertake work on the accuracy and completeness of the information provided to the actuary as part of the 2025 valuation process.

Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

We are pleased to report that we anticipate issuing our opinion on the pension fund financial statement alongside that of the administering authority in November, well ahead of the statutory deadline.

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Financial statements

Financial statements

Overview of the scope of our audit

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, as required by International Standard on Auditing (UK) 260 and the NAO Code of Audit Practice (the 'Code'). Its contents will be discussed with management and the Governance and Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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.

For Kent Pension Fund, the Governance and Audit Committee fulfil the role of those charged with governance.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- an evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

Our audit of the financial statement is complete, with only resolution of the outstanding matters set out on page no 7. We anticipate issuing an unqualified audit opinion following the Governance and Audit Committee meeting on 30th October 2025 and finalisation of the administering authority audit.

Our draft Letter of representation and draft unqualified audit opinion is attached as a separate agenda.

Acknowledgements

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

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Materiality

Our approach to materiality

As communicated in our Audit Plan dated 3rd July 2025, we determined materiality at the planning stage as £122.1m based on 1.5% of Gross Investment Assets as at 31 March 2024. At year-end, Upon receipt of the draft 2024/25 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 materialities 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 £126.4m (PY £122.6m), representing 1.5% of Gross Investment Assets as reported in the draft 2024/25 financial statements.

This benchmark is consistent with the prior year, and we have not identified any factors that would warrant a reduction in the percentage applied.

Performance materiality

Performance materiality has been set at £94.8m (PY £91.9m), 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 2024/25 financial statements. This ensures that our audit approach remains aligned with the most current financial data available.

Specific materiality for the Fund Account

A lower, specific materiality of £38.8m (PY £35.3m) has been determined for the Fund Account, based on 10% of gross expenditure as at 31 March 2025. This lower materiality will be applied to the audit of all Fund Account transactions, excluding investment transactions, for which the headline materiality will continue to apply.

While the benchmark of 10% remains consistent with the prior year, the materiality figure has been updated to reflect the revised gross expenditure reported in the draft 2024/25 financial statements.

This approach ensures that our audit procedures remain proportionate and responsive to the most current financial data.

Reporting threshold

We will report to you all misstatements identified in excess of £6.3m (PY £6.1m), in addition to any matters considered to be qualitatively material.

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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	£126.4m	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	£94.8m	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*	£6.3m	Triviality is based on the percentage 5% of the overall materiality.
Specific Materiality for the Fund Account	£38.8m	The benchmark for Fund Account materiality has been set at 10% of gross expenditure as at 31 March 2025. This percentage was selected based on our assessment of the Fund's operational characteristics, including the absence of complex contribution and benefit structures and the consistency of the accounting systems in use. These factors contribute to a lower risk of material misstatement. Accordingly, we have retained the same 10% benchmark as applied in the prior year. However, the materiality figure has been updated to reflect the latest expenditure figures reported in the draft 2024/25 financial statements.
Performance Materiality for the Fund Account	£29.1m	Performance materiality for the Fund Account has been set at 75% of the Fund Account materiality, consistent with the approach adopted in the prior year. This determination is based on our review of the previous year's audit, which did not identify any significant misstatements or control deficiencies. In the absence of any indicators suggesting increased audit risk, we consider it appropriate to maintain the same benchmark for the current year.

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

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Overview of audit risks

Overview of audit risks

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

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

↑ Assessed risk increased since audit plan

↔ Assessed risk consistent with audit plan

↓ Assessed risk decrease since audit plan

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

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

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

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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
Risk 1 - Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. Significant	As part of our audit procedures, we have: • Evaluated the design and implementation effectiveness of management relevant controls over journals; • Analysed the journals listing and determine the criteria for selecting high risk unusual journals; • Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • Gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.	We have not identified any changes to the accounting policies or estimation processes for the 2024/25 financial year. However, our audit work has highlighted a recurring control deficiency relating to the authorisation of journals—an issue previously reported in last year's Audit Findings Report. Further details are provided in page no 43 of this document. Aside from this matter, our audit procedures have not identified any material concerns relating to the risk of management override of controls. **Conclusion** With the exception of one recurring control deficiency, no material issues or other significant concerns have been identified in this area. We are satisfied that management's judgements and estimates are reasonable and have been applied consistently.

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Significant risks (continued)

Risk identified	Audit procedures performed	Key observations
Risk 2 - 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. **Significant** Relevant assertion(s) Valuation Applicable assertion(s) Existence, Rights & Obligations, Presentation Planned level of control reliance None	As part of our audit procedures, we have: • Obtained an understanding of management's valuation processes for Level 3 investments and evaluated the design and implementation of the associated controls. • Reviewed the nature and basis of valuation estimates and assessed the assurance management has over year-end valuations to ensure compliance with the Code. • Obtained independent year-end confirmations directly from investment managers and the custodian. • Reviewing the audited financial statements of the investment accounts. Where there were different reporting dates, we carried out 'look back tests' to gain assurance on the valuation methods of the investment manager, comparing audit accounts to capital statements and then considering cashflows to year end (and indices where appropriate). • Reviewing the corresponding independently sourced capital statement at 31 March 2025. • Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts. • Challenged management's classification of the assets. • Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls where appropriate.	Our audit of Level 3 investments identified one adjustment of £19 million, proposed by management, in relation to the valuation of these investments. This adjustment was made following the receipt of finalised information from the fund manager, which was not available when the accounts were initially published. The revision replaced earlier estimates and reflects more accurate and reliable data. Such post-publication adjustments are common in pension fund reporting and demonstrate management's commitment to ensuring the financial statements present the most robust and up-to-date information (see page 38 for further details). **Conclusion** We are satisfied that the valuation methodology has been applied consistently and that management's judgements are reasonable.

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Significant risks (continued)

Risk identified	Audit procedures performed	Key observations
Risk 3 – Valuation of Directly held Property The valuation of directly held property are a significant accounting estimate and hence there is a risk of material misstatement due to error and/or fraud. **Significant** Relevant assertion(s) Valuation Applicable assertion(s) Existence, Rights & Obligations, Presentation Planned level of control reliance None	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 properties. Based on our audit procedures, we are satisfied that the judgements applied by management are reasonable. **Conclusion** We are satisfied that the valuation methodology has been applied consistently and that management's judgements are reasonable.

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Significant Classes of Transactions

Significant classes of transactions, account balances, and disclosures (SCOT+s), are associated with risks of material misstatement but are not linked to a significant risk. This section provides commentary on the SCOT+ risks communicated in the Audit Plan.

Risk identified	Audit procedures performed	Key observations
Risk 4 - Valuation of level 2 investments The valuation of level 2 investments can be judgemental where they cannot be valued directly, as a result the valuation of level 2 investments has been identified as a significant class of transactions. SCOT+ Relevant assertion(s) Valuation Applicable assertion(s) Existence, Rights & Obligations, Presentation Planned level of control reliance None	As part of our audit procedures, we have: • Documented our understanding of management's processes for valuing Level 2 investments. • Agreed the year-end valuations to confirmations received from both the investment managers and the custodian. • Where available, verified valuations against quoted market prices at the reporting date. • Compared valuations to purchase or sale transactions occurring close to the year-end, where appropriate. • Reviewed the valuation methodologies and guidelines applied to ensure they were appropriate and consistently applied. • Obtained and reviewed service auditor reports on the internal controls of the investment managers. • Assessed management's classification of Level 2 investments within the fair value hierarchy for a sample of items. • Performed additional detailed testing where planned procedures did not provide sufficient audit assurance.	We have not identified any material adjustments or findings in this area and are satisfied that the judgements applied by management are appropriate. **Conclusion** We are satisfied that the valuation methodology has been applied consistently and that management's judgements are reasonable

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Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
Risk 5 - Actuarial present value of promised retirement benefits disclosure – IAS 26 The disclosure of the Fund's actuarial present value of promised retirement benefits is an accounting estimate and is sensitive to changes in key assumptions. As a result, it has been identified as a significant class of transactions. SCOT+ Relevant assertion(s)* Presentation Applicable assertion(s) None Planned level of control reliance None **As the figure being audited here is only disclosed in the notes to the accounts, we have updated our assertion level risks from our Audit Plan to only include 'Presentation' as the relevant assertion. This has no impact on the planned work being carried out.*	As part of our audit procedures, we have: • Documented our understanding of management's processes related to the actuarial valuation. • Reviewed the instructions issued by management to their appointed actuary, including the scope of work and estimation methodology. • Assessed the competence, capabilities, and objectivity of the actuary responsible for the Fund's valuation. • Evaluated the accuracy and completeness of the data provided by the Fund to the actuary for estimating the liability. • Verified the consistency of financial statement disclosures with the actuarial report. • Reviewed the report of the consulting actuary (engaged as the auditor's expert) to assess the reasonableness of the assumptions used, and performed any additional procedures recommended in that report. • Obtained assurance that the membership data testing performed in the prior year remains valid and reliable for the valuation as at 31 March 2025.	Our audit procedures did not identify any material adjustments or issues relating to the present value of promised retirement benefits under IAS 26. During our testing, we identified two disclosure misstatement and one presentational prior period adjustment, which management has agreed to amend. These findings do not affect the overall financial position of the fund. Further details are provided on page no 40 of this report. We are satisfied that the judgements are applied by management are appropriate and have been determined using a consistent methodology. **Conclusion** We are satisfied that the disclosure in relation to the present value of promised retirement benefits are appropriate. The identified disclosure and presentational issues, which management has agreed to adjust, have no material impact on the financial statement and are considered minor in nature.

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Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
Risk 6 – Benefit payable Pensions benefits payable represents a significant percentage of the Fund's expenditure. As a result, it has been identified as a significant class of transactions. SCOT+ Relevant assertion(s) Accuracy Applicable assertion(s) Completeness, Occurrence, Presentation Planned level of control reliance None	As part of our audit procedures, we have: • Obtained an understanding of the Fund's processes related to the benefit payables. • Evaluated the appropriateness of the Fund's accounting policy for recognising pension benefits expenditure. • Reviewed the Fund's systems for recording and accounting for pension benefits. • Tested a sample of lump sum payments by tracing them to supporting documentation and verifying the corresponding payments from the pension fund bank account. • Selected a sample of pension payments to confirm member eligibility, recalculated pension amounts, verified them against payslips, and agreed payslip values to payments made from the pension fund bank account. • Tested relevant member data to support a predictive analytical review, assessing changes in pensioner numbers and in-year increases to identify and explain any unusual trends.	Our audit procedures identified one unadjusted difference of £8 million relating to benefit payables. This represents a projected difference rather than an actual error. The projection arose from differences noted when comparing a sample of benefit payments to expectations based on the pension increase and calculation sheet. The small variances identified in the sample were extrapolated to the wider population to determine the projected impact. Further detail is provided on page 42 of this report. **Conclusion** Other than the matter noted above, our audit work has not identified any other material issues. We are satisfied that the benefit payables are not materially misstated.

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Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
Risk 7 - Contributions receivable Contributions from employers and employees represents a significant percentage of the Fund's revenue. As a result, it has been identified as a significant class of transactions. SCOT+ Relevant assertion(s) Completeness Applicable assertion(s) Accuracy, Occurrence, Presentation Planned level of control reliance None	As part of our audit procedures, we have: • Obtained an understanding of the Fund's processes in relation with contribution receivables. • Evaluated the appropriateness of the Fund's accounting policy for recognising contributions. • Reviewed the Fund's systems for recording and accounting for contribution income. • Tested a sample of contributions by tracing them to source documentation to confirm accuracy and occurrence. • Tested relevant member data to gain assurance over management information to support a substantive analytical review, ensuring that any unusual trends are satisfactorily explained. • Obtained assurance over changes to admitted and scheduled bodies during the year. • Verified the completeness of employer contributions by agreeing total contributions for each employer to their respective contribution records.	We have noted no material adjustments or findings in relation to the contributions receivable balance. **Conclusion** We are satisfied that the contribution are not materially misstated.

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Other findings

Other findings – significant matters

	Issue	Commentary
1	Significant events or transactions that occurred during the year	In July 2025, the UK Government confirmed that the ACCESS LGPS investment pool will not be permitted to continue in its current form and must be restructured or merged with another pool by 31 March 2026. This forms part of broader reforms to consolidate LGPS investments into six FCA-regulated investment companies. Kent Pension Fund currently holds a material proportion of its assets within the ACCESS pool. The Government's judgement affects the structure through which the fund's investments are managed, but not the underlying asset base or the solvency of the fund. Subsequently, on 11 August 2025, the Fund announced that it will join Border to Coast Pension Partnership, thereby ensuring compliance with the revised pooling framework and continuity of investment governance. While this change necessitates adjustments to the Fund's operational governance arrangements, there is currently no evidence that the Fund would be unable to realise its assets or meets it liabilities as they fall due. Accordingly, we are satisfied that the Government's decision does not give rise to a material uncertainty regarding the Fund's ability to continue as a going concern. We discussed this matter with management, who agreed to include an appropriate disclosure in the financial statement (subsequent to the reporting date) to ensure users are informed of the development.
2	Prior year adjustments identified	A prior period adjustment was identified in respect of Membership disclosures. In 2024/25, management updated the methodology to include undecided members within the deferred pensioner category, whereas in the prior year these members had been excluded. Comparative figures have therefore been restated for consistency. This adjustment is presentational only and does not affect the IAS 26 actuarial valuation, as the membership data used by the actuary (from the 31 March 2022 triennial valuation) already included undecided members within the deferred pensioner category. Accordingly, there is no impact on the Fund's liabilities, funding position or net assets.

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Other findings – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Summary of management's approach

Level 3 investments (excluding directly held property) - £1,047.523m

The Pension Fund has investments in Infrastructure funds, pooled property and private equity funds that total £1,047.523m on the net assets statement at year-end.

Management receive quarterly performance reports which are reviewed and subsequently presented to the Pension Board, providing scrutiny of estimates. Investment managers will periodically provide update reports for committee meetings – providing an opportunity for officers and members to challenge unusual movements or assumptions.

These investments are not traded on an open exchange/market, and the valuation of the investment is highly subjective due to a lack of observable inputs. To determine the value, management rely on the valuations provided by the investment managers.

Audit comments

In response to management's approach, we have:

1. Reviewed the audited financial statements of the investment accounts. Where there were different reporting dates, cashflows have been considered in the comparison
2. Ensured consistency of the investment management report with the financial statements.
3. Compared the valuation to purchase and sales transactions of the investment near the reporting date (where appropriate)
4. Obtained and reviewed Investment Manager service auditor reports on design and operating effectiveness of internal control where appropriate

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Other findings – key judgements and estimates (continued)

Audit comments (continued)
In undertaking this approach, we have also considered the completeness and accuracy of the underlying information used to determine the estimate, in addition to the impact of any changes to valuation method from the prior period (if applicable) We have also confirmed that the sensitivities disclosed in the notes to the accounts are reasonable and in line with the Code, and the estimate is adequately disclosed in the financial statements We consider management's judgements to be reasonable and the valuation methodology to have been applied consistently in relation to Level 3 investments.

Assessment
Based on the audit procedures performed over Level 3 investments, we are satisfied with management's assessment.

Assessment Key

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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Other findings – key judgements and estimates (continued)

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Summary of management's approach

Directly held property - £473m

The Pension Fund has investments in directly held properties that total £473m on the net assets statement at year-end.

Management receive quarterly performance reports which are reviewed and subsequently presented to the Pension Board, providing scrutiny of estimates. Investment managers will periodically provide update reports for committee meetings – providing an opportunity for officers and members to challenge unusual movements or assumptions.

The valuation of directly held properties are significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of the estimates to changes in key assumptions.

Audit comments

In response to management's approach, we have:

1. Evaluated the competence, capabilities and objectivity of the valuation expert
2. Engaged our own valuer to confirm the basis on which valuation were carried out
3. Challenged the assumption and the information used by the management expert to assess the completeness and consistency with our understanding.
4. Tested on a sample basis, revaluation made during the year to ensure they have been recorded accurately within Kent Pension fund's financial record.

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Other findings – key judgements and estimates (continued)

Audit comments (continued)
In undertaking this approach, we have also considered the completeness and accuracy of the underlying information used to determine the estimate, in addition to the impact of any changes to valuation method from the prior period (if applicable) We have also confirmed that the sensitivities disclosed in the notes to the accounts are reasonable and in line with the Code, and the estimate is adequately disclosed in the financial statements We consider management's judgements to be reasonable and the valuation methodology to have been applied consistently in relation to Directly held property.

Assessment
Based on the audit procedures performed over Directly held property, we are satisfied with management's assessment.

Assessment Key

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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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.

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Assessment
Oracle EBS	ITGC assessment (design and Implementation only)	● (Amber)	● (Amber)	● (Green)	● (Black)	Our audit work has identified one control recommendation; please refer to page 45 for more detailed information.
Altair	Service Auditor's review of SOC 1 Type 2 report *	● (Green)	● (Green)	● (Green)	● (Black)	N/A

* It is important to note that, although our audit plan communicated to TCWG we would perform an ITGC assessment on Altair software, we instead reviewed the Service Organization Report on Heywood. As Altair is fully managed by Heywood and the primary controls operate within their environment rather than the LGPS, reviewing the SOC report provides sufficient appropriate evidence.

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

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Communication requirements and other responsibilities

Other communication requirements

	Issue	Commentary
1	Matters in relation to fraud	We have previously discussed the risk of fraud with the Governance and Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2	Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
3	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.
4	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.
5	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.
6	Disclosures	The disclosure misstatements identified during our audit are detailed on pages 38 to 42. Apart from these, we did not identify any material disclosure misstatement in the financial statement.
7	Audit evidence and explanations	All information and explanations requested from management was provided
8	Significant difficulties	None to report.

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Other communication requirements (continued)

Going Concern

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Commentary

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.

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Other communication requirements (continued)

Going Concern

Commentary (continued)
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.

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Other responsibilities

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 to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. 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 financial statements. The statutory deadline requires the Pension Fund Annual Report to be published by 1 December 2025. The Pension Fund has now published its Annual Report, and we plan to issue our 'consistency' opinion on 5 November 2025. 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.

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Audit adjustments

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.

		Pension Fund Account		Net Asset Statement £'000		
Adjustment ref.	Detail	Debit £'000	Credit £'000	Debit £'000	Credit £'000	Impact on total net assets £'000
	Total net assets per draft accounts					8,432,552
1	During the audit, management revised the reported value of investment assets in the financial statements, increasing the balance from £8,430 million to £8,449 million. This adjustment was made following the receipt of finalised information from the fund manager, which had not been available at the time the accounts were initially published. The revision replaced earlier estimates and reflects more accurate and reliable data. Such post-publication adjustments are common in pension fund reporting and demonstrate management's commitment to ensuring the financial statements present the most robust and up-to-date information. As our audit procedures are based on the published accounts, we have treated this as an adjusted misstatement. We have reviewed and tested the adjustment to confirm its accuracy and appropriate presentation in the revised financial statements. Dr. Investment Assets - £19,067k Cr. Profit and Loss on disposal of investment and changes in the market value of investments - £19,067k		(19,067)	19,067		19,067

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Adjusted misstatements (continued)

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.

		Pension Fund Account		Net Asset Statement £'000		
Adjustment ref.	Detail	Debit £'000	Credit £'000	Debit £'000	Credit £'000	Impact on total net assets £'000
2	During the audit, management voluntarily adjusted investment income from £175m to £169m due to incorrect classification of a distribution related to Partner group investments. The amount had originally been recorded as income, but it was in fact a sale distribution. Upon review of the financial statement, management identified that amount should reclassified to profit and loss on disposal of investment and changes in market value of investments, rather than being included in the investment income. We have reviewed and tested the adjustment as part of our audit procedure and confirmed that it has been appropriately reflected in the financial statement with no impact on overall net assets. Dr. Investment Income - £6,036k Cr. Profit and Loss on disposal of investment and changes in the market value of investments - £6,036k	6,036	(6,036)			Nil

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Adjusted misstatements (continued)

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	Misstatement	Adjusted
Note 20 - Actuarial present value of promised retirement benefits	During our review of Note 20 – Actuarial present value of promised retirement benefit we identified two disclosure errors. 1) The fair value of the Fund's net assets, based on the latest valuation, represents 119% of the actuarial value of promised retirement benefits. However, the note incorrectly states this figure as 103%. 2) Secondly, the financial assumptions disclosed in the note do not align with those reported in the IAS 26 valuation. Specifically, the inflation rate should be 3.20%, the pensions increase rate 2.90%, and the discount rate 5.85%, in accordance with the IAS 26 report.	✓
Note 1 – Membership data	During our review of the membership data disclosed in the financial statements, we noted a significant increase in the number of deferred pensioners. Upon enquiry, management explained that in 2024/25, the methodology was updated to include undecided members within the deferred pensioner category. In the prior year, these members had been excluded. As a result, the comparative figures have been restated for consistency. This is a presentational adjustment only and does not impact the IAS 26 actuarial valuation, as the membership data used by the actuary (from the 31 March 2022 triennial valuation) already included undecided members within the deferred category. Accordingly, there is no effect on the Fund's liabilities, funding position, or net assets. We also requested that management include a prior period adjustment (PPA) disclosure within the accounting policies, in line with the requirements of IAS 8.	✓
Note 26 – Contractual Commitments	Our review identified a discrepancy in the disclosed contractual commitments. By comparing external confirmations with the reported figures, we found that the commitment was understated by £115 million (£375 million confirmed vs £260 million disclosed). Management has acknowledged the issue and agreed to update the disclosure accordingly.	✓

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Adjusted misstatements (continued)

Disclosure	Misstatement	Adjusted
Note 11 – Audit fee disclosure	During our review of the audit fee disclosure, we noted that the financial statements did not reflect the 2024/25 audit fee amounts as communicated in the approved Audit Plan. We also requested that management include a footnote clarifying that the disclosed audit fee is exclusive of VAT and explaining the variance between the disclosed fee and the amount set out in the Audit Plan. Management has subsequently amended the footnote to reconcile the audit fee disclosure accordingly.	✓
Note 23 – Additional Voluntary Contributions	During our review of Note 23, we identified trivial variances in the Prudential Fund figures between the draft accounts and the Fund Manager report. Specifically, there was a £513k difference in the closing balance and a £2,486k variance in contributions paid. Upon challenge, management explained that the initial version of the accounts had used draft figures. Management agreed to update the disclosure.	✓
Note 6 – Event after the reporting period	During our review of the accounting policies, we noted that management had not disclosed recent government proposals related to LGPS investment pooling. Specifically, the UK Government's Fit for the Future consultation confirmed that the ACCESS LGPS investment pool will not be permitted to continue in its current form and must either be restructured or merged with another pool by 31 March 2026. This is part of a broader reform initiative aimed at consolidating LGPS investments into six FCA-regulated investment companies. The Kent Pension Fund currently holds a material proportion of its assets within the ACCESS pool. While this development affects the structure through which the Fund's investments are managed, it does not impact the underlying asset base or the solvency of the Fund. We consider it essential that these changes are clearly disclosed in the financial statements under 'Events After the Reporting Date' to ensure transparency and inform users of the financial statements. Management agreed to update the disclosure	✓
Various minor casting/disclosure amendments	There were various spelling, formatting, casting and other minor adjustment made as a result of the audit process. These were not individually significant.	✓

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Unadjusted misstatements

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

		Pension Fund Account		Net Asset Statement £'000		
Adjustment ref.	Detail	Debit £'000	Credit £'000	Debit £'000	Credit £'000	Reason for not adjusting
	Based on our testing of benefit payments, we identified one unadjusted projected difference of £8.4 million. This arose from comparing sample benefit payments against expectations derived from pension increase and calculation sheets. The difference represents a projected, rather than an actual, error and was estimated by extrapolating the small variances identified in the sample to the wider population.	Benefit payment – £8,404			Benefit payable – (£8,404)	As this relates to a projected, not actual, error no adjustments has been made.
	Total impact					

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Action plan

We have identified two recurring control 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 2025/26 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
1	● Low	**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.	Management should prioritize implementing effective segregation of duties in the journal posting process. This may involve assigning distinct responsibilities for initiating, authorizing, recording, and reviewing journal entries to different individuals or teams. Additionally, regular monitoring, internal audits, and management oversight are essential to ensure compliance. We note that the Authority is in the process of implementing a new accounting system (Oracle cloud) which provides an opportunity to embed these controls improvements directly within the system. Management should focus on ensuring the segregation of duties and independent review controls are incorporated as part of the new system's design and ongoing operation. **Management response** We have robust reconciliation procedures in place in which any/all journal entries and transactions are subject to, on both a half-yearly and an annual basis. As such, these reconciliations would allow us to identify and highlight any potential mis-postings to which corrections can be made. All reconciliations are required to be reviewed and signed off by somebody else, to ensure there is a segregation of duties. In addition, we have taken some steps to strengthen segregation of duties within the journal and reconciliation processes. In some cases, preparers are required to obtain approval for journals before they are uploaded and posted. In other cases, corrections to reconciliations and journals are undertaken by separate colleagues to provide additional oversight. However, there are still certain cases, particularly in relation to large journals which are automatically populated by macros, which cannot be reviewed/reconciled but as mentioned above, any mis-postings will be identified in reconciliations and hence we still consider this to be very low risk. The Fund has been working with KCC to implement our new accounting system (Oracle Cloud) and, as such, we had held off of making many changes to the journal process prior to it's implementation. However, Oracle Cloud has now been introduced and so there will opportunities for future improvements which we will be looking to explore.

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Action plan (continued)

	Assessment	Issue and risk	Recommendations
2	● Low	**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.	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** We do not consider the current approach of performing a year-end market value reconciliation, rather than holding MVs directly on the ledger, to present an increased risk of error or misstatement. As you know, all other investment transactions, including purchases and sales for example, are fully recorded on the ledger and the Fund has well-established processes and reconciliations for investment valuations and statements against both manager and custodian. Having said that, we do take on board the suggestion to hold the values on the ledger and are continuing to explore this further. Work in this area was paused given the Oracle Cloud project so that we could get an understanding of it's capabilities and how it is going to work. Now that this system is in place, we have identified colleagues, both internally and externally, who we will be engaging with who may be able to help in understanding whether this is something that will work with us and how to go about implementing it. However, at the current moment, we believe that the current process of undertaking the market value reconciliation is strong and does not present any greater risk of error.

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Action plan (continued)

	Assessment	Issue and risk	Recommendations
3	Medium	**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	It is recommended that management restricts access to implementation roles on a need-to-use basis. Permissions should be assigned for a pre-agreed window to implement a change and then revoked again. Activity during the implementation window should be monitored closely. **Management response** Application Developer has been removed from BLANCE01 account and will be reassigned on a need to have basis. PENNAL02 use of Application Developer is as follows • Identify information on specific tables (size, width, length etc). This form is read only. • Common Lookups and CE (banking) lookups as they are not held as module Specific • It could also be used for manual configuration on a release where Messages need to be updated or added (usually for HR changes) Due to the Oracle Cloud programme, it would be beneficial for PENNAL02 to retain this access. This will be removed in August.

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Independence considerations

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.

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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	£
Audit of Pension Fund	116,779
Auditor's expert used for the valuation of directly held properties	4,650
Total	121,429

Audit related non-audit services	£	Threats identified	Safeguards applied
IAS 19 Assurance letters for Admitted Bodies outside of the NAO Code of Audit Practice (Ebbsfleet Development Corporation)	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 £121,429 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.

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Fees and non-audit services (continued)

Total audit and non-audit fee	£
Total Audit fee	121,429
(Non-audit fee) = £3,500	3,500
Total	**124,929**

The above fees are exclusive of VAT

The fees reconcile to the financial statements as follows:	
Fees per financial statements	£149,295
IAS 19 fee for 2023-24 not recorded in prior year	(3,500)
2024-25 Auditor's expert fee used for the valuation of directly held properties	(4,650)
2023-24 addiotnal audit fee nor recorded in prior year	(16,216)
Total	**£124,929**

This covers all services provided by us and our network to the Fund, its directors and senior management, that may reasonably be thought to bear on our integrity, objectivity or independence.

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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	●	
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		●

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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		●

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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B. Our team and communications

Grant Thornton core team

Parris Williams
Engagement Lead/Key Audit Partner

- Key contact for senior management and Governance and Audit Committee
- Overall responsible for overall quality controls, account's opinion, final authorisation of reports.

Zargham Malik
Audit Manager

- Audit planning
- Quality assurance of audit work
- Drafting report & overall responsibility of audit engagement.

Tram Nguyen
Audit In-charge

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	• Annual client service review	• The Audit Plan • Audit Progress and Sector Update Reports • The Audit Findings	• Audit planning meetings • Audit clearance meetings • Communication of issues log	• Technical updates
Informal communications	• Open channel for discussion		• Communication of audit issues as they arise	• Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

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D. Logistics

The audit timeline

Key Dates

Audit phases:

Planning visit – March 2025

Key elements

- Planning meeting with management to set audit scope
- Planning requirements checklist to management
- Agree timetable and deliverables with management and Governance and Audit Committee
- Issue the Audit Plan to management and Governance and Audit Committee

Governance and Audit committee: 20 March 2025

Audit plan

Key elements

- Audit team to present the audit plan

Year end: 31 March 2025

Year end audit July – September 2025

Key elements

- Audit teams to complete fieldwork and detailed testing
- Weekly update meetings with management
- Draft Audit Findings issued to management
- Audit Findings meeting with management
- Draft Auditing Findings issue to Governance and Audit Committee

Governance and Audit committee: 24 September 2025

Audit Finding report

Key elements

- Audit team to present the Audit Finding report to Governance and Audit committee

Audit opinion* October 2025

*It is important to note that the audit opinion can only be issued when the audit opinion is issued for the County Council.

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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 2025, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. 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 2024/25.

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 2025 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 2024/25; 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 Acting 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 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 Acting 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 2024/25 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 Acting Corporate Director Finance's 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 Acting Corporate Director Finance's 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 Acting Corporate Director Finance's 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 Acting Corporate Director Finance's

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 Acting Corporate Director Finance's. The Acting Corporate Director Finance's 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 2024/25, for being satisfied that they give a true and fair view, and for such internal control as the Acting Corporate Director Finance's 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 Acting Corporate Director Finance's 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 2024/25, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Regulations 2024 and the Local Government Act 2003, the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulation 2013 and the 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. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
    - journals entries posted which met a range of criteria determined during the course of the audit, in particular those posted around the reporting date which had an impact on the fund's financial position, and
    - accounting estimates made in respect of valuation of level 3 investment assets including directly held properties.
- Our audit procedures involved:
    - 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;
    - challenging assumptions and judgements made by management in its significant accounting estimates in respect of valuation of level 3 investments, including Private Equity, Infrastructure and direct and Pooled property investments; and
    - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- 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 events and transactions reflected in the financial statements, the less likely we would become aware of it.

- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition. 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