Statement of Accounts 2025-26

Folkestone & Hythe District Council

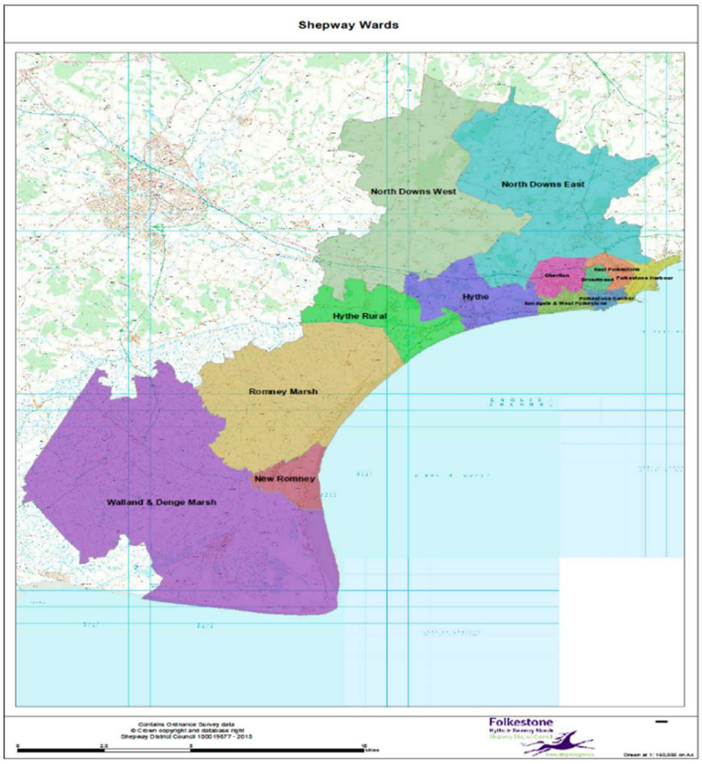
Contents

Narrative Report

ORGANISATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT

Our District

Folkestone & Hythe district is a coastal district in south eastern England and home to a diverse collection of towns, villages, and environments. Chiefly rural in nature, the district is large and covers approximately 363 sq. km (140 sq. miles). The district stretches from the East Sussex border (near Rye) in the south west, across the low-lying Romney Marsh and through to Folkestone and the escarpment and the hills of the Kent Downs in the north. The settlements and districts of Ashford, Dover and Canterbury adjoin Folkestone & Hythe in eastern Kent. The district has distinctive contrasting rural landscapes and urban environments.



Our People

The majority of the district's 112,411[1] residents live in urban areas (73%), with the remaining 27% to be found living in rural areas. Approximately 1 in 10 people in the district live in isolated dwellings, hamlets, or small villages.

Economic and Environmental Factors

The district as a whole suffers from considerable deprivation relative to the national average and there is also significant inequality within the district with deprivation concentrated in the urbanised coastal areas and the rural south. Rural areas have poorer access to services and facilities. The district suffers from high levels of disability / long term illness, reflecting, in part, the relatively high proportion of older people living in the district.

The district has a number of economic strengths, including its good transport links (M20 motorway, High Speed rail links to London, and proximity to the Channel Tunnel), affordable land/building costs relative to the wider South East region, a large working age population and a high-quality natural environment. Economic weaknesses include East Kent's pockets of high deprivation, particularly in Dover, Folkestone and Thanet[2].

There is a long history of flooding within the district. Over half of homes in the district are at risk of flooding from either coastal or fluvial sources. 55% of the district is at or below sea level and the majority of district's 41km coastline lies below the mean high-water mark. Virtually all of the Romney Marsh area is within flood zone 3 due to its topography.

[1] Based on Office for National Statistics 2024 data

[2] Core Strategy Review 2022

Purpose and Vision

The Council's vision for the district is:

Creating Tomorrow Together

Key Objectives

Our vision builds on previous plans and reinforces the importance to the Council of focusing our resources on what matters to our residents, investors, and visitors. The Corporate Plan sets out our far-reaching and long-term ambitions for Folkestone & Hythe and is a plan both for recovery in the medium term and for our resilience and prosperity through the next decade. The plan recognises the excellent services, strength in partnerships and resilience in our communities that exists, to build on that strong platform in creating a welcoming, safe, and distinctive district.

Our plan is focused on four service ambitions which are priority areas of action that relate to the key services that the Council plans, delivers and commissions and six guiding principles that guide everything that we do:

- **Positive community leadership**
  - Improve physical and mental health and wellbeing
  - Safer communities
  - Supporting and empowering our communities
- **A thriving environment**
  - Ensure an excellent environment for everyone
  - Grow the circular economy and reduce waste
  - Increase our resilience to climate change
- **A vibrant economy**

  - Reinvigorate our high streets
  - Support a vibrant and diverse business community
  - Help people access jobs and opportunity
  - Grow the skills we need for the future
- **Quality homes and infrastructure**
  - Improve outcomes and support for homeless people
  - Deliver sustainable, affordable housing
  - Deliver a safe, accountable housing service
  - Digital inclusion and connectivity
  - Deliver a sustainable new development at Otterpool Park

External Environment

The external issues we face in line with many other local authorities across the country are:

- Challenging financial environment;
- Ageing population with associated demands on local services;
- Increasing demand for housing outstripping supply;
- Rising house costs, particularly in the private rental market;
- High demand for affordable housing and increasing levels of homelessness;
- Providing the necessary social infrastructure to keep pace with the scale of growth ambition; and
- Mitigating the concerns over growth with the positive impact they can have.

GOVERNANCE

Our Political Leadership

The political leadership of the Council during the financial year 2025/26 was through the Executive which consisted of the Leader, Deputy Leader and a further eight Portfolio Holders. The Cabinet was made up of 7 Green party members, 2 Liberal Democrat members and 1 Independent member.

There are 13 wards and 30 Councillors representing the district.

Our Managerial Leadership

The managerial leadership is made up of the Corporate Leadership Team ("CLT"); Chief Executive [the Head of Paid Service] and three Corporate Directors. In 2025/26, CLT was supported 7 Chief Officers.

Governance Arrangements

Member/officer relations are underpinned by a protocol; which forms part of the Council's constitution. Regular briefings between senior officers and portfolio holders ensure that cabinet members are up to date with developments, discuss future reports and provide officers with political direction. Members are also involved in outside meetings of particular importance e.g., the Collaboration Board for Otterpool Park. The Council is Member-led allowing officers to focus on operational aspects.

Non-executive Members sit on groups that consider key Council business. Overview & Scrutiny Committee meetings are held 6 times a year with a committee work plan to include clearly scoped topics and Finance & Performance Scrutiny Sub-Committee (FPSSC) meet 6 times a year to consider budget and performance monitoring reports. The FPSSC consider the majority of financial papers ahead of their debate at Cabinet and has an important and defined role in the budget making process and contributes to its formulation prior to consideration by Cabinet.

The Council has a dedicated Audit and Governance Committee which considers the Annual Governance Statement, the local code of corporate governance and the constitution. The Annual Governance Statement has an action plan attached to it which sets out proposals for the forthcoming year. The Monitoring Officer reports to the Committee each year if they consider that the constitution needs updating.

Further detail regarding the Governance of the Council can be found within the Annual Governance Statement on pages XXX [to follow – see July 2026 Audit and Governance meeting].

OPERATIONAL MODEL AND FINANCIAL PERFORMANCE

Budget

The Budget Strategy is considered by the Cabinet annually during the Autumn and provides the Budget and Policy Framework as well as a timetable outlining key dates in setting a budget for the coming year.

The Strategy builds on the Medium-Term Financial Strategy and seeks to work with Chief Officers, and Budget Managers in determining appropriate levels of fees and charges as well as identify growth and savings proposals to be considered by Members in setting the balanced budget. This approach has enabled the Council to arrive at a sustainable budget position focused on its Corporate Plan objectives. A balanced budget was set for both 2024/25 and 2025/26.

Annual Performance Report 2025-26

The Council has continued to pursue an ambitious corporate agenda in 2025-26, which is a testament to the hard work and resilience of teams across the organisation in contributing towards corporate priorities.

Some of the highlights from the year include:

- **Expanded community and youth engagement** by delivering two Youth Forum cohorts and progressing Local Plan engagement, including securing external funding. Students representing the district's schools and colleges joined the Council's youth forum to share views on future plans for where they live. During two sessions students learned about the democratic process and discussed topics such as solar farms, social media and the new play area at Folkestone's Lower Leas Coastal Park. The young people, aged between 13 and 19, were from The Beacon, Brockhill Park, EKC Folkestone Junior College, Folkestone School for Girls, The Harvey Grammar School and The Marsh Academy.
- **Award for supporting the district's most vulnerable residents:** The Council was recognised for its work in supporting vulnerable residents. At the Institute of Revenues Rating and Valuation (IRRV)'s national awards ceremony, the Council Tax, Benefits and Welfare Team were named the winners of the Excellence in Social Inclusion category.
- **Green Flags:** Successful retention of the prestigious Green Flag Award for four parks and green open spaces within the district: The Lower Leas Coastal Park, Kingsnorth Gardens, Radnor Park and the Royal Military Canal. The award is the international quality mark for parks and green spaces which display the highest environmental standards, are beautifully maintained and have excellent visitor facilities.
- **Strengthened housing services and tenant engagement** by completing the Annual Tenants' Survey with improved satisfaction across all measures and preparing successfully for regulatory inspection. Additionally, Council tenants began moving into new affordable rent homes at the Risborough Barracks development in Shorncliffe, Folkestone, in February. 44 homes were purchased through the council's Housing Revenue Account and all available for affordable rent. All the homes have been built to achieve an EPC rating of B, supporting lower energy bills for residents while contributing to the council's wider carbon-reduction ambitions.
- **Strengthened sports and active living initiatives** through delivery of funded programmes, including expanded projects supporting young people and community participation. Councillors agreed a £2.4m grant to help re-open swimming facilities at Folkestone Sports Centre. The funding supports essential work to the pool area, provision of solar panels and repairs to the roof as part of The Sport Trust's revitalisation of the Radnor Park site. It is hoped that the pool will re-open during 2026 and enable community swimming and the associated health and social benefits to be available once again.

RISKS AND OPPORTUNITIES

Service provision

The Corporate Plan for 2025/26 outlined the clear commitment of the Council to achieve financial stability.

Transparent, stable, accountable, and accessible – To make sure we deliver the right services, we will be accountable to our citizens – and that accountability comes from clear, straightforward access to relevant information.

To deliver this objective, our priorities were to:

- Maintain our financial stability
- Communicate effectively with our communities
- Transform service delivery and improve customer access
- Drive a high-performance, accountable culture.

An updated Corporate Plan was agreed by Full Council on 25 June 2025 – 'Our District, Our World'. This plan sets out the direction for the council and how it should work to shape the future of the district for its residents and businesses for the period 2025 – 2030 and is available on our website.

The Council has a Strategic Risk Management Policy in place. Risks are identified and assigned a Director lead officer as well as a lead Cabinet member. The risks are scored, and actions noted, with the current Risk Register being considered at the Audit & Governance Committee. Additionally, key risks are outlined within Committee reports.

Financial risks are highlighted separately within the Budget Strategy, Budget Setting, Budget Monitoring and Medium-Term Financial Strategy reports.

What are we currently working on?

The following gives some examples of our strategic projects which contribute towards a sustainable financial future for the Council:

Otterpool Park – The Council formed Otterpool Park Limited Liability Partnership ("the LLP") to act as the master developer for the Project in accordance with its Business Plan and the agreements it has with the Council, principally the Strategic Land Agreement and the financing arrangements. Otterpool Park is a new garden town, which will be central to shaping a sustainable future for the district.

Providing 8,500 new homes at Otterpool Park has been brought a step closer following a Collaboration Agreement with Homes England. The Council has been working with the government's housing and regeneration agency with the intention of securing planning agreement for the scheme. The collaboration has given the Council access to the additional skills and expertise necessary to successfully complete the high-quality scheme and attract the level of investment required to deliver at this scale.

District Wide Carbon Strategy 2026 – A blueprint for the district, setting out 54 actions to tackle the urgent challenges posed by climate change and ecological decline has been agreed by councillors. The carbon plan aims to achieve a net zero district by 2041 through measures include decarbonising electricity generation through renewables, shifting building heating towards low-carbon sources and improving public transport and cycling infrastructure. Residents' suggestions such as supporting low-income and vulnerable households have also been added to the plan.

Green Grants - More than 30 organisations including community groups, parish councils and schools benefitted from funding to support sustainability and carbon reduction projects across the district. The Green Grant scheme supported a range of schemes including electrical recycling, tree planting, developing sensory gardens, restoring ponds, growing mushrooms on spent coffee grounds and installing solar panels. The scheme is being repeated during 2026/27 with a £250,000 package of support.

Town Centre Regeneration – Work is underway on Folca 2, the Art Deco section of the council owned former Folkestone department store. A local construction company is ensuring the structure is watertight and ready for the next chapter in its history - a proposed medical centre. Folca 1 – the Edwardian section – is also set for refurbishment which could see the upper floors converted into flats and commercial space on the ground floor.

Coast Drive - Changing Tides - a new beachside destination at Greatstone developed by the council is due to open this summer. The Coast Drive centre will include 93 wooden beach huts, water sports facilities and a café concession with a training room. Public toilets, including an accessible Changing Places facility, and a remodelled car park with electric charging stations have also been constructed.

Other projects to note:

Princes Parade Development - The Princes Parade site is the subject of a long and complex history. A public consultation was held on the future of the site; the consultation invited discussions about the best use of the land. The Council committed to engage with the district's residents to obtain their views and make a decision that reflects the aspirations of the community.

The results of the public consultation about the future use of the 18 acres of council-owned land were published in May 2025. There were 1472 responses to the survey. In June 2025, following consideration of the scheme and consultation, the planning application was withdrawn therefore discontinuing the project.

Risks associated with the agenda.
The following risks have been identified by the Council associated with a more ambitious agenda.

1 ~ Managing expectations and prioritising the wealth of opportunities.
2 ~ Promoting excellence of the Council.
3 ~ Timescales for financial returns
4 ~ Not losing sight of the day job.
5 ~ Staff Recruitment & Retention
6 ~ Appetite for risk

STRATEGY AND RESOURCE ALLOCATION

Nationally, councils have continued to face extreme financial challenges in 2025/26 with high inflation, increases in interest rates and increasing demand for services partly fuelled by the cost-of-living crisis. The Council was not immune to these pressures; CPI peaked at 3.8% during 2025/26 and ended the year at 3.3%, above the Bank of England's 2.0% target. There were impacts on costs across all services.

Despite the significant pressures faced during 2025/26 the Council ended the year within budget which is a clear demonstration of the exceptionally strong financial management and financial resilience which is embedded in the authority.

The funding outlook for the medium term remains very uncertain but will clearly continue to be challenging, particularly in light of the current inflationary and service demand pressures. Despite 2025/26 being a challenging year, the Council has retained a prudent level of reserve balances which will support the delivery of the Medium-Term Financial Strategy and support financial resilience in future years, as we will continue to feel the impacts of inflationary pressures in the economy, including cost inflation and interest rates. It is clear that the financial climate ahead will remain challenging.

The Council has consistently planned its finances on a medium to long-term basis ensuring reserves are maintained at a level which supports financial sustainability while protecting services from reductions. The current Medium Term Financial Strategy (MTFS) pushes the planning horizon to March 2030. The latest version of the MTFS was reported to Council on 25 February 2026.

The MTFS is considered the Council's key financial planning document. It defines the financial resources needed to deliver the Council's corporate objectives and priorities and covers the financial implications of other key strategies. It covers key areas of the Council's finances and in particular updates the financial projections which are of importance at this stage of the process and considers emerging issues including legislative requirements and the new corporate plan. Every effort has been taken to incorporate the impact of the wider economic environment as well as other key factors such as the impact of Otterpool over the medium term. However, the MTFS is a high-level planning document, and it is accepted that there will be a need to continue to monitor and review our assumptions on these projections and be agile.

There is long-term pressure upon the finances of the Council as the MTFS shows. The pressures are a combination of continued downward projections of central government support for local authorities, inflationary cost pressures, increased borrowing costs due to interest rate rises and demand for services. Despite a strong recovery, there are also still concerns about the future economic growth and its impact on residents and businesses in the district.

The current MTFS forecast identifies the future pressure that the Council would be facing, and it is clear to see that the Council faces cost and price pressures. It should be noted at this stage that due to the projected financial resources and economic pressures, the current MTFS forecast shows a cumulative funding gap of £5.4m over the lifetime of this MTFS.

Much of this pressure is faced year on year and therefore needs to be addressed through the base budget in the early part of each year. The Council does have reserves to help mitigate the impact of the deficits in the MTFS, but these reserves will diminish over time I absorbing the deficit over the four-year period. It should also be noted that the Council has a Reserves Policy, which sets out the required level of reserves.

Financial planning for both revenue and capital expenditure is integrated with Treasury Management as part of the annual budget setting process. The Council has adopted a strategic and integrated approach to asset management with an Asset Management Board, which has included the Cabinet Member for Assets and Local Government Reorganisation, a Corporate Director (Housing and Operations) and the Council's Corporate Property Officer amongst other key players overseeing the delivery of the Asset Management Strategy.

Approach to Monitoring

The Council manages its spending within its resources. Budget Managers are responsible for submitting projections against the agreed budget. This information is reviewed by Finance and three different reports are generated to ensure all levels of the organisations (Managers through to Members) have an understanding of the financial position in the year. The information is shared on a regular basis with CLT and onto FPSSC and then Cabinet.

PERFORMANCE

The Council has a Performance Management Framework. Key Performance Indicators (KPIs) are reviewed annually to ensure we are focused on key priorities and those aspects that need to be monitored more closely, e.g., for improvement purposes.

The outturn performance for the Council's KPIs is usually reported to the July Cabinet meeting.

FINANCIAL PERFORMANCE

General Fund – Revenue

The latest approved budget for the net cost of services to deliver the core services of the Council and meet its strategic objectives was £28.310m.

The outturn position for 2025/26 again provides a clear indication of the Council's strong financial stewardship during the year. Delivering expenditures in line with agreed budgets is an important performance indicator and the net actual expenditure by service area is shown in the table below; the figures are net of specific income i.e. service grants and sales fees and charges.

General Fund Net Cost of Services	Latest Approved Budget	Provisional Outturn	Variance
A) Service Team Budgets			
Governance & Finance	**£000**	**£000**	**£000**
Governance & Finance	4,244	6,185	1,940
Strategy & Resources			-
Strategy & Resources	975	959	(16)
People & Customer Services	6,424	6,149	(275)
Planning and Building Control	1,783	1,303	(480)
Leadership Support	659	626	(32)
Housing & Operations			-
Reg & Community Services	4,850	3,384	(1,466)
Housing	3,329	2,993	(335)
Place and Growth	2,928	3,256	328
Corporate Estates & Development	3,119	6,200	3,081
Sub-Total - Heads of Service	**28,310**	**31,055**	**2,745**
Unallocated Net Employee Costs	(275)	-	275
Recharges to Non General Fund Accounts	(7,009)	(6,995)	14
Total for Service	**21,026**	**24,060**	**3,034**

Financing of the Net Revenue Expenditure - 2025/26

B) Technical and Funding Budgets			
Internal Drainage Board Levies	609	584	(25)
Interest Payable and Similar Charges	3,093	1,496	(1,597)
Interest and Investment Income	(3,056)	(3,258)	(202)
Commercial and Investment Property	(1,519)	(1,280)	239
New Homes Bonus Grant	(432)	(432)	-
Other Non-Service Related Government Grants	(4,168)	(5,588)	(1,420)
Town and Parish Council Precepts	3,161	3,161	-
Minimum Revenue Provision	2,525	341	(2,184)
Capital Expenditure Financed from Revenue	1,205	371	(834)
NET REVENUE EXPENDITURE BEFORE USE OF RESERVES	**22,444**	**19,457**	**(2,987)**
C) Net Transfer to/from(-) Earmarked Reserves	(2,333)	462	2,795

Further detail can be found in the Outturn report to Cabinet in July 2026.

General Fund Capital

Capital expenditure is expenditure on non-current assets that have a life expectancy of more than one year and benefit not just current but future taxpayers within the district. The assets are usually funded from grants, reserves built up over a period of time or from borrowing. Capital expenditure forms a large part of our spending on the provision of services and, in line with our revenue budget setting process, our Capital Programme for 2025-26 was compiled to maximise and make the best use of the available funding to deliver projects that contributed towards the key priorities of the Council.

The Capital Outturn for the General Fund Capital Programme for 2025/26 is £16.224m an underspend of £3.649m compared to the latest budget of £19.873m, and the following table summarises the position across the Service Units and also outlines the impact on the capital resources required to fund the programme.

General Fund Capital Programme 2025/26	Latest Budget 2025/26	Latest Projection 2025/26	Actuals to date 2025/26	Variance Projection to Latest Budget
	£'000	£'000	£'000	£'000
Service Area				
Governance & Finance	754	525	525	(229)
Strategy & Resources	1,400	62	62	(1,338)
Reg & Community Services	322	320	320	(2)
Housing	1,600	1,634	1,634	34
Place & Growth	9,549	6,927	6,927	(2,622)
Corporate Estates & Development	6,248	6,756	6,756	508
Total Capital Expenditure	**19,873**	**16,224**	**16,224**	**(3,649)**
Capital Funding				
Capital Grants	(12,582)	(8,981)	(8,981)	3,601
External Contributions	(988)	(575)	(575)	413
Capital Receipts	(1,772)	(1,285)	(1,285)	487
Revenue	(601)	(371)	(371)	230
Borrowing	(3,930)	(5,012)	(5,012)	(1,082)
Total Funding	**(19,873)**	**(16,224)**	**(16,224)**	**3,649**

Capital Programme Financing of the Expenditure/Projects - 2025/26

As can be seen from the table above, the Capital Programme was financed from a combination of borrowing, grants, capital receipts and revenue contributions.

The main reason for the projected variance is slippage in spending upon capital schemes which will require the reprofiling of expenditure from 2025/26 to 2026/27.

The key movements relate to slippage in the capital programme particularly in relation to Levelling Up Funding (‘Folkestone – A Brighter Future’). Some capital schemes are more difficult to project accurately in terms of the timing of expenditure and, in some cases, the final cost. This is particularly the case with some of the property related initiatives where external factors such as negotiations over price, conveyancing and planning can have an impact on the timing and final cost of a scheme. The Council remains on track to deliver the schemes within its overall approved Medium Term Capital Programme.

Further details can be found in the July 2026 Cabinet report.

Housing Revenue Account - 2025/26

A summary of the outturn financial position of the Housing Revenue Account is outlined below:

HRA Net Revenue Expenditure 2025/26	Latest Approved Budget 2025/26	Provisional Outturn 2025/26	Variance
	£000's	**£000's**	**£000's**
Income	(21,099)	(20,657)	442
Expenditure	18,161	15,485	(2,676)
HRA Share of Corporate Costs	184	184	0
Net Cost of HRA Services	**(2,754)**	**(4,988)**	**(2,234)**
Interest Payable/(Receivable)	2,117	1,766	(351)
Pension Interest Cost	684	47	(637)
HRA Surplus/Deficit	**47**	**(3,175)**	**(3,222)**
Revenue Contribution to Capital	1,169	0	(1,169)
HRA share of pension reserve movement	(484)	229	713
Decrease/(Increase) to HRA Reserve	**732**	**(2,946)**	**(3,678)**

The table above shows that overall the draft position is a projected decrease in net expenditure to the HRA Reserve of £3.7m for the HRA against budget.

HRA Capital Programme 2025/26

A summary of the outturn financial position of the Housing Revenue Account capital programme is outlined below:

HRA Capital Programme 2025/26	Latest Approved Budget 2025/26	Final Outturn 2025/26	Variance
	£000's	**£000's**	**£000's**
HRA Capital programme	**33,838**	**17,776**	**(16,062)**

The HRA capital outturn projection for 2025/26 forecasts £16.1m lower expenditure than the latest approved budget. Largely this underspend relates to the delay in completion of the purchase of new build units, many of which will now complete in 2026/27 (£13.2m).

Further details can be found in the July 2026 Cabinet report.

TREASURY MANAGEMENT OUTLOOK

The Council has an agreed Treasury Management Strategy that outlines our investment approach from a 'cash' investment perspective and is regularly monitored to maximise the opportunities arising from the available cash balances of the Council. This includes managing short-term cash flow as well as longer-term and higher-risk investments such as the Churches and Charities and Local Authorities (CCLA) Property Fund and the Multi-Asset Funds in order to maximise yield in a low-interest environment whilst maintaining security and liquidity.

The Council also takes a robust view of capital investments, and this is included as part of a medium-term capital programme and is refreshed annually during the budget process. This sits alongside the planned revenue budget and use of reserves which are considered by the Council throughout its budget process to ensure a sustainable approach to its finances.

Future financial resilience

The Council has coped well with various challenges, and it had maintained a level of reserves which has and continues to provide it with some protection against the difficult economic times and short-term gaps in funding.

Revenue reserves play an important part in the Council's Financial Strategy by ensuring that we have some resilience to cope with unpredictable financial pressures. The Council holds working balances to meet unforeseen spending requirements and to provide certainty for medium term financial planning. The level of working balances takes into account the strategic, operational, and financial risks facing the Council.

The level of reserves currently held by Folkestone and Hythe gives it a secure financial base, however, it is important to have an appropriate balance between supporting the financial position of the Council and planning the delivery of services. The Council has identified specific uses for much of the reserves including setting aside sums to support the regeneration of High Streets and sums to support the Council's carbon net zero ambitions amongst other key priorities. Whilst the Council will seek to continue to add to earmarked reserves and seek to deploy them for their intended purpose, in the current financial climate it may be necessary to deploy reserves for other important needs.

These reserves are held to manage future risks and expenditure priorities. Information about the reserves is presented at notes 6 & 31 in the Statement of Accounts and the level of reserves and balances are a key element in the CIPFA Financial Resilience Index.

AUDIT OF THE STATEMENT OF ACCOUNTS

The Council appointed Grant Thornton UK LLP for the audit of the accounts for the year ended 31st March 2026.

FURTHER INFORMATION

Further information about the statement of accounts is available from the Director of Finance (S151) & Customer Services, Civic Centre, Castle Hill Avenue, Folkestone, Kent CT20 2QY.

Please note that figures are rounded to the nearest thousand (where applicable) throughout the document and may not individually sum in a given table due to rounding (up to £5k).

Statement of Responsibilities for the Statement of Accounts

This statement is given in respect of the Statement of Accounts 2025/26.

COUNCIL RESPONSIBILITIES:

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance & Customer Services (s151), Alan Mitchell.
- Manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets
- Approve the Statement of Accounts by 30th June.

CHIEF FINANCE OFFICER RESPONSIBILITIES

The Chief Finance Officer is responsible for the preparation of Folkestone & Hythe District Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy *2025/26 Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code of Practice on Local Authority Accounting
- Kept proper accounting records which were up to date, and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATION OF ACCOUNTS

I certify that the Statement of Accounts gives a true and fair view of the financial position of Folkestone & Hythe District Council at 31st March 2026 and its income and expenditure for the year then ended.

Signed:

Alan Mitchell
Director of Finance (S151) & Customer Services
Date:

APPROVAL OF ACCOUNTS

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Audit Committee on [TBC].

Signed:

Councillor Liz McShane
Chair, Audit and Governance Committee

Date:

Core Financial Statements

Folkestone & Hythe District Council

MOVEMENT IN RESERVES STATEMENT (MiRS)

The Movement in Reserves Statement (MiRS), 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 other reserves. The Statement shows how the movements in year of the Authority'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 amounts chargeable to council tax (or rents) for the year. The 'Net increase/decrease' line shows the statutory General Fund Balance and HRA Balance movements in the year following those adjustments.

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
2025/26								
Balance at 31 March 2025	**(22,077)**	**(6,661)**	**(11,817)**	**-**	**(12,704)**	**(53,261)**	**(239,261)**	**(292,522)**
Movement in reserves during 2025/26								
Total Comprehensive Income and Expenditure	(21,187)	6,217	-	-	-	**(14,970)**	(1,592)	**(16,562)**
Adjustments between accounting basis and funding basis under regulations (Note 5)	20,557	(9,122)	(1,232)	-	(9,893)	**310**	(310)	**-**
(Increase) or Decrease in 2025/26	**(630)**	**(2,905)**	**(1,232)**	**-**	**(9,893)**	**(14,660)**	**(1,902)**	**(16,562)**
Balance at 31st March 2026 carried forward	**(22,707)**	**(9,566)**	**(13,050)**	**-**	**(22,597)**	**(67,920)**	**(241,162)**	**(309,082)**

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
2024/25								
Balance at 31 March 2024	**(16,757)**	**(3,364)**	**(9,076)**	**-**	**(7,498)**	**(36,697)**	**(236,802)**	**(273,495)**
Movement in reserves during 2024/25								
Total Comprehensive Income and Expenditure	(5,271)	1,935	-	-	-	**(3,336)**	(15,686)	**(19,023)**
Adjustments between accounting basis and funding basis under regulations (Note 5)	(49)	(5,232)	(2,741)	-	(5,206)	**(13,228)**	13,228	**-**
(Increase) or Decrease in 2024/25	**(5,321)**	**(3,297)**	**(2,741)**	**-**	**(5,206)**	**(16,564)**	**(2,458)**	**(19,023)**
Balance at 31st March 2025 carried forward	**(22,077)**	**(6,661)**	**(11,817)**	**-**	**(12,704)**	**(53,261)**	**(239,261)**	**(292,522)**

Note: Where appropriate the General Fund and HRA Fund Balances include Earmarked Reserves as shown in note 6.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure Statement (CIES) 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 regulations; this may be different from the accounting cost. The taxation position is shown in the MiRS.

2024/25				2025/26		
Gross Expenditure £000s	Income £000s	Net Expenditure £000s		Gross Expenditure £000s	Income £000s	Net Expenditure £000s
			Continuing Operations			
509	(114)	395	Leadership Support	551	(208)	343
4,128	(155)	3,973	Governance & Law	4,384	(524)	3,860
820	(118)	702	Human Resources	864	(158)	705
33,107	(26,185)	6,922	Finance & Customer Support	30,239	(22,179)	8,061
1,082	(1,253)	(171)	Economic Development	1,145	(572)	573
2,028	(1,286)	742	Planning	2,064	(1,439)	624
9,277	(6,104)	3,172	Operations	15,000	(7,735)	7,265
2,567	(3,979)	(1,411)	Housing	4,221	(5,382)	(1,161)
9,278	(3,156)	6,122	Place	10,325	(3,205)	7,120
23,492	(20,463)	3,028	Local Authority Housing (HRA)	24,820	(20,657)	4,163
86,287	**(62,814)**	**23,474**	**Cost of Service**	**93,612**	**(62,058)**	**31,554**
2,706	(3,103)	(397)	Other Operating Expenditure (Note 9)	4,170	(939)	3,231
13,837	(4,745)	9,092	Financing and Investment Income and Expenditure (Note 10)	(603)	(4,690)	(5,294)
6,833	(42,337)	(35,504)	Taxation and Non-specific Grant Income (Note 11)	7,087	(51,549)	(44,462)
109,663	**(112,999)**	**(3,336)**	**(Surplus) or Deficit on Provision of Services**	**104,266**	**(119,236)**	**(14,970)**
		(15,234)	(Surplus) or deficit on revaluation of property, plant and equipment assets (Note 32)			(2,714)
		(453)	Re-measurement of net defined liability (Note 30)			1,122
		(15,687)	**Other Comprehensive Income and Expenditure**			**(1,592)**
		(19,023)	**TOTAL Comprehensive Income and Expenditure**			**(16,562)**

BALANCE SHEET

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities held by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e., those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g., the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is unusable reserves i.e. those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments Between Accounting Basis and Funding Basis Under Regulations.'

31 March 2025 £000s		Note	31 March 2026 £000s
226,781	Council dwellings	16	229,461
35,387	Other land and buildings	16	37,520
4,642	Vehicles, plant, furniture and equipment	16	4,322
7,417	Infrastructure assets	16	8,383
3,461	Community assets	16	3,461
58,624	Surplus assets	16	57,310
10,411	Assets under construction	16	15,945
2,998	Heritage assets	17	2,998
27,109	Investment property	18	26,958
236	Intangible assets	-	168
19,351	Long term investments	19	21,426
22,077	Long term debtors	20	28,404
418,496	**Long Term Assets**		**436,357**
2,069	Assets held for sale	16	-
13	Inventories	-	11
13,189	Short term debtors	21	20,915
5,271	Cash and cash equivalents	22	10,299
20,542	**Current Assets**		**31,225**
(45,455)	Short term borrowing	23	(55,179)
(13,873)	Short term creditors	25	(17,836)
(5,423)	Capital grants received in advance	15	(6,236)
(1,333)	Provisions	26	(782)
221	Cash in transit	22	(1,774)
(65,863)	**Current Liabilities**		**(81,806)**
(62,881)	Long term borrowing	27	(63,706)
(7,116)	Net pensions liability	30	(6,779)
(10,590)	Long term creditors	24	(6,143)
(67)	Provisions	26	(67)
(80,654)	**Long Term Liabilities**		**(76,694)**
292,521	**Net Assets**		**309,082**
(53,261)	Usable reserves	31	(67,920)
(239,259)	Unusable reserves	32	(241,162)
(292,521)	**Total Reserves**		**(309,082)**

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

Alan Mitchell
Director of Finance
Date:

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing, and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of 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.

2024/25 £000s		**Note**	**2025/26 £000s**
3,336	Net surplus or (deficit) on the provision of services		**14,970**
16,367	Adjustments to net surplus or deficit on the provision of services for non-cash movements	36	**6,762**
(5,773)	Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	36	**(17,665)**
13,930	Net Cash flows from Operating Activities		**4,067**
(13,409)	Net Cash flows from Investing Activities	37	**(11,180)**
(353)	Net Cash flows from Financing Activities	38	**10,147**
169	**Net increase or (decrease) in cash and cash equivalents**		**3,033**
5,323	Cash and cash equivalents at the beginning of the reporting period		5,492
5,492	Cash and cash equivalents at the end of the reporting period	22	**8,525**

As shown at note 22, the cash and cash equivalent comparative balance for 2025/26 includes a liability for cash in transit as presented on the Balance Sheet (current asset in 2024/25).

Notes to the Financial Statements

Folkestone & Hythe District Council

NOTES TO THE FINANCIAL STATEMENTS

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

1. Accounting Policies

1.1 General Principles

This Statement of Accounts summarises the Council's transactions for the 2025/26 financial year and its position at the year-end of 31 March 2026. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require preparation in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2025/26* supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts has been prepared on a 'going concern' basis. The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments:

Class of Assets	Valuation Basis
Property, Plant and Equipment - Dwellings	Current value, comprising existing use value for social housing Dwellings are valued using market prices for comparable properties, adjusted to reflect occupancy under secured tenancies.
Property, Plant and Equipment – Land and Buildings	Current value, comprising existing use value Where prices for comparable properties are available in an active market, properties are valued at market value taking into account the existing use. Where no market exists or the property is specialised, current value is measured at depreciated replacement cost.
Property, Plant and Equipment – Surplus Assets	Fair value
Investment Properties	Fair value
Financial Instruments – Available for Sale Assets	Fair value
Pensions Assets	Fair value

1.2 Accruals of Income and Expenditure

Activity is accounted for at the point at which services are delivered to service recipients (not simply when cash payments are made or received) and with due regard to material levels of adjustment. 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. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for income that might not be collected.
- Accruals are recognised where the value exceeds £5,000, however accruals may be considered on a case by case basis below this value.

1.3 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 CIES until conditions attached to the grant or contributions have been satisfied. The grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the CIES.

1.4 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, 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.

1.5 Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e., the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the MiRS.

The Balance Sheet includes the Authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

1.6 Exceptional Items

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

1.7 Overheads and Support Services

The costs of the Council's overheads and support services are fully charged, where relevant, to those that benefit from the supply or service.

1.8 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the MiRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account to score against (Surplus) or Deficit on the Provision of Services in the CIES. The reserve is then transferred back into the General Fund balance so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, retirement and employee benefits, council tax and business rates income and financial instruments. They do not represent usable resources for the Council. These reserves are explained in the relevant policies.

1.9 Property, Plant and Equipment

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 (PPE).

Recognition

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

The Council has set a de minimis level in respect of the recognition of capital expenditure of £10,000.

Measurement

Items of PPE 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, where relevant.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the exchange transaction has no commercial substance (i.e., it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

- infrastructure, community assets and assets under construction - depreciated historical cost
- dwellings – current value, determined using the basis of Existing Use Value for Social Housing (EUV-SH)
- surplus assets – current value measurement basis is fair value, estimated at highest and best use from a market participant’s perspective
- all other assets - current value, determined as the amount that would be paid for the asset in its existing use.

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains may be credited to the CIES where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

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

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.
Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

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

Depreciation

Depreciation is provided for on all PPE assets, by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain Community Assets), assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture, and equipment – straight line allocation usually over 5-7 years
- infrastructure – straight line allocation usually over 20 years

Where a PPE asset has a major component, whose cost is significant in relation to the total cost of the item, the components are depreciated separately, except for Council Dwellings where the key components are integral to the letting of the property so cannot be considered separately. Capital expenditure on integral components of Council Dwellings are written out as impairments in year as they do not add value to the asset.

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 charged based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposal

When an asset is disposed of or decommissioned, the net book value of the asset and the receipt from the sale are both charged to the CIES which could result in a net gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

All sale proceeds in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts below £10,000 are considered de minimis and treated as revenue.

The net gain or loss on disposals has no impact on taxation requirements as the financing of non-current assets is provided for under separate arrangements.

1.10 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset form part of the cost of that asset and will be capitalised when it is probable that they will result in future economic benefits or service potential to the Authority and the costs can be measured reliably. All other borrowing costs will be recognised as an expense in the period in which they are incurred.

Borrowing costs are interest and other costs that an Authority incurs in connection with the borrowing of funds and may include:

- interest expense calculated using the effective rate of interest method, and
- finance charges in respect of finance leases.

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

The commencement date for capitalisation of borrowing costs is the date when the Authority first meets all of the following conditions:

- it incurs expenditure for the asset
- it incurs borrowing costs, and
- it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs shall be suspended during extended periods in which active development of a qualifying asset is suspended.

Capitalisation of borrowing costs will cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete; this may require capitalisation to be carried out in relation to specific parts of a project if the parts are capable of being used while preparation continues on other parts.

1.11 Heritage Assets

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

Heritage assets are initially recognised at cost or value in accordance with the Council's accounting policy on recognising Property, Plant and Equipment. Where information on the cost or value is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements, that asset is not recognised on the Balance Sheet and an appropriate disclosure is made instead.

Heritage assets are then carried at valuation rather than current or fair value, reflecting the fact that sales and exchanges of heritage assets are uncommon. Valuations may be made by any method that is appropriate and relevant, including replacement cost, purchase cost and insurance valuation. There is no requirement for valuations to be carried out or verified by an external valuer, nor is there any prescribed minimum period between valuations, but the carrying amounts of heritage assets carried at valuation must be reviewed with sufficient regularity to ensure they remain current. In some cases, it may not be practicable to establish a valuation for a heritage asset, in which case the asset is carried at historical cost if this information is available.

Depreciation or amortisation is not required on heritage assets which have indefinite lives.

1.12 Investment Property

An investment property is one that is used solely to earn rentals or for capital appreciation or both. 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 property is initially measured at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date.

As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Any gain or loss arising from a change in the fair value of investment property is recognised in the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received are credited to the Financing and Investment Income and Expenditure line in the CIES.

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 MiRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.13 Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of such expenditure from existing capital resources or borrowing, a transfer in the MiRS from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on council tax.

1.14 Employee Benefits

Benefits Payable during Employment

Short term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and reflected as expenditure in the relevant service line in the CIES.

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. These costs are charged on an accrual's basis to the relevant service line in the CIES.

Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Kent County Council (KCC). The Scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees work for the Council.

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- the liabilities of the KCC pension scheme 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 earnings for current employees.
- the assets of the KCC pension fund attributable to the Council are included in the Balance Sheet at their fair value.
- the change in the net pension's liability is analysed into the following components:

  i) Service cost comprising:
    - current service cost - the increase in liabilities as a result of years of service earned for the year - allocated in the CIES to the services for which the employees worked
    - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the (Surplus) or Deficit on the Provision of Services in the CIES as part of Non-distributed Costs
    - net interest on the net defined liability - the expected increase in the present value of liabilities during the year as they move one year closer to being paid offset by the interest on assets held at the start of the year and cash flows occurring during the period. The net interest expense is charged to the Financing and Investment Income and Expenditure line in the CIES.

  ii) Re-measurements comprising:
    - the return on plan assets excluding amounts included in net interest and actuarial gains and losses (changes in the net pensions liability that arise because the actuaries have updated their assumptions). These are charged to the CIES as Other Comprehensive Income and Expenditure.

  iii) Contributions paid to the KCC 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 in accordance with the relevant standards. This means that in the MiRS there are appropriations to or from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The debit balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

The 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 are accrued in the year of decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.15 Events after the Reporting Period

Events after the reporting period 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 authorisation for issue are not reflected in the Statement of Accounts.

The authorised for issue date is when the accounts are signed by the Council’s section 151 Officer for approval by Members and published with the audit opinion and certificate which should be by no later than 31 January 2027.

1.16 Financial Assets

Dividends are credited to the CIES when they become receivable by the Council.

Financial assets are classified into one of three categories:

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement. Any gains and losses that arise on the derecognition of a financial asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

- Fair Value Through Other Comprehensive Income (FVOCI) – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.
- Fair Value through Profit and Loss (FVPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of de-recognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES.

1.17 Financial Liabilities

Financial liabilities are recognised 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. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable, plus any accrued interest, and interest charged to the CIES is the amount payable for the year in the loan agreement. Annual charges to the Financing and Investment Income and Expenditure line in the CIES 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 the estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

1.18 Provisions

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

Provisions are charged to the appropriate service line in the CIES 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.

1.19 Value Added Tax

Value added tax is included in income and expenditure accounts only to the extent that it is irrecoverable.

1.20 Interests in Companies and Other Entities

Where the Council has a material interest in companies and other entities that have the nature of subsidiaries, associates and joint ventures, group accounts will be prepared. In the Council's own single entity accounts, the value of shares in subsidiary companies are recorded as long-term investments, long-term loans provided to the subsidiaries are held as long-term loans and any debtor and creditor balances between the Council and the subsidiaries are also included within the relevant balance. In the group account, the single entity Council accounts are combined with the accounts of the subsidiary companies and any intra-group transactions and balances are excluded as part of the consolidation process to give the overall group position. The investment properties held by subsidiaries are held at fair value. The Council's investment in the subsidiaries are recorded as financial assets at Fair Value through Profit and Loss.

1.21 Leases

As a lessee, the Council previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Council. Under IFRS 16, the Council recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

Low value and short lease exemption

As permitted by the Code, the Council excludes leases:

- for low value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonable certain not to exercise).

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

The Code requires the Council to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant year. Standards that have been issued but not yet adopted are:

- IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.
- IFRS 17 Insurance Contracts issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.

- The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8. However, the adaptations also include a relief from the requirements of IAS 8 following a change in accounting policy.

It is anticipated that these amendments will not have a material impact on the information provided in the financial statements.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, 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:

Folkestone Parks and Pleasure Grounds Charity

The Council is the sole trustee of the Folkestone Parks and Pleasure Grounds Charity, a charitable trust that owns and operates certain parks and pleasure grounds previously managed by the Council. It has been determined that the Council does not control, jointly control, have significant influence over, or have the right to variable returns from the Charity, the inclusion of the Charity in the group accounts is not required. Councillors who sit on the Board of Trustees act on behalf of the Trust in their decision making, rather than in the interests of the Council. Further information is disclosed in Note 40.

Oportunitas Limited

The Council has set up a wholly owned subsidiary entity to generate additional income streams for the Council and to provide residential housing in the district. It is deemed that the relationship between the Council and Oportunitas is material enough to warrant the preparation of group accounts.

Otterpool Park LLP and Otterpool Park Development Company

In 2019/20 the Council set up a delivery vehicle to deliver its objectives for the Otterpool Park Garden Town. FHDC and Otterpool Park Development Company Ltd were appointed members in February 2020, with FHDC owning 99.9% of the company. In 2025/26 the transactions for this project are material and its results have been consolidated into the group accounts.

The Council is required by the Minimum Revenue Provision Regulations 2019 to set aside statutory provision for debt repayment for capital expenditure financed by borrowing. Further similar and increasing provisions will need to be made from the Council's revenue budget annually in future years to fund the Otterpool scheme as it is currently envisaged.

4. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	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 may 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 increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge would increase by £299k for every year that useful lives had to be reduced.
Pension 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 instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £8m. Further sensitivity analysis of factors affecting the Pensions Fund is set out in Note 30.
Fair value measurements	When the fair values of financial assets and liabilities cannot be measured based on quoted prices in active markets their fair value is measured using valuation techniques. Where possible, the inputs to these techniques are based on observable data but where this is not possible judgement is required. These judgements typically include considerations such as uncertainty and risk. Where quoted prices are not available the Council employs relevant experts to identify the most appropriate valuation technique to determine fair value. Information about the valuation techniques and inputs used in determining fair value is disclosed in Notes 19 and 28.	Significant changes in any of the unobservable inputs would result in a significantly higher or lower fair value measurement for investment properties and financial instruments. For instance, Oportunitas is currently valued at £9.0m for fair value, a decrease of 0.6% in the discount rate (from 9.3% to 8.7%). More information regarding sensitivity of fair value measurements is set out in Note 28.

Notes Supporting The Movement in Reserves Statement

Folkestone & Hythe District Council

5. Adjustments between Accounting Basis and Funding Basis under Regulations

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

Adjustments Between Accounting Basis and Funding Basis Under Regulations 2025/26	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s
<u>**Adjustments to Revenue Resources**</u>						
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:						
Pension costs (transferred to or from the Pensions Reserve)	1,230	229				(1,459)
Financial instruments (transferred to or from the Pooled Funds Adjustment Account)	120					(120)
Council Tax and National Domestic Rates (transferred to or from the Collection Fund Adjustment Account)	(333)					333
Holiday pay (transferred to the Accumulated Absences Reserve)	4	1				(5)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(4,734)	(12,993)				17,728
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to the fair value of investment in subsidiaries (these items are charged to the Capital Adjustment Account)	1,896					(1,896)
Total Adjustments to Revenue Resources	**(1,818)**	**(12,763)**	**-**	**-**	**-**	**14,581**
<u>**Adjustments between Revenue and Capital Resources**</u>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,034	3,006		(4,965)		925
Transfer of capital grants and contributions to capital grants unapplied	20,633	642			(17,957)	(3,317)
Administration costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)						-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	-	-		-		-
Posting of HRA resources from revenue to the Major Repairs Reserve			(3,179)			3,179
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	341					(341)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	372	-				(372)
Total Adjustments to between Capital and Revenue Resources	**22,380**	**3,647**	**(3,179)**	**(4,965)**	**(17,957)**	**74**
<u>**Adjustments to Capital Resources**</u>						
Use of the Capital Receipts Reserve to finance capital expenditure				3,732		(3,732)
Use of the Major Repairs Reserve to finance capital expenditure			3,179			(3,179)
Application of capital grants to finance capital expenditure					8,065	(8,065)
Cash payments in relation to deferred capital receipts	(6)	(5)				11
Total Adjustments to Capital Resources	**(6)**	**(5)**	**3,179**	**3,732**	**8,065**	**(14,965)**
Total Adjustments	**20,557**	**(9,122)**	**-**	**(1,232)**	**(9,893)**	**(310)**

Adjustments Between Accounting Basis and Funding Basis Under Regulations 2024/25	**General Fund Balance**	**Housing Revenue Account**	**Major Repairs Reserve**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:						
Pension costs (transferred to or from the Pensions Reserve)	1,305	204				(1,509)
Financial instruments (transferred to or from the Pooled Funds Adjustment Account)	301					(301)
Council Tax and National Domestic Rates (transferred to or from the Collection Fund Adjustment Account)	(2,824)					2,824
Holiday pay (transferred to the Accumulated Absences Reserve)	(60)	(10)				70
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(15,233)	(9,063)				24,296
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to the fair value of investment in subsidiaries (these items are charged to the Capital Adjustment Account)	1,575					(1,575)
Total Adjustments to Revenue Resources	**(14,935)**	**(8,869)**	**-**	**-**	**-**	**23,804**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	3,190	1,739		(6,162)		1,232
Transfer of capital grants and contributions to capital grants unapplied	9,376	1,902			(7,173)	(4,106)
Administration costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)						-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	-	-		-		-
Posting of HRA resources from revenue to the Major Repairs Reserve			(3,050)			3,050
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,690					(1,690)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	635	-				(635)
Total Adjustments to between Capital and Revenue Resources	**14,891**	**3,642**	**(3,050)**	**(6,162)**	**(7,173)**	**(2,148)**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure				3,421		(3,421)
Use of the Major Repairs Reserve to finance capital expenditure			3,050			(3,050)
Application of capital grants to finance capital expenditure					1,967	(1,967)
Cash payments in relation to deferred capital receipts	(5)	(5)				10
Total Adjustments to Capital Resources	**(5)**	**(5)**	**3,050**	**3,421**	**1,967**	**(8,428)**
Total Adjustments	**(49)**	**(5,232)**	**-**	**(2,741)**	**(5,206)**	**13,228**

6. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2025/26. Earmarked Reserves are shown in the MIRS as included in General Fund and HRA Fund balances as appropriate.

Earmarked Reserves	Balance at 01-Apr-24 £000s	Transfers In £000s	Transfers Out £000s	Balance at 31-Mar-25 £000s	Transfers In £000s	Transfers Out £000s	Balance at 31-Mar-26 £000s
General Fund							
Business Rates	(338)	(3,061)	52	(3,347)	(2,627)	694	**(5,279)**
Carry Forward	(2,316)	(241)	1,106	(1,451)	(5,913)	605	**(6,760)**
Vehicles, Equipment and Technology Reserve	(145)	-	80	(66)	(232)	89	**(209)**
Maintenance of Graves	(12)	-	12	-	-	-	**-**
New Homes Bonus	(409)	-	409	-	-	-	**-**
Corporate Initiatives	(151)	-	38	(113)	-	113	**-**
IFRS Reserve	(5)	-	5	0	-	-	**-**
Economic Development	(1,234)	-	485	(750)	-	-	**(750)**
Community Led Housing	(193)	-	48	(146)	-	52	**(93)**
Lydd Airport Reserve	(9)	-	9	-	-	-	**-**
Homelessness Prevention	(824)	(597)	100	(1,321)	-	1,321	**-**
High Street Regeneration	(1,197)	-	464	(732)	(71)	-	**(803)**
Climate Change	(3,574)	-	2,096	(1,477)	-	347	**(1,130)**
Transformation Fund	(1,165)	-	681	(484)	-	76	**(408)**
Housing Enforcement Cpc Reserve	-	(10)	-	(10)	(58)	-	**(68)**
Rough Sleeping Initative Reserve	-	(56)	-	(56)	-	56	**-**
Romney Marsh Initiative	-	(22)	-	(22)	(60)	-	**(82)**
Local Govt Reorg Reserve	-	(1,000)	-	(1,000)	-	-	**(1,000)**
Financial Resilience Reserve	-	(3,775)	-	(3,775)	(255)	3,571	**(460)**
Parking Reserve	-	(363)	-	(363)	(242)	27	**(578)**
Leisure Reserve	(497)	(25)	-	(521)	(27)	125	**(423)**
Neighbourhood Reserve	-	(25)	-	(25)	-	25	**-**
	(12,070)	**(9,174)**	**5,585**	**(15,659)**	**(9,484)**	**7,100**	**(18,043)**

Business Rates Reserve	To support business development and to manage the statutory accounting requirements of the Rates Retention Scheme.
Leisure Reserve	To meet future leisure improvements.
Carry Forwards Reserve	For items of expenditure not incurred or income not applied in the previous financial year but required in the new financial year to meet spending commitments.
Vehicles, Equipment and Technology Reserve	To meet vehicle, equipment and technology replacement needs or improvements.
Maintenance of Graves Reserve	Amounts held in perpetuity to meet the cost of maintaining certain grave sites.
New Homes Bonus Reserve	To fund the anticipated additional cost of services over the next five years.
Corporate Initiatives Reserve	To support Corporate Plan objectives and goals.
IFRS Reserve	To manage the impact of the introduction of International Financial Reporting Standards particularly affecting immediate recognition of grants and contributions.
Economic Development	To support the regeneration of the district and to support the generation of new income.
Community Led Housing	To support community-led housing developments and to deliver more affordable housing units of mixed tenure.
Lydd Airport	To fund the anticipated ongoing costs of monitoring the conditions at Lydd Airport.
Homelessness Prevention	To flexibly fund ways to reduce the homelessness expenditure by taking preventative action.
High Street Regeneration	To support the delivery of regeneration projects within the district's high street areas.
Climate Change Reserve	To fund initiatives to help the Council achieve net-zero carbon emissions by 2030.
Covid Reserve	To support the additional costs and loss of income incurred in response to the Covid-19 pandemic.
Transformation Reserve	To enable investment in initiatives that will deliver future savings
Housing Enforcement Reserve	To fund enforcement actions as per housing legislation
Rough Sleeping Initiative	To support ‘RSI’ programme
Romney Marsh Initiative	To support the Romney Marsh Programme

Local Government Reorganisation Reserve	To support expenses arising from the Government's Local Government Reorganisation policy
Financial Stability Reserve	To support the continued delivery of statutory services
Parking Reserve	To fund car parking related expenditure

Notes Supporting the Comprehensive Income And Expenditure Statement

7. Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates how the funding available to the Council for the year 2025/26 (i.e., government grants, rents, Council Tax and Business Rates) has been used to provide the services in comparison with those resources consumed or earned under generally accepted accounting practice (GAAP). The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes across the Council's management structure. Income and expenditure accounted for under GAAP is presented more fully in the CIES.

2025/26	As reported for resource management £000s	Adjustment to arrive at the net amount chargeable to the General fund and HRA £000s	Net Expenditure Chargeable to the General Fund and HRA Balances £000s	Adjustments between the £000s	Net Expenditure in the Comprehensive Income and Expenditure Statement £000s
Leadership Support	626	(237)	389	(46)	343
Governance & Law	959	3,054	4,013	(153)	3,860
Human Resources	6,153	(5,589)	565	140	706
Finance Customer & Support	6,185	10,171	16,355	(8,295)	8,061
Economic Development	3,265	(2,772)	492	80	573
Planning	1,303	(533)	770	(146)	624
Operations	6,251	7,508	13,759	(6,494)	7,265
Housing	3,007	(3,514)	(507)	(654)	(1,161)
Place	3,384	3,292	6,676	444	7,120
Local Authority Housing (HRA)	(4,943)	(3,505)	(8,448)	12,611	4,163
Net Cost of Services	**26,189**	**7,875**	**34,064**	**(2,511)**	**31,554**
Other Income and Expenditure	(29,411)	(8,188)	(37,599)	(8,924)	(46,525)
(Surplus) or Deficit on Provision of Services	**(3,222)**	**(313)**	**(3,536)**	**(11,435)**	**(14,970)**
Opening General Fund and HRA Balance			**(28,738)**		
Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year			**(3,535)**		
Closing General Fund and HRA Balance at 31 March*			**(32,273)**		

2024/25	As reported for resource management	Adjustment to arrive at the net amount chargeable to the General fund and HRA	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000s	£000s	£000s	£000s	£000s
Leadership Support	614	(208)	406	(11)	395
Governance & Law	2,438	1,098	3,537	436	3,973
Human Resources	2,297	(1,585)	712	(10)	703
Finance Customer & Support	7,916	(131)	7,785	(863)	6,922
Economic Development	2,969	(2,611)	358	(529)	(171)
Planning	775	(0)	775	(33)	742
Operations	1,534	79	1,612	1,560	3,172
Housing	3,025	(4,046)	(1,020)	(391)	(1,411)
Place	4,296	1,827	6,123	(1)	6,122
Local Authority Housing (HRA)	(3,223)	(2,988)	(6,212)	7,321	1,109
Net Cost of Services	**22,641**	**(8,566)**	**14,076**	**7,479**	**21,555**
Other Income and Expenditure	(18,983)	(3,710)	(22,693)	(2,197)	(24,892)
(Surplus) or Deficit on Provision of Services	**3,658**	**(12,275)**	**(8,617)**	**5,282**	**(3,336)**
Opening General Fund and HRA Balance			**(20,120)**		
Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year			**(8,617)**		
Closing General Fund and HRA Balance at 31 March*			**(28,737)**		

*For a split of this balance between the General Fund and the HRA see the Movement in Reserves Statement

Expenditure and Income Analysed by Nature

	2024/25 £000s	2025/26 £000s
Expenditure		
Employee Benefits Expense	20,389	21,610
Other Services Expense	50,218	52,940
Depreciation, Amortisation & Impairment	16,827	19,001
Interest Payments	12,443	1,221
Precepts & Levies	3,560	3,745
(Gain) / Loss on Disposal of Assets	(607)	(1,338)
Tariff Payable on Income from NDR	6,833	7,087
Total Expenditure	**109,663**	**104,266**
Income		
Fees, Charges & Other Service Income	(34,187)	(38,428)
Interest & Investment Income	(3,083)	(3,374)
Income from Council Tax & NDR	(27,339)	(26,023)
Government Grants & Contributions	(45,287)	(50,472)
Gain on Disposal of Assets	(3,103)	(939)
Total Income	**(112,999)**	**(119,236)**
(Surplus) or Deficit on Provision of Services	**(3,336)**	**(14,970)**

8. Material Items of Income and Expense

The Council incurs a significant proportion of spend on benefit payments, which is funded predominantly by government grant. The following amounts were incurred within the CIES on benefit payments (including administration).

2024/25 Gross Expenditure £000s	2024/25 Income £000s	2024/25 Net Expenditure £000s		2025/26 Gross Expenditure £000s	2025/26 Income £000s	2025/26 Net Expenditure £000s
			Other Housing Services			
17,060	(16,407)	653	Housing Benefit	14,293	(13,717)	576
8,642	(7,936)	706	Housing Rebates	7,735	(6,333)	1,401

9. Other Operating Expenditure

Other Operating Expenditure	2024/25 £000s	2025/26 £000s
Parish precepts	2,994	3,161
Internal Drainage Board levies	567	584
Payments to the Government Housing Capital Receipts Pool	-	-
Gains or losses on the disposal of non-current assets	(3,710)	(2,277)
Movement in fair value of fixed assets	(247)	1,763
	(397)	**3,231**

10. Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure	2024/25 £000s	2025/26 £000s
Interest payable and similar charges	12,350	924
Net interest on net defined liability	82	296
Investment property rental income	(1,197)	(1,280)
Interest receivable and similar income	(3,114)	(3,374)
Financial Instruments fair valuation adjustments	(1,657)	(2,016)
Income and expenditure in relation to investment properties and changes in their fair value (see Note 18)	2,627	156
	9,092	**(5,294)**

11. Taxation and Non-Specific Grant Income

Taxation and Non-specific Grant Income	2024/25 £000s	2025/26 £000s
Council tax income	(15,136)	(15,647)
Non domestic rates	(5,370)	(3,289)
Non-ring fenced government grants	(5,996)	(6,762)
Capital grants and contributions	(9,003)	(18,764)
	(35,504)	**(44,462)**

12. Members' Allowances

The following amounts were paid to Members of the Council during the year.

Members Allowances	2024/25 £000s	2025/26 £000s
Allowances	**339**	**352**
Expenses	**16**	**8**
Total	**355**	**360**

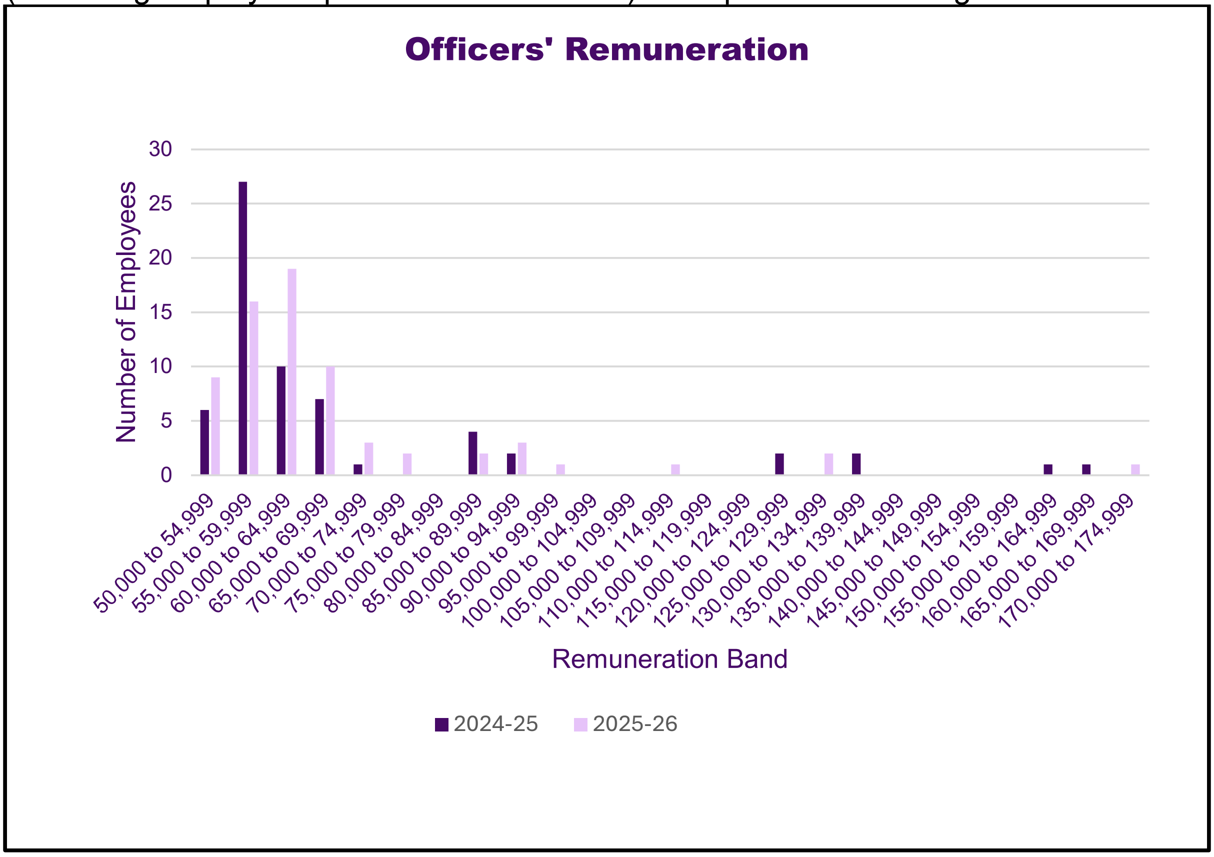
13. Officers' Remuneration

The remuneration paid to the Authority's senior employees is as follows:

		Salary, including Fees and Allowances	Total Remuneration, excluding pension	Employer Pension Contributions	Total Remuneration, including Pension Contributions
		£	£	£	£
Chief Executive - Susan Priest	2025/26	174,685	169,961	34,002	**208,687**
	2024/25	169,961	169,961	31,549	**201,510**
Director - Strategy & Resource - Ewan Green +++	2025/26	132,477	-	25,411	**157,888**
	2024/25	127,025	127,025	24,317	**151,342**
Interim Director - Governance & Finance, also S151 Officer +	2025/26	-	135,929	-	**-**
	2024/25	135,929	135,929	-	**135,929**
Director - Housing & Operations - Andy Blaszkowicz	2025/26	132,157	-	25,411	**157,568**
	2024/25	127,317	127,317	24,317	**151,634**
Director - Finance & Customer Services (S151 Officer) ++++	2025/26	113,674	-	22,759	**136,433**
	2024/25	4,577	4,577	884	**5,460**
Assistant Director Governance, Law & Regulatory Services - Amandeep Khroud ++	2025/26	-	-	-	**-**
	2024/25	160,226	160,226	16,179	**176,405**

+ Interim Director and S151 Officer started April 23
++ Monitoring Officer - left 31st Dec 24
+++ New Monitoring Officer started 12th Feb 25
++++ New Finance Director started 17th March 25

The Authority's employees receiving remuneration in excess of £50,000 for the year (excluding employer's pension contributions) were paid the following amounts:



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

Exit package cost band (including special payments)	Number of compulsory redundancies (a)		Number of other departures agreed (b)		Total number of exit packages by cost band (a+b)		Total cost of exit packages in each band	
	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26
£							£000s	£000s
0-20,000	-	2	4	3	4	5	34	44
20,001-40,000	-	-	3	-	3	-	76	-
40,001-60,000	-	-	1	-	1	-	45	-
60,001-100,000	2	-	1	-	3	-	261	-
100,001-165,000	-	-	-	-	-	-	-	-
Total	2	2	9	3	11	5	416	44

The cost of exit packages is calculated in accordance with accounting standards and does not necessarily equal the actual payment to or on behalf of an individual.

14. External Audit Costs

The Council has agreed the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors.

External Audit Fees	2024/25 £000s	2025/26 £000s
Fees payable with regard to external audit services carried out by the appointed auditor for the year	192	197
Fees relating to prior years audits	-	24
Rebate of PSAA fees	-	-
Fees payable for the certification of grant claims and returns for the year	44	121
	236	**342**

15. Grant Income

The Council credited the following grants, contributions, and donations to the CIES:

Grant Income	**2024/25 £000s**	**2025/26 £000s**
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	226	263
Business rates reliefs	5,734	5,328
Non-service related grants	(100)	739
New Homes Bonus Grant	136	432
Capital Grants and Contributions	9,003	18,764
	14,998	**25,526**
Credited to Services		
REFCUS related Grants	1,666	1,797
KCC sundry grants	2,314	1,271
DWP – benefits subsidy	15,689	13,199
- rent rebate Subsidy	7,821	6,288
- benefits administration	307	313
Other grants and contributions	2,498	3,065
	30,295	**25,934**

Capital Grants Received in Advance

Capital grants received which are subject to conditions relating to specific projects are held as Capital Grants received in advance. These amounts are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant has been satisfied.

	2024/25 £000	**2025/26** £000
DLUHC / MHCLG - Brownfield Land Release Fund	(4,965)	(4,500)
Environment Agency - Coast Protection	(399)	(63)
Homes England	0	(1,613)
Other Grants and Contributions	(59)	(60)
Balance at 31 March	**(5,423)**	**(6,235)**

Notes Supporting the Balance Sheet

Folkestone & Hythe District Council

16. Property, Plant and Equipment ('PPE')

Measurement

The Council's non-housing assets (excluding vehicles, plant, equipment, infrastructure, and community assets) were re-valued as at 31 March 2026 by an external independent valuer, Wilks Head & Eve Chartered Surveyors, and increased in value by £0.7m compared to their value at 31 March 2025.

The external valuer also reviewed the value of the Council's surplus assets as at 31 March 2026, which decreased in value by £1.3m compared to their value at 31 March 2025.

The Council's housing assets were also re-valued as at 31 March 2026 by Wilks Head & Eve Chartered Surveyors. Council dwellings were valued at £229.5m at 33% of the open market value based on their existing use value for social housing, an increase of approx 1% (£2.7m) compared to 31 March 2025. The valuation adjustment to the existing use value for social housing is in accordance with Ministry of Housing, Communities and Local Government guidance issued in 2016 for council dwellings stock valuations in South-East England, reflecting the economic cost of providing council housing at less than open market rents.

The external valuer also advised that, based on rental income values, the value of the various housing non-dwelling assets categories (garages, parking spaces and stores) have been valued at £5.0m, a decrease of £0.1m compared to their value at 31 March 2026.

Assets that are carried at valuation, but that were not valued in year were assessed against appropriate indices to ensure that the valuations within the accounts are materially correct. Having carried out this calculation, the total value of indexation amounted to £7.5k. As this is not material, these changes have not been made to the assets. In calculating indexation in 2026/27, this movement that has not been actioned will be factored into the calculation.

Contractual Commitments

The Council has entered into the following contracts on HRA properties:

- Heating replacement programme 2026 - 2029 - approximately £1.20m per annum
- Servicing & Maintenance commercial gas and alternative heating systems 2026 - 2029 - approximately £0.12m per annum
- Asbestos Surveying, Sampling and Removal services 2024 - 2027 - approximately £0.20m per annum
- UPVC windows and doors replacement programme 2023-2027 - approximately £0.90m per annum
- Pitched Roofing and Associated works 2025-2027 – approximately £0.70m per annum
- Fire Protection Works programme 2026-2028 – approximately £0.40m per annum
- Mobility Lifts Service, Maintenance & associated works 2026-2029 – approximately £0.05m per annum.
- Passenger Lifts Maintenance 2025-2028 – approximately £0.16m per annum.
- Legionella Risk Assessments, Water Hygiene Monitoring and Remedial works 2025-28 - approximately £0.15m per annum
- Cleaning Services for Social Housing 2024-2027 – approximately £0.32m per annum

- Replacement door entry systems and entrance doors 2024-2027 - approximately £0.10m per annum
- Responsive repairs, void refurbishment and planned works 2025-2035 - approximately £4m per annum
- Fire risk assessments and associated works 2024-2027 - approximately £0.04m per annum
- Loft and Cavity Wall Insulation programme 2026-28 - approximately £0.60m per annum
- External redecoration and associated repairs to Social Housing 2025-27 - approximately £0.40m per annum
- Garage Refurbishment works 2026-27 - approximately £0.11m per annum
- Communal Mechanical & Electrical works 2025-2028 - approximately £0.70m per annum

Property, Plant and Equipment	Council Dwellings	Land and Buildings	Vehicles, Plant and Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total
2025/26	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Cost or Valuation							
At 1 April 2025	**226,781**	**37,327**	**16,781**	**3,461**	**9,629**	**58,624**	**352,603**
Additions	12,178	1,627	736	-	12,801	1,510	**28,851**
Additions - AUC	-	5,571	14	-	-	-	**5,585**
Reclassifications - AUC	-	907	-	-	(6,491)	-	**(5,585)**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,485	738	-	-	-	(1,509)	**2,714**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(9,878)	(6,324)	-	-	(5)	(1,316)	**(17,524)**
De-recognition - Disposals	(63)	-	(4,125)	-	-	-	**(4,189)**
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	**-**
Other reclassifications	-	-	-	-	-	-	**-**
Depreciation written out to services on revaluation	(3,041)	-	-	-	-	-	**(3,041)**
At 31 March 2026	**229,461**	**39,846**	**13,405**	**3,461**	**15,933**	**57,309**	**359,416**
Depreciation and Impairment							
At 1 April 2025	**-**	**(1,940)**	**(12,139)**	**-**	**-**	**-**	**(14,079)**
Depreciation charge for the year	(3,041)	(386)	(1,069)	-	-	-	**(4,496)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,041	-	-	-	-	-	**3,041**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	4,125	-	-	-	**4,125**
At 31 March 2026	**-**	**(2,325)**	**(9,083)**	**-**	**-**	**-**	**(11,408)**
Balance Sheet amount at 31 March 2026	**229,461**	**37,520**	**4,322**	**3,461**	**15,933***	**57,310**	**348,007**
Balance Sheet amount at 1 April 2025	226,781	35,387	4,642	3,461	10,411	58,624	339,307

*Assets Under Construction (£15,933k) does not include a £12k adjustment for Investment Properties that is included under Assets Under Construction on the Balance Sheet (£15,945k).

Property, Plant and Equipment	Council Dwellings	Land and Buildings	Vehicles, Plant and Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total
2024/25	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Cost or Valuation							
At 1 April 2024	**217,075**	**35,670**	**15,512**	**3,461**	**9,683**	**58,623**	**340,026**
Additions	9,106	157	1,068	-	1,946	1,297	**13,574**
Additions - AUC	842	176	201	-	-	-	**1,218**
Reclassifications - AUC	-	-	-	-	(1,218)	-	**(1,218)**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	12,409	3,474	-	-	-	(648)	**15,234**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,857)	(18)	-	-	-	(648)	**(8,524)**
De-recognition - Disposals	(618)	(410)	-	-	-	-	**(1,028)**
Assets reclassified (to)/from Held for Sale	(1,289)	(780)	-	-	-	-	**(2,069)**
Other reclassifications	-	-	-	-	-	-	**-**
Depreciation written out to services on revaluation	(2,886)	(941)	-	-	-	-	**(3,827)**
At 31 March 2025	**226,781**	**37,327**	**16,781**	**3,461**	**10,411**	**58,624**	**353,386**
Depreciation and Impairment							
At 1 April 2024	**-**	**(2,461)**	**(11,213)**	**-**	**-**	**-**	**(13,675)**
Depreciation charge for the year	(2,894)	(420)	(926)	-	-	-	**(4,240)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	2,894	926	-	-	-	-	**3,820**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	15	-	-	-	-	**15**
At 31 March 2025	**-**	**(1,940)**	**(12,139)**	**-**	**-**	**-**	**(14,079)**
Balance Sheet amount at 31 March 2025	**226,781**	**35,387**	**4,642**	**3,461**	**10,411**	**58,624**	**339,307**
Balance Sheet amount at 1 April 2024	217,075	33,209	4,299	3,461	9,683	58,623	326,352

Infrastructure Assets	**2024/25**	**2025/26**
Opening NBV as at 1 April	7,555	7,417
Additions	481	1,561
Depreciation/Impairment	(619)	(596)
Closing NBV as at 31 March	**7,418**	**8,383**

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. This does not impact the balance sheet as this reports net book value.

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

	2024/25	**2025/26**
Infrastructure Assets	7,555	8,383
Other PPE Assets	326,352	348,007
Total PPE Assets	**333,907**	**356,390**

17. Heritage Properties

The Council's heritage assets are held at cost as there is no requirement for regular revaluation of heritage assets. The Council's heritage assets were valued by an external independent valuer – BPS Chartered Surveyors, as part of the purchase of the asset in 2019/20. The Council deem this value to remain current and reflective of the lack of material changes to the asset since purchase.

Cost or Valuation	**Buildings £000s**	**Other Items £000s**	**Total Assets £000s**
At 1 April 2025	2,900	98	2,998
At 31 March 2026	**2,900**	**98**	**2,998**

The Council acquired the scheduled monument Westenhanger Castle in 2019/20, including its fixtures and fittings.

18. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the CIES:

Investment Property	2024/25 £000s	2025/26 £000s
Rental income from investment property	(1,360)	(1,398)
Direct operating expenses arising from investment property	163	118
Net (gain)/loss	**(1,197)**	**(1,280)**

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 material contractual obligations to purchase, construct or develop investment property or repairs, maintenance, or enhancement.

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

Fair Value Movement	2024/25 £000s	2025/26 £000s
Cost or Valuation		
At 1 April	30,278	27,110
Additions – acquisitions	-	-
Additions – construction	360	5
Disposals	(901)	-
Net gain/(loss) from fair value adjustments	(2,267)	(152)
Impairment reversals and write off recognised in the CIES	(360)	(5)
At 31 March	**27,109**	**26,958**

Fair Value Hierarchy for Investment Properties

Details of the Authority's Investment Properties and information about the fair value hierarchy as at 31st March 2026 are as follows:

2025/26 Recurring fair value measurements using:	Other significant observable inputs (Level 2) 31-Mar-25 £000s	Fair value at 31-Mar-25 £000s	Other significant observable inputs (Level 2) 31-Mar-26 £000s	Fair value at 31-Mar-26 £000s
Otterpool Park - Residential Properties	7,337	7,337	7,365	7,365
Otterpool Park - Land	1,153	1,153	1,153	1,153
Agricultural Land	32	32	23	23
Offices	16,417	16,417	16,247	16,247
Commercial Units	2,171	2,171	2,171	2,171
Commercial Land	-	-	-	-
Total at Fair Value	**27,109**	**27,109**	**26,958**	**26,958**
Assets Under Construction	-	-	-	-
Total Investment Properties	**27,109**	**27,109**	**26,958**	**26,958**

Otterpool Park – Residential Properties refers to existing properties on the land owned by the Council in the Otterpool Park area. These properties do not form part of the Otterpool Park LLP development.

Valuation Techniques used to Determine Level 2 Fair Values for Investment Properties

Significant observable inputs – Level 2

The fair value for the residential properties, agricultural land and commercial units and land has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local Authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Significant unobservable inputs - Level 3

There were no assets categorised as Level 3 in 2025/26.

Valuation Techniques

There has been no change in the valuation techniques used during the year for Investment Properties.

Valuation Process for Investment Properties

The fair value of the Authority's investment property is measured annually at each reporting date. All valuations are carried out by an externally appointed valuer and the work is undertaken in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

19. Long Term Investments

Long Term Investments		**2024/25**		**2025/26**
	£000s	**£000s**	**£000s**	**£000s**
Bond, equity & property funds		13,383		13,503
Shares in unlisted companies	6,792		6,851	
Changes in FV of equity investments in companies	(824)		1,072	
Net shares in unlisted companies		5,968		7,923
		19,351		**21,426**

20. Long Term Debtors

Long Term Debtors	2024/25 £000s	2025/26 £000s
Loan to Oportunitas Limited	6,334	6,267
Loan to Otterpool Park LLP	23,978	28,343
Expected Credit Loss (Loans to Companies)	79	(21)
Other Adjustments	(11,421)	(9,081)
Soft Loans (see Note 28)	1,557	1,453
Other Loans	699	605
Capital Prepayment (Otterpool Land Options)	773	773
Lease Receivables	77	65
	22,077	**28,404**

21. Short Term Debtors

Short Term Debtors	2024/25 £000s	2025/26 £000s
Trade Receivables	1,536	1,191
Receivables from Related Parties	4,447	9,375
Prepayments	875	2,664
Other Receivables	2,415	2,438
Council Taxpayers	2,297	3,419
Business Ratepayers	325	1,350
Sundry Debtors	3,610	3,527
	15,506	**23,964**
Impairment of debt		
Trade Receivables	(909)	(967)
Other Receiveables	(1,408)	(2,081)
Total	**(2,317)**	**(3,049)**
Balance as at 31 March	**13,189**	**20,915**

Age of Debt

An analysis of the age profile of sundry trade debtors is given in the table below which form part of the debtors figures shown above;

Age of Debt	2024/25 £000s	2025/26 £000s
0 to 30 days	1,450	1,446
31 to 60 days	6	71
61 to 90 days	443	10
over 90 days	1,711	2,000
Total	**3,610**	**3,527**

22. Cash and Cash Equivalents

Cash and Cash Equivalents	2024/25 £000s	2025/26 £000s
Bank Accounts	181	43
Money Market Funds	5,090	10,255
Cash in Transit	221	(1,774)
Total	**5,492**	**8,525**

23. Short Term Borrowing

Short Term Borrowing

	2024/25 £000s	2025/26 £000s
PWLB Loans	(6,443)	(12,898)
Loans from other authorities	(38,240)	(41,240)
Accrued loan interest	(772)	(1,040)
	(45,455)	**(55,179)**

24. Long Term Creditors

Long Term Creditors

	2024/25 £000s	2025/26 £000s
Receipts in Advance	(10,590)	(6,143)
	(10,590)	**(6,143)**

25. Short Term Creditors

Short Term Creditors	2024/25 £000s	2025/26 £000s
Trade Payables	(287)	(353)
Payables to Related Parties	(3,047)	(5,199)
Receipts in Advance	(1,848)	(2,059)
Accrued Creditors	(2,483)	(4,135)
Other Payables	(2,609)	(3,833)
Council Taxpayers	(1,802)	(2,105)
Business Ratepayers	(1,798)	(151)
	(13,873)	**(17,836)**

26. Provisions

Provisions	Balance 31-Mar-25 £000s	Provisions made £000s	Amounts used £000s	Balance 31-Mar-26 £000s	Short term liability £000s	Long term Liability £000s
Business rate appeals	(1,333)	539	12	**(782)**	(782)	**-**
Other	(67)	-	-	**(67)**	-	(67)
	(1,400)	**539**	**12**	**(849)**	**(782)**	**(67)**

Business rates appeals – with the introduction of the Retained Business Rates system from 1 April 2013, local authorities are required to allow for the cost of outstanding valuation appeals that remain unsettled as at the end of the financial year. The estimate is based on previous years' appeals success experience.

27. Long Term Borrowing

Long Term Borrowing	2024/25 £000s	2025/26 £000s
PWLB Loans	62,881	63,706
Loans from other authorities	-	-
	62,881	**63,706**

28. Financial Instruments

Financial Instruments - Classifications

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

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

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

- long-term loans from the Public Works Loan Board and lenders
- short-term loans from other local authorities
- trade payables for goods and services received

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during the year are held under the following classifications.

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

- cash in hand
- bank current and deposit accounts with NatWest Bank
- fixed term deposits with banks and building societies
- certificates of deposit and covered bonds issued by banks and building societies
- loans to other local authorities
- loans to Kent County Council and Oportunitas Limited, the Council's wholly owned regeneration and housing company, made for service purposes
- trade receivables for goods and services delivered

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

- money market funds managed by external fund managers
- pooled bond, equity and property funds managed by external fund managers
- an unquoted equity investment in Oportunitas Limited and Otterpool Park LLP

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long Term 31-Mar-25 £000s	Long Term 31-Mar-26 £000s	Short Term 31-Mar-25 £000s	Short Term 31-Mar-26 £000s
Loans amortised cost:				
- Principal sum borrowed	(62,880)	(63,704)	(44,683)	(54,138)
- Accrued interest	-	-	(772)	(1,040)
Total Borrowing	(62,880)	(63,704)	(45,455)	(55,179)
Loans at amortised cost:				
- Cash in transit	-	-	-	(1,730)
Total Cash Liability	-	-	-	(1,730)
Liabilities at amortised cost:				
- Trade payables	-	-	(3,560)	(5,332)
Included in Creditors	-	-	(3,560)	(5,332)
Total Financial Liabilities	**(62,880)**	**(63,704)**	**(49,015)**	**(62,241)**

The total short-term borrowing includes £1040k (£772k 2024/25) representing accrued interest on long-term borrowing. The creditors lines on the Balance Sheet includes £12.503m (£10.313m 2024/25) short-term creditors that do not meet the definition of a financial liability.

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Long Term 31-Mar-25 £000s	Long Term 31-Mar-26 £000s	Short Term 31-Mar-25 £000s	Short Term 31-Mar-26 £000s
At fair value through profit & loss:				
- Fair value	19,351	21,426	-	-
Total investments	19,351	21,426	-	-
At amortised cost:				
- Principal	-	-	402	-
At fair value through profit & loss:				
- Fair value	-	-	5,090	10,255
Total Cash & Cash Equivalents	-	-	5,492	10,255
At amortised cost:				
- Trade receivables	-	-	4,785	5,240
- Lease receivables	77	65	11	12
- Loans made for service purposes	21,116	27,684	501	509
- Loss allowance Expected Credit Loss	79	(21)	(403)	(58)
Included in Debtors	21,273	27,728	4,894	5,704
Total Financial Assets	**40,624**	**49,155**	**10,386**	**15,958**

*restated

The debtors line on the Balance Sheet includes £15.212m (£8.246m 2024/25) short-term debtors that do not meet the definition of a financial asset.

Material Soft Loans

Soft loans are those advanced at below market rates in support of the Council's service priorities. Between 2004 and 2013 the Council provided interest free property improvement loans to owner occupiers and landlords of residential properties in the district to meet the national Decent Homes standard. Loans to landlords are required to be repaid within 10 years and loans to owner occupiers are repaid when the property is sold.

The movements on material soft loan balances are:

	2024/25 £000s	2025/26 £000s
Opening carrying amount of soft loans on 1st April	**1,588**	**1,556**
Amounts repaid to the Council	(32)	(104)
Increase/(decrease) in discounted amount due to passage of time	-	-
Closing Carrying Amount of Soft Loans on 31st March	**1,556**	**1,453**

Soft loans have been valued by discounting the contractual payments at the estimated market rate of interest for a similar loan. The market rate has been arrived at by taking the Council's marginal cost of borrowing and adding a credit risk premium to cover the risk that the borrower is unable to repay the Council.

Financial Instruments - Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price. Shares in Oportunitas Limited have been valued from the company's balance sheet net assets and by discounting expected future profits at a suitable market rate for similar equity investments.

Financial assets classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2026, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local Authority loans.
- Discount rates for "Lender's Option Borrower's Option" (LOBO) loans have been reduced to reflect the value of the embedded options. The size of the reduction has been calculated using proprietary software.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

Fair values are shown in the tables below, split by their level in the fair value hierarchy:

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

Financial Liabilities	Fair Value Level	Balance Sheet 31-Mar-25 £000s	Fair Value 31-Mar-25 £000s	Balance Sheet 31-Mar-26 £000s	Fair Value 31-Mar-26 £000s
Financial liabilities held at amortised cost:					
Long-term loans from PWLB	**2**	62,880	59,497	63,704	64,467
Other long-term loans	**2**	-	-	-	-
Short-term loans from PWLB	**2**	6,443	5,939	12,898	9,019
Short-term loans	**2**	38,240	39,551	41,240	42,892
Total		**107,563**	**104,987**	**117,842**	**116,377**
Liabilities for which fair value is not disclosed *		4,363		8,103	
Total Financial Liabilities		**111,925**		**125,945**	
Recorded on balance sheet as:					
Short-term creditors		3,590		5,332	
Cash in Transit		-		1,730	
Short-term borrowing		45,455		55,179	
Long-term borrowing		62,880		63,704	
Total Financial Liabilities		**111,925**		**125,945**	

*The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount.

Short term Liabilities		
Trade Creditors	3,590	5,332
Cash in Transit	-	1,730
Borrowing (inc accrd interest)	772	1,040
	4,363	**8,103**

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the Authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

Financial Assets	Fair Value Level	Balance Sheet 31-Mar-25 £'000	Fair Value 31-Mar-25 £'000	Balance Sheet 31-Mar-26 £'000	Fair Value 31-Mar-26 £'000
Financial assets held at fair value					
Money market funds	1	5,090	5,090	10,255	10,255
Structured loans and deposits	1	-	-	-	-
Bond, equity and property funds	1	13,383	13,383	13,503	13,503
Shares in unlisted companies	3	5,968	5,968	7,923	7,923
Financial assets held at amortised cost		-			
Long-term loans to companies	3	19,670	18,084	26,113	24,546
Soft Loans	3	1,557	1,557	1,453	1,453
Lease receivables	3	77	77	65	65
Total		**45,746**	**44,159**	**59,313**	**57,746**
Assets for which fair value is not disclosed*		**6,463**		**4,803**	
Total Financial Assets		**52,209**		**64,116**	
Recorded on balance sheet as:					
Long-term investments		19,351		21,426	
Long-term debtors		22,077		28,404	
Short-term debtors		5,289		5,761	
Cash and cash equivalents		5,492		8,525	
Total Financial Assets		**52,209**		**64,116**	

*The fair value of short-term financial assets including trade receivables is assumed to approximate to the carrying amount.

The fair value of financial assets held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

Quantitative information about Fair Value Measurement of Financial Assets using Significant Unobservable Inputs – Level 3

Financial Asset - Equity Investment in Oportunitas Limited

Valuation method – Undertaken by Arlingclose Limited and estimated from projected future cash flows of the company using information from the published accounts, the business plan and other information held by the Council.

Key quantitative assumptions used for valuation:

- In perpetuity annual profit before interest, tax, and depreciation
- Discount Rate – 8.7%: the return on capital of similar companies traded on the London Stock Exchange, plus a 1% risk premium
- Inflation – 2% in perpetuity
- Property price inflation – 6.2% in perpetuity (based on historical average increase in Folkestone local area)

Sensitivity Analysis

Assumption	Impact on Fair Value
In perpetuity annual profit before interest, tax and depreciation falls/ rises by 10%:	Fair value decreases to £8.0m / increases to £10.0m
Discount rates falls / rises by 1%:	Fair value increase to £13.0m / decreases to £6.4m
Inflation falls/ rises by 1%:	Fair value decrease to £7.5m/ increases to £10.8m
Property price inflation falls. Rise by 1%:	Fair value decreases to £7.5m/ increases to £10.8m
Discount rate for loan fair value falls/ rises by 1%:	Fair value decrease to £8.5m/ increases to £9.4m

Financial Asset – Long term loan to Oportunitas Limited

The fair value has been estimated by discounting future cash flows for the loan at the rate for an equivalent loan made on 31 March 2026.

The average spread above gilts for Ba3 (or equivalent BB-) bonds in the market as of 31st March 2026 has been used as they have an equivalent credit quality to Oportunitas.

Financial Asset - Equity Investment in Otterpool Park LLP

Valuation method – Fair Value deemed to be current value as at 31st March 2026 due to uncertainties around projected future cash flows due to the early stages of the project at the time of preparing the accounts.

Reconciliation of Movement for Level 3 Financial Assets Held at Fair Value

	£'000
Balance 1 April	**5,968**
Otterpool Equity Purchased 25/26	59
Unrealised valuation gain /(loss)	1,896
Balance 31 March	**7,923**

Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

Financial Instruments Income, Expense, Gains and Losses 2025/26	Financial Liabilities measured at amortised cost £000s	Financial Assets at Amortised Cost £000s	Financial Assets at Fair Value Profit & Loss £000s	25/26 Total £000s	24/25 Total £000s
Interest expense	3,084	-	-	3,084	3,267
(Gains)/Losses from changes in fair value	(4,276)	-	-	(4,276)	7,074
(Gains)/Losses on derecognition impairment losses	21	-	-	21	(79)
Total Expense in Surplus or Deficit on the Provision of Services	**(1,172)**	**-**	**-**	**(1,172)**	**10,261**
Interest and dividend income	-	(2,162)	(1,212)	(3,374)	(3,083)
Gains from changes in fair value	-	-	-	-	-
Total Income in Surplus or Deficit on the Provision of Services	**-**	**(2,162)**	**(1,212)**	**(3,374)**	**(3,083)**
Net (gain)/loss for the year	**(1,172)**	**(2,162)**	**(1,212)**	**(4,545)**	**7,178**

29. Borrowing Costs

The Council has capitalised borrowing costs incurred in relation to the Otterpool Park development. Capital expenditure has been incurred to acquire land and property to bring together the site for the proposed new garden town. The scheme is met entirely from borrowing and the site is not yet ready for development to be able to generate a revenue to meet the capital financing costs.

In 2025/26 £1,477k of borrowing costs were capitalised using a capitalisation rate of 4.90% (2024/25: £1,261k, 5.46%).

30. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment, the Council offers retirement benefits. Although these benefits will not be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The Council participates in the Local Government Pension Scheme, administered locally by Kent County Council (KCC). This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The KCC Superannuation Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Superannuation Committee of KCC. Policy is determined in accordance with the Public Service Pensions Act 2013. Day to day fund administration is undertaken by a team within KCC and where appropriate some functions are delegated to the Fund's professional advisers.

KCC, in consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Fund Strategy Statement and the Statement of Investment Principles.

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. In addition, there is an "orphan liability risk" where employers leave the Fund but with insufficient assets to cover their pension obligations. These are mitigated to an extent by the statutory requirements to charge to the General Fund and HRA the amounts required as described in the accounting policies note.

Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the (Surplus) or Deficit on the Provision of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the amount payable in the year, so the real cost of retirement benefits is reversed out in the MiRS. In addition, an asset ceiling has been applied in line with IFRIC14, which limits the recognition of a pension surplus to the amount that can be recovered through refunds or reduced future contributions. The following transactions have been made in the CIES and MiRS during the year.

Balance Sheet as at 31st March 2026

Net Pension assets as at	**31-Mar-25 £000s**	**31-Mar-26 £000s**
Present Value of the defined obligation	123,354	129,093
Fair Value of the Fund Assets	(131,826)	(146,467)
Impact of asset ceiling	15,588	24,128
Present Value of the unfunded obligation	-	25
Net defined benefit liability / (asset)	**7,116**	**6,779**

Comprehensive Income and Expenditure for the year to 31 March 2026

The amounts recognised in the profit and loss statement are:	**Year to 31-Mar-25 £000s**	**Year to 31-Mar-26 £000s**
Service Cost	2,497	2,172
Net interest on the defined liability (asset)	83	296
Administration expenses	123	137
Total Loss / (profit)	**2,703**	**2,605**

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	Year to 31-Mar-25 £000s	Year to 31-Mar-26 £000s
Opening defined benefit obligation	138,997	123,354
Current service cost	2,316	2,172
Interest cost	6,835	6,981
Change in financial assumptions	(17,840)	(5,284)
Change in demographic assumptions	(368)	1,844
Experience loss / (gain) on defined benefit obligation	(322)	6,122
Liabilities assumed / (extinguished) on settlements	(819)	-
Estimated benefits paid net of transfers in	(6,525)	(7,108)
Past service costs, including curtailment	113	-
Contribution by scheme participants and other employers	967	1,038
Unfunded pension payments	-	(1)
	123,354	**129,118**

Reconciliation of the opening and closing balances of the fair values of Fund Assets

	Year to 31-Mar-25 £000s	Year to 31-Mar-26 £000s
Opening fair value of scheme assets	129,920	131,826
Interest on assets	6,752	7,589
Return on assets, less interest	(2,489)	7,210
Actuarial gains / (losses)	-	1,986
Administration Expenses	(123)	(137)
Contributions from employer including unfunded	4,211	4,064
Contributions by scheme participants	967	1,038
Estimated benefits paid plus unfunded net of transfers	(6,525)	(7,109)
Settlement prices received / (paid)	(887)	-
	131,826	**146,467**

Remeasurement of net assets /(defined liability)

	Year to 31-Mar-25 £000s	Year to 31-Mar-26 £000s
Return on fund assets in excess of interest	(2,489)	7,210
Other actuarial gains / (losses) on assets	-	1,986
Change in financial assumptions	17,840	5,284
Change in demographic assumptions	368	(1,844)
Experience loss (gain) on defined benefit obligation	322	(6,122)
Changes in impact of asset ceiling	(15,588)	(7,636)
	453	**(1,122)**

Reconciliation of Change in Impact of Asset Ceiling

	Year to 31-Mar-25 £000s	Year to 31-Mar-26 £000s
Opening impact of asset ceiling	-	15,588
Interest on impact of asset ceiling	-	904
Actuarial losses/(gains)	15,588	7,636
	15,588	**24,128**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels etc. The County Council pension scheme has been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the Fund are based on the latest full valuation of the scheme as at 31st March 2026.

The significant assumptions used by the actuary have been:

Statistical assumptions	2024/25	2025/26
Mortality assumption		
Longevity at 65 for current pensioners		
-men	20.7 yrs	21.6 yrs
-women	23.3 yrs	23.9 yrs
Longevity at 65 for future pensioners		
-men	22.0 yrs	23.2 yrs
-women	24.7 yrs	25.6 yrs
Rate of inflation - CPI	2.90%	2.90%
Rate of increase in salaries	3.90%	3.90%
Rate of increase in pensions	2.90%	2.90%
Rate for discounting scheme liabilities	5.80%	6.10%

The estimation of the defined benefit obligations 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 inter-related. The assumptions in the sensitivity analysis have followed the accounting policies for the scheme i.e., on an actuarial basis using the projected unit credit method.

Sensitivity Analysis	£000s	£000s	£000s	£000s	£000s
Adjustment to Discounted rate	0.50%	0.10%	0.00%	-0.10%	-0.50%
Present value of total obligation	121,063	127,435	129,118	130,840	138,131
Projected Service Cost	1,710	1,952	2,017	2,084	2,373
Adjustment to Long term Salary increments	0.50%	0.10%	0.00%	-0.10%	-0.50%
Present value of total obligation	129,603	129,214	129,118	129,023	128,648
Projected Service Cost	2,017	2,017	2,017	2,017	2,017
Adjustment to Pension increases and deferred valuations	0.50%	0.10%	0.00%	-0.10%	-0.50%
Present value of total obligation	137,264	130,848	129,118	127,858	122,274
Projected Service Cost	2,400	2,089	2,017	1,947	1,687
Adjustment to Life expectancy assumptions		+1yr	None	-1yr	
Present value of total obligation		134,232	129,118	124,231	
Projected Service Cost		2,086	1,952	1,949	

Asset and Liability Matching Strategy

Kent Pension fund has agreed to a Fund Strategy Statement that matches the type of assets invested to the liabilities in the defined benefit obligation. The Fund has matched assets to the obligations by investing in equities, corporate bonds, and fixed interest Government securities/gilts. This is balanced with a need to maintain the liquidity of the Fund to ensure that it is able to make current payments. As it is required by the pensions and where relevant investment regulations the suitability of various types of investment have been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range. A large proportion of the assets relate to equities (59% of scheme assets) and bonds (14%). The scheme also invests in properties as part of the diversification of the scheme's investments and comprises 10% of the total portfolio. The Pension Fund Strategy's main objectives are to maintain a funding level of 100%, as assessed by the Actuary and to stabilise the Employer rate as far as is practicable.

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at a constant rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 12 years. Funding levels are monitored on an annual basis. The next triennial valuation is due on 31st March 2028, with the most recent valuation completing on 31st March 2025.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales may not provide benefits in relation to service after 31st March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

Projection for the year to 31 March 2026	Year to 31-Mar-25 £000s	Year to 31-Mar-26 £000s
Service cost	1,846	2,017
Net Interest and defined liability / (asset)	302	302
Administration Expenses	120	137
Total loss / (profit)	**2,268**	**2,456**
Employer Contributions	**3,876**	**3,728**

The weighted average duration of the defined benefit obligation for scheme members is 14 years 2025/26 (15 years 2024/25).

31. Usable Reserves

Usable Reserves	2024/25 £000s	2025/26 £000s
General Fund Reserve	(6,419)	(4,664)
Earmarked Reserves	(15,659)	(18,043)
Housing Revenue Reserve	(6,661)	(9,566)
Major Repair Reserve	-	-
Capital Receipt Reserve	(11,818)	(13,050)
Capital Grants Unapplied	(12,704)	(22,597)
Total	**(53,261)**	**(67,920)**

32. Unusable Reserves

Unusable Reserves	2024/25 £000s	2025/26 £000s
Revaluation Reserve	(121,118)	(121,613)
Pooled Investment Funds Adjustment Account	617	497
Capital Adjustment Account	(127,226)	(128,515)
Deferred Capital Receipts reserve	(88)	(77)
Collection Fund Adjustment Account	854	1,188
Pensions Reserve	7,116	6,779
Accumulated Absences Account	584	579
	(239,260)	**(241,162)**

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
- disposed of and the gains are realised

Revaluation Reserve	2024/25		2025/26	
	£000s	£000s	£000s	£000s
Balance at 1 April		**(107,593)**		**(121,118)**
Revaluation of assets and impairment (gains) / losses not charged to the Surplus / Deficit on the Provision of Services		(15,234)		(2,714)
Difference between fair value depreciation and historic cost depreciation	1,468		1,596	
Revaluation balances on assets sold or scrapped	242		622	
Amount written off to the Capital Adjustment Account		1,709		2,219
Balance as at 31 March		**(121,118)**		**(121,613)**

The Revaluation Reserve contains only revaluation gains accumulated since 1st 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.

Pooled Investment Funds Adjustment Account

The Pooled Investment Funds Adjustment Account contains the gains made by the Authority arising from increases in the value of its investments that are measured at fair value through profit and loss. The balance is reduced when investments with accumulated gains are:

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

Pooled Investment Funds Adjustment Account	2024/25		2025/26	
	£000s	£000s	£000s	£000s
Balance at 1 April		**918**		**617**
Upward revaluation of investments	-	(301)	-	(120)
Downward revaluation of investments	-	-	-	-
Balance as at 31 March		**617**		**497**

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

Capital Adjustment Account	**2024/25**		**2025/26**	
	£000s	**£000s**	**£000s**	**£000s**
Balance at 1 April		**(137,652)**		**(127,226)**
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	13,835		16,196	
Revaluation (gains)/losses on Property, Plant and Equipment	8,199		89	
Amortisation of intangible assets	67		76	
Revenue expenditure funded from capital under statute	1,489		2,262	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	2,030		2,597	
Capital debtors written down	331		460	
Equity Valuation (Gains)/Losses	(1,575)		(1,896)	
		24,376		**19,784**
Adjusting amounts written out of the Revaluation Reserve		(1,709)		(2,219)
Net written out amount of the cost of non-current assets consumed in the year		**22,667**		**17,565**
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	(3,421)		(3,732)	
Use of the Major Repairs Reserve to finance new capital expenditure	(3,050)		(3,179)	
Capital grants and contributions credited to the CIES that have been applied to capital financing	(4,118)		(3,317)	
Application of grants to capital financing from the capital Grants Unapplied Account	(1,955)		(8,065)	
Statutory provision for the financing of capital investment charged against the General fund and HRA balances	(1,690)		(341)	
Capital expenditure charged against the General Fund and HRA balances	(635)		(372)	
		(14,869)		**(19,006)**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		**2,627**		**152**
Balance as at 31 March		**(127,226)**		**(128,515)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expense relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

There was a nil balance on the Financial Instruments Adjustment Account as at 1st April 2025 and no movement took place in year, therefore the balance as at 31st March 2026 remains nil.

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

Deferred Capital Receipts Reserve	**2024/25**		**2025/26**	
	£000s	**£000s**	**£000s**	**£000s**
Balance at 1 April		**(98)**		**(88)**
Transfer of deferred sale proceeds in respect of finance leases where the Council is lessor	10		11	
Gain on sale of assets	-	10	-	11
Balance as at 31 March		**(88)**		**(77)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the CIES as it falls due from council tax and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Collection Fund Adjustment Account	**2024/25**	**2025/26**
	£000s	**£000s**
Balance at 1 April	**(1,970)**	**854**
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	2,824	333
Balance as at 31 March	**854**	**1,188**

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 CIES 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 pay 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.

Pension Reserve	**2024/25 £000s**	**2025/26 £000s**
Balance at 1 April	**9,077**	**7,116**
Remeasurement of Net defined Liability	(453)	1,122
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	2,703	2,605
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,211)	(4,064)
Balance as at 31 March	**7,116**	**6,779**

Accumulated Absences Account

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

Accumulated Absences Account	2024/25		2025/26	
	£000s	£000s	£000s	£000s
Balance at 1 April		**515**		**584**
Settlement or cancellation of accrual made at the end of the preceding year	(515)		(584)	
Amounts accrued at the end of the current year	584		580	
Amount by which Officers 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		**69**		**(5)**
Balance as at 31 March		**584**		**579**

33. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below 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 to 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.

Capital Expenditure and Financing	**2024/25 £000s**	**2025/26 £000s**
Opening Capital Financing Requirement	148,684	156,775
Capital Investment		
Property, Plant and Equipment	14,055	29,630
Heritage assets	-	-
Investment Properties	360	17
Intangible assets	80	8
Loans to and equity in subsidiary	-	-
Loans to and equity in LLP	6,580	2,590
Other loans	301	203
Capital Debtors - prepayments	-	-
Revenue expenditure funded from capital under statute	1,489	1,552
Sources of Finance		
Capital Receipts	(2,271)	(3,732)
Government grants and other contributions	(5,922)	(12,410)
Sums set aside from revenue:		
Direct Revenue Contributions	(3,685)	(3,551)
Previous Year Financing Adjustment	(1,207)	1,837
Revenue provision for debt repayment	(1,690)	(341)
Closing Capital Financing Requirement	**156,775**	**172,577**
Increase in underlying need to borrow (unsupported by Government financial assistance)	10,988	14,307
Revenue provision for debt repayment	(1,690)	(341)
Other adjustments	(1,207)	(57)
Increase / (decrease) in Capital Financing Requirement	**8,091**	**13,909**

34. 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 main risks covered are:

- *Credit Risk:* The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.

- *Liquidity Risk:* The possibility that the Council might not have the cash available to make contracted payments on time.
- *Market Risk:* The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk: Overview

The Council is exposed to credit risk on the following categories of financial assets and commitments:

Exposure Category	**31/03/2025 £'000**	**31/03/2026 £'000**
Treasury Investments	18,473	23,758
Trade Receivables	4,982	4,940
Lease Receivables	88	77
Service Loans	5,832	7,359
Total Credit Risk Exposure	**29,375**	**36,134**

Credit Risk: Treasury Investments

The Council manages credit risk by ensuring that 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 £5m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £3m applies. The Council also sets limits on investments in certain sectors. No more than £15m in total can be invested for a period longer than one year.

The Chief Finance Officer can also apply additional selection criteria to further restrict the investment counterparties available to the Council and/or the maximum duration of investments.

The table below summarises the credit risk exposure of the Council's investment portfolio by credit rating:

Credit Rating	31-Mar-25		31-Mar-26	
	Long-term	Short-term	Long-term	Short-term
	£000s	£000s	£000s	£000s
AAA		5,090		10,255
Unrated pooled funds	13,383		13,503	
Total Investments	**13,383**	**5,090**	**13,503**	**10,255**

The Council uses a number of un-rated pooled funds managed by external fund managers that offer enhanced returns over the longer term but are potentially more volatile over the shorter term. This allows the Council to diversify into different asset class other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued stability in meeting the Council's investment objectives will be monitored regularly.

The Council generally does not allow credit for customers.

Credit Risk: Loans and Loan Commitments

In furtherance of the Council’s service objectives, it has lent money to:

i. Oportunitas Limited
ii. Folkestone Parks & Pleasure Grounds Charity
iii. Kent County Council
iv. Local residential property owners
v. Otterpool Park LLP

The Council manages the credit risk inherent in its loans for service purposes and loan commitments in line with its published Investment Strategy.

Loss allowances on loans and loan commitments to Oportunitas Limited & Otterpool Park LLP have been calculated by reference to published historical default rates for the construction and building sector, the recovery rate for secured and unsecured loans, current market conditions and examination of the latest financial statements and business plan for Oportunitas Limited & Otterpool Park LLP. Only 12-month credit losses were deemed necessary to provide for these loans. A reconciliation of the opening to closing 12 month expected credit loss allowances is as follows:

	12 month expected credit losses
	£'000
Opening Allowance 01/04/2025	278
Change in risk	2,260
Closing Allowance 31/03/2026	**2,538**

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is, therefore, no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows, shown both as discounted (principal plus accrued interest to date) and undiscounted (principal plus future interest payments) figures:

	Discounted		Undiscounted	
Time to maturity	**31-Mar-25**	**31-Mar-26**	**31-Mar-25**	**31-Mar-26**
	£000s	**£000s**	**£000s**	**£000s**
Less than 1 year	46,072	55,937	49,446	59,427
1 to 2 years	11,443	7,899	13,941	10,435
2 to 5 years	19,329	23,706	24,726	29,575
5 to 10 years	17,781	18,574	22,890	23,678
10 to 20 years	5,186	6,526	11,089	12,200
20 to 40 years	9,141	7,000	12,074	9,525
Total	**108,952**	**119,641**	**134,167**	**144,841**

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council depending on how variable and fixed rates move across differing financial instrument periods. For example, 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 classed at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value have no impact on the Comprehensive Income and Expenditure Statement (CIES). However, changes in interest payable and receivable 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 classed at fair value will be reflected in the CIES.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. An upper limit of £220,000 on the 12-month revenue impact of a 1% rise and £220,000 of a 1% fall in interest rates was set for 2025/26.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect as at 31st March 2026 would be:

	£000s
Increase in interest payable on variable rate borrowings	294
Increase in interest receivable on variable rate investments	(12)
Impact on Comprehensive Income and Expenditure	**282**
Decrease in fair value of loans and receivables and bonds	**-**
Decrease in fair value of fixed rate borrowings	(3,570)

The most significant effect of a 1% increase in interest rates on the financial instruments carried at amortised cost would be on the fair value of PWLB debt. However, this will have no impact on either the Balance Sheet or the CIES.

Price Risk

The Council's investment in pooled funds is subject to the price risk associated with the instruments contained within them and is managed alongside interest rate risk.

The Council's investment in the pooled property fund is subject to the risk of falling commercial property prices. The Council's investment in the diversified income funds it holds are subject to the risk of falling interest rates, equity prices and commercial property prices.

The estimated impact of these price risks are summarised below:

Impact on Fair Value of Fund

Pooled Fund Category	1% interest rate rise £'000	5% equity price fall £'000	5% property price fall £'000
Property Fund	-	-	(240)
Diversified Income Funds	(138)	(146)	(23)
Total	**(138)**	**(146)**	**(263)**

The reduction in fair value would be a charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Revaluation Reserve with no impact to the local taxpayer.

Foreign Exchange Risk

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

35. Section 106 Receipts and Planning Condition Contributions

Section 106 receipts and planning condition contributions are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities are provided as a result of that permission.

In summary, the movement during the year is shown below:

Opening Balance 01-Apr-25 £000s	New Contributions £000s	Amounts Applied £000s	Closing Balance 31-Mar-26 £000s
(5,218)	(5,777)	982	(10,013)

The balances at 31 March 2026 are held within the following areas of the balance sheet:

	2024/25 £000s	2025/26 £000s
Liabilities:		
Long term creditors – receipts in advance	(4,808)	(4,062)
Capital grants received in advance – current	(59)	(374)
Reserves:		
Capital grants unapplied reserve	(351)	(5,577)
	(5,218)	**(10,013)**

Notes Supporting the Cash Flow Statement

Folkestone & Hythe District Council

36. Reconciliation of Net Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

2024/25 £000s		2025/26 £000s
(1,873)	Interest received	(2,162)
3,267	Interest paid	3,084
(1,210)	Investment income	(1,212)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2024/25 £000s		2025/26 £000s
4,859	Depreciation	5,091
8,984	Impairment and downward revaluations	17,539
67	Amortisation	76
79	Change in impairment for bad debts	2,260
(5,787)	Increase/(decrease) in creditors	(3,343)
(837)	(Increase)/decrease in debtors	(7,325)
(7)	(Increase)/decrease in inventories	2
(1,508)	Movement in pension liability	(1,459)
2,267	Movement in investment property values	152
1,929	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	2,109
6,321	Other non-cash items charged to the net surplus or deficit on the provision of services	(8,340)
16,367		**6,762**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2024/25 £000s		2025/26 £000s
(11,513)	Capital grants credited to the surplus or deficit on the provision of services	(22,074)
5,740	Proceeds from the sale of property, plant and equipment	4,409
-	Any other items for which the cash effects are investing or financing cash flows	-
(5,773)		**(17,665)**

37. Cash Flow Statement – Investing Activities

2024/25 £000s		2025/26 £000s
(12,420)	Purchase of property, plant & equipment, investment property and intangible assets	(27,336)
(73)	Purchase of short-term and long-term investments	(59)
(6,808)	Other payments for investing activities	(2,734)
(5,740)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(4,409)
-	Proceeds from investments	-
11,632	Other receipts from investing activities	23,358
(13,409)	**Net cash flows from investing activities**	**(11,180)**

38. Cash Flow Statement – Financing Activities

2024/25 £000s		2025/26 £000s
59,000	Cash receipts of short- and long-term borrowing	22,712
(58,994)	Repayments of short- and long-term borrowing	(12,164)
(359)	Other payments for financing activities	(401)
(353)	**Net cash flows from financing activities**	**10,147**

Other Notes

39. 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 to have secured the ability to limit another party's ability to bargain freely with the Council.

The UK Government exerts 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., housing benefits).

Details of transactions with government departments are set out in note 15 on page 56.

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2025/26 is set out in note 12 (page 54). Members are required to observe the Code of Conduct for councillors, register financial interests in the Council's Register maintained under section 81(1) of the Local Government Act 2000 and register the receipt of any gifts/hospitality over £25.

In the financial year 2025/26, there were no transactions between member related parties and the Council that required separate disclosure in the accounts.

Officers are required to observe the Code of Conduct for Officers and register the receipt of any gifts/hospitality. The Council had no material related party transactions with officers during 2025/26, other than those disclosed in note 13 (page 55).

The Council is Corporate Trustee of the Folkestone Parks and Pleasure Grounds Charity. It is responsible for providing the majority of the Charity's funding by financing its net cost. The Corporate Trustee duties of the Council are carried out by its executive councillors. The Charity's management support and grounds maintenance is carried out by the Council officers. Further details of the Trust and the Council's contribution are set out in note 40 (page 97). Payment of £677k was made to the Charity in respect of Special Expenses. The Council received £57k from the Charity in respect of loan repayments. Balances due to/from the Charity at 31st March 2026 are £(263)k and £339k, respectively.

The Council has three subsidiaries; wholly owned Oportunitas Limited, a company that commenced trading in 2014/15; wholly owned Otterpool Park Development Company Ltd (OPDCL); and Otterpool Park LLP (OPLLP) of which the Council owns 99.9%. OPLLP, set up by the Council to deliver its objectives for the Otterpool Park Garden Town, was incorporated on 15th August 2019 and FHDC and OPDCL were appointed members on 4th February 2020. Group financial statements, consolidating the results of the companies with those of the Council, have been prepared and are set out on pages - 111 -- 122 -.

The Council received £345k from Oportunitas in respect of loan repayments and interest. The Council also has charges over all properties owned by Oportunitas Limited.

Payment of £2.5m was made in 2025/26 to Otterpool Park LLP in respect of a company loan and £59k in equity.

Payment of £5.7k was made in 2025/26 to Otterpool Development Company "OPDCL" in respect of a contribution towards operating costs.

Amounts due to or from those other parties able to control or influence the Council or to be controlled/ influenced by the Council are as follows:

Related Parties	**2024/25 £000s**	**2025/26 £000s**
Amounts due to Central Government	2,847	4,797
Amount due to Oportunitas Limited	-	-
Amount due to Folkestone Parks Charity	199	402
Amounts due from Central Government	1,654	6,541
Amounts due from Kent County Council	2,793	2,834
Amount due from Oportunitas Limited	-	-
Amount due from Folkestone Parks Charity	339	339

40. Trust Funds

The Council's Executive acts as sole trustee for the Folkestone Parks and Pleasure Grounds Charity. The net expenditure of the Charity is treated as special expenses to be charged upon the Folkestone area. The funds do not represent assets of the Council and have not been included in the balance sheet; however, the Council does hold £216k of investments, net of cash, on behalf of the charity.

The Council has used Section 35 of the Local Government Finance Act 1992 to apply a Special Expenses Rate, to recover the cost of its contribution to the charity, thus only residents of the former Borough of Folkestone are asked to contribute via their council tax bill.

The special expenses of £677k have been included under Operations in the CIES (£643k 2024/25).

Income to the Charity therefore includes a contribution of £677k from the Council (£643k 2024/25). The remainder of the charity's income is derived from charges for services, grants, and investment income.

The Charity is required to produce an Annual Report and Account that sets out in detail its activities for that year. Copies of these can be obtained from the Charity Commission's website.

41. Interests in Companies and Other Entities

Oportunitas Limited

The Council wholly owns Oportunitas Limited, a company set up for housing and regeneration purposes. The results of the company have been consolidated with those of the Council and are shown within the Group Financial Statements.

The Council holds 2,515 shares in the company at a cost of £4.9m and has loans outstanding of £4.7m from it.

Company turnover was £787k in 2025/26 (£755k 2024/25). Oportunitas made an operating profit of £431k in 2025/26 (profit of £422k in 2024/25). Its holdings in investment property was £14.3m at 31st March 2026 (£13.6m 31/03/2025).

Otterpool Park LLP

The Council owns 99.9% of Otterpool Park LLP, a company set up to deliver its objectives for the Otterpool Park Garden Town. The results of the company have been consolidated with those of the Council and are shown within the Group Financial Statements.

The Council's member capital in the company is £1.9m and has loans outstanding of £28.3m.

Company turnover was £159k in 2025/26 (£151k 2024/25). Otterpool Park LLP made an operating loss of £704k in 2025/26 (£524k in 2024/25). It held tangible assets of £2k at 31st March 2026 (£19k 31/03/2025).

Otterpool Park Development Company LLP

The Council wholly owns OPDCL, a company set up to deliver its objectives for the Otterpool Park Garden Town and a member of Otterpool Park Development Company LLP.

Company turnover was £(6)k in 2025/26 (£(6)k 2024/25) and made an operating loss of £(6)k in 2025/26 (£(6)k 2024/25).

42. The Council Acting as Agent

In 2025/26 the Council has not acted as an intermediary. Where the Council acts as agent, year-end balances only are reflected in the accounts as either a debtor or creditor.

43. Contingent Assets and Liabilities

Contingent Asset

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

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

There are no material contingent assets identified at the Balance Sheet Date.

Contingent Liability
A contingent liability is a liability that may occur depending on the outcome of an uncertain future event. Contingent liabilities are recorded if the contingency is likely, and the amount of the liability can be reasonably estimated.

There are no material contingent liabilities identified at the Balance Sheet Date.

44. Events after the Balance Sheet Date

The accounts were authorised for issue on the 30 June 2026, which is the date that the Director of Finance signed the Balance Sheet. Events after the balance sheet date (31st March 2026) been considered up to the 30 June 2026 when the accounts were authorised for issue. If any significant events take place before the 30 June 2026 which provide information about conditions existing at 31st March 2026, any material adjustments that are needed to reflect the impact of this information, the financial statements and notes are amended.

There have been no post balance sheet events identified which require amendments.

45. Prior Period Adjustments

There have been no prior period adjustments identified.

Housing Revenue Account

Folkestone & Hythe District Council

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the HRA Statement.

Housing Revenue Account (HRA) Income and Expenditure Statement

2024/25 £000s		2025/26 £000s
	Income	
(18,854)	Dwelling Rents (Gross)	(19,052)
(389)	Non dwelling rents (Gross)	(349)
(1,168)	Charges for services and facilities	(1,203)
(52)	Contributions towards expenditure	(52)
(1,919)	Capital Grants and Contributions	(183)
(22,382)		**(20,840)**
	Expenditure	
4,968	Repairs and maintenance	5,072
6,962	Supervision and management	7,148
17	Rents, rates, taxes and other charges	17
11,274	Depreciation and impairment of non-current assets (HRA Note 6)	12,291
(247)	Valuation change	1,763
36	Debt management costs	27
91	Increase / (Decrease) in bad debt provision	80
23,101		**26,399**
719	**Net (surplus)/deficit of HRA Services as included in the whole authority CIES**	**5,559**
143	HRA services share of Corporate and Democratic Core	184
862	**Net (surplus)/deficit of HRA services**	**5,743**
(611)	(Gain)/loss on sale of HRA non-current assets	(1,339)
1,890	Interest payable and similar charges	2,056
(218)	Interest and investment income	(290)
12	Net interest on the net defined liability (HRA Note 9)	47
1,935	**(Surplus)/Deficit for the year on HRA Services**	**6,217**

Movement on the Housing Revenue Account Statement

2024/25 £000s		2025/26 £000s
1,935	Deficit on the HRA Income and Expenditure Statement	6,217
(6,047)	Difference between any other items of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements (HRA Note 8)	(10,224)
611	Gain or (loss) on sale of HRA non-current assets	874
-	Capital expenditure funded by the HRA	-
203	HRA share of contributions to or from the Pensions Reserve (HRA Note 9)	229
(3,298)	**Net (increase) or decrease before transfers to or from Reserves**	**(2,905)**
-	Transfer from the Major Repairs Reserve	-
(3,298)	**(Increase) or Decrease in year on the HRA**	**(2,905)**
(3,364)	Balance on the HRA at the end of the previous reporting period	(6,662)
(3,298)	(Increase) or Decrease in year on the HRA (as shown above)	(2,905)
(6,662)	**Balance on the HRA at the end of the current reporting period**	**(9,566)**

1. Housing Assets

At 31st March 2026, the Council was responsible for managing 3,404 units of accommodation (excluding shared ownership properties).

The change in the stock can be summarised as follows:

Stock	2024/25	2025/26
Stock at 1 April	3,395	3,398
Acquisitions	9	20
Sales	(7)	(17)
Additions (Change of Use)	1	3
Disposals	-	-
Stock at 31 March	**3,398**	**3,404**

The Balance Sheet value was as follows:

	2024/25 £000s	2025/26 £000s
Dwellings	226,783	229,463
Other Land and Buildings	5,884	5,709
Infrastructure	757	677
Vehicles, Plant, Furniture and Equipment	34	25
Total Operational Assets	**233,458**	**235,874**
Assets under construction	948	5,534
Assets held for sale	(2,069)	-
Total Non Operational Assets	**(1,121)**	**5,534**
Total Assets	**232,337**	**241,407**

2. Vacant Possession Value

The vacant possession value of dwellings within the HRA as at the 31st March 2026 was £699,510,000. The Balance Sheet figure has been reduced to 33% to show existing use value as social housing, reflecting the economic cost of providing council housing at less than open market rents.

3. Major Repairs Reserve

	2024/25 £000s	2025/26 £000s
Balance on Major Repairs Reserve as at 1 April	-	-
Depreciation and impairment of non-current assets	(3,050)	(3,179)
Capital expenditure on land, houses and other property within the HRA	3,050	3,179
Balance on the Major Repairs Reserve as at 31 March	**-**	**-**

4. Capital Expenditure on Land, Houses and Other Property within the HRA

	2024/25 £000s	2025/26 £000s
Houses	9,179	16,763
Other Property	108	1,013
Intangible Assets	6	-
	9,292	**17,776**

5. Capital Financing

The capital expenditure detailed in Note 4 above was financed as follows:

	2024/25 £000s	2025/26 £000s
Capital receipts	1,495	2,417
Capital Financing	3,000	9,294
Revenue	-	-
Decarbonisation Grant	1,555	1,052
Carry forwards	-	1,494
Afghan/Ukraine Grant	192	340
Major Repairs Reserve	3,050	3,179
	9,292	**17,776**

A summary of HRA capital receipts during the year is given below:

	2024/25 £000s	2025/26 £000s
Houses and Flats	1,072	1,072
	1,072	**1,072**

6. Depreciation, Impairment and Valuation on Non-Current Assets

2024/25 Revaluation £000s	2024/25 Depreciation £000s	2024/25 Impairment £000s	2024/25 Amortisation £000s		2025/26 Revaluation £000s	2025/26 Depreciation £000s	2025/26 Impairment £000s	2025/26 Amortisation £000s
-	-	-	-	Land				
247	2,894	8,104	-	Dwellings	(1,763)	3,041	8,116	-
-	44	78	-	Other Land and Buildings	-	49	983	-
-	82	-	-	Infrastructure	-	80	-	-
-	30	-	-	Vehicles, Plant, Furniture and Equipment	-	9	-	-
-	-	-	42	Amortisation of intangible assets				14
247	**3,050**	**8,182**	**42**		**(1,763)**	**3,179**	**9,099**	**14**

The revaluation gain is a reversal of previous revaluation losses recognised through the net cost of HRA services.

Additionally in 2025/26 £3.5m was posted to the Revaluation Reserve (£12.4m 2024/25) in respect of valuation gains and is disclosed in Other Comprehensive Income and Expenditure.

7. Rent Arrears

	31-Mar-25 £000s	31-Mar-26 £000s
Gross rent arrears	707	735
Current tenant arrears (excluding former tenants)	388	405
Provision for doubtful debts	291	310

Gross rent arrears include income related to properties leased by the Council to assist with providing services to prevent homelessness. Income relating to this service is credited to the General Fund.

8. Difference between any other items of Income and Expenditure

	2024/25 £000s	2025/26 £000s
HRA impairment-capital expenditure not adding value	(8,182)	(9,099)
Net valuation changes	247	(1,763)
Other movements	1,902	642
Other changes	(15)	(5)
	(6,047)	**(10,224)**

9. Housing Revenue Account Pension Costs

The following transactions have been made in the HRA Income and Expenditure Statement and Movement on the HRA Statement during the year in respect of pensions.

2024/25 £000s		2025/26 £000s
365	Current Service Cost	364
12	Net interest on net defined liability	47
378	Net charge to the HRA Income and Expenditure Statement	**410**
203	HRA share of contributions to or from the pensions reserve in the Movement on the HRA Statement	229
581		**640**
581	Employer Contributions	640
581	Actual amounts charged against the HRA balance for pensions during the year	**640**

10. Item 8 Credit and Item 8 Debit (General) Determination

The capital asset charges accounting adjustments calculated in accordance with the Regulations were as follows.

The Item 8 debit was calculated by multiplying the average HRA capital financing requirement by the consolidated rate of interest on the Council's borrowing for the year and amounted to £2.1m (£1.9m 2024/25).

The Item 8 credit was calculated by multiplying the average HRA balances for the year by the consolidated rate of interest on the Council's investments and amounted to £285k (£212k 2024/25).

Collection Fund

The Collection Fund Statement reflects the statutory obligations for billing authorities to maintain a separate Collection Fund. It shows the transactions in relation to collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates. It shows the impact of the Council retaining a proportion of the collected non-domestic rates.

2024/25 Council Tax £000s	2024/25 Business Rates £000s	2024/25 Total £000s		2025/26 Council Tax £000s	2025/26 Business Rates £000s	2025/26 Total £000s
			Amounts required by statute to be credited to the Collection Fund			
(95,495)		(95,495)	Council Tax (Note 1)	(103,398)		(103,398)
		-	Council Tax benefit	-		-
(284)		(284)	Council Tax S13A 1(C) Discounts	(296)		(296)
	(28,810)	(28,810)	Business Rates income (Note 2)		(29,215)	(29,215)
	(592)	(592)	Business Rates transitional protection		(78)	(78)
(95,779)	**(29,402)**	**(125,181)**	**Total Income**	**(103,694)**	**(29,293)**	**(132,987)**
			Amounts required by statute to be debited to the Collection Fund			
			Council tax precepts and demands:			
65,184		65,184	Kent County Council	70,038		70,038
10,365		10,365	Kent Police and Crime Commissioner	11,188		11,188
3,638		3,638	Kent Fire and Rescue Service	3,928		3,928
14,970		14,970	Folkestone & Hythe District Council	15,785		15,785
1,546		1,546	Surplus/(deficit) distribution	(745)		(745)
237		237	Council Tax bad debts written off	513		513
220		220	(Decrease)/Increase in provision for Council Tax bad debts	3,119		3,119
			Payment of Business Rates			
	149	149	Cost of Business Rates collection		152	152
			Share of Business Rates income:			
	15,142	15,142	Central Government (central share)		16,132	16,132
	2,726	2,726	Kent County Council		2,904	2,904
	303	303	Kent Fire and Rescue Service		323	323
	12,114	12,114	Folkestone & Hythe District Council		12,905	12,905
	5,824	5,824	Surplus/(deficit) distribution		(1,423)	(1,423)
	11	11	Business Rates bad debts written off		37	37
	139	139	(Decrease)/Increase in provision for Business Rates bad debts		421	421
	(120)	(120)	(Decrease)/Increase in provision for Business Rates appeals		(1,377)	(1,377)
96,160	**36,288**	**132,448**	**Total Expenditure**	**103,826**	**30,074**	**133,900**
381	6,886	7,267	**(SURPLUS)/DEFICIT FOR THE YEAR**	132	781	913
532	(5,107)	(4,575)	(Surplus)/Deficit brought forward	913	1,778	2,692
913	1,778	2,692	(Surplus)/Deficit carried forward	1,045	2,559	3,605

1. Council Tax

The average council tax at Band D set by the preceptors was as follows:

2024/25 £		2025/26 £
1,610.82	Kent County Council	1,691.19
256.16	Kent Police and Crime Commissioner	270.15
89.91	Kent Fire and Rescue Service	94.86
295.96	Folkestone & Hythe District Council (including Special Expenses charged on Folkestone)	304.81
73.98	Town and Parish Councils	76.34
2,326.83		**2,437.35**

The amount of income generated in 2025/26 by each council tax band was as follows:

Band	Chargeable Dwellings	Band D Equivalent	Income £'000
A	6,958	3,153	(7,686)
B	12,693	7,690	(18,743)
C	14,377	11,095	(27,044)
D	8,551	7,957	(19,394)
E	5,146	5,993	(14,608)
F	2,723	3,830	(9,335)
G	1,926	3,214	(7,833)
H	80	168	(409)
	52,454	43,101	**(105,052)**
	Contributions from the Ministry of Defence in lieu of council tax		(615)
	In year adjustments		2,269
	Income collectable from council tax payers		**(103,398)**

The 2025/26 tax base approved by Council was 41,414. This figure was arrived at after allowing for contributions in lieu of council tax and provision for bad debts.

2. Income Collectable from Business Rate Payers

The Council collects non-domestic rates for its area based on local rateable values multiplied by a uniform national rating multiplier. Since April 2015 Folkestone & Hythe District Council have been a member of the Kent Business Rates Pool with Kent County Council, Kent Fire and Rescue and nine other Kent local authorities in order to minimise the levy payment due to central government and thereby maximise retention of locally generated business rates.

In 2025/26 the total amount, less certain reliefs, and other deductions, was shared between Central Government (50%), Folkestone & Hythe District Council (40%), Kent County Council (9%) and Kent Fire and Rescue Service (1%).

2024/25 £000s		2025/26 £000s
(83,089)	Non domestic rateable value as at 31 March	(83,173)
52.83	Non-domestic rate multiplier	53.20
(43,892)	**NNDR income before allowances and other adjustments**	**(44,249)**
15,082	Allowances, reduced assessments and other adjustments, including small business rate relief supplement & Covid reliefs	15,034
(28,810)	**Income collectable from business rate payers**	**(29,215)**

The non-domestic rate multiplier for 2025/26 was 49.9p for qualifying properties of less than £51,000 rateable value and 55.5p for all others (2024/25 49.9p and 54.6p respectively).

Group Accounts

Group Movement in Reserves Statement

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Council Share of Subsidiary Usable Reserves	Total Group Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
2024/25										
Group Balance at 31 March 2023	**(16,755)**	**(3,364)**	**(9,076)**	**-**	**(7,498)**	**(36,693)**	**(239,201)**	**(275,894)**	**11**	**(275,885)**
Movement in reserves during 2024/25										
Total Comprehensive Income and Expenditure	(3,247)	1,935	-	-	-	(1,312)	(25,455)	(26,767)	(1,581)	(28,347)
Adjustments between group accounts and authority accounts	(2,024)	-	-	-	-	(2,024)	-	(2,024)	2,024	-
Net Increase/Decrease before Transfers	**(5,271)**	**1,935**	**-**	**-**	**-**	**(3,336)**	**(25,455)**	**(28,791)**	**444**	**(28,348)**
Adjustments between accounting basis and funding basis under regulations	(49)	(5,232)	(2,741)	-	(5,206)	(13,228)	13,228	-	-	-
Increase or Decrease in 2024/25	**(5,321)**	**(3,297)**	**(2,741)**	**-**	**(5,206)**	**(16,564)**	**(12,227)**	**(28,791)**	**444**	**(28,348)**
Balance at 31st March 2025 carried forward	**(22,075)**	**(6,661)**	**(11,817)**	**-**	**(12,704)**	**(53,257)**	**(251,428)**	**(304,685)**	**455**	**(304,238)**
Group Balance at 31 March 2025	**(22,075)**	**(6,661)**	**(11,817)**	**-**	**(12,704)**	**(53,257)**	**(251,428)**	**(304,685)**	**455**	**(304,238)**
Movement in reserves during 2025/26										
Total Comprehensive Income and Expenditure	(18,498)	6,217	-	-	-	(12,282)	2,542	(9,740)	(2,832)	(12,572)
Adjustments between group accounts and authority acc	(2,688)	-	-	-	-	(2,688)	-	(2,688)	2,688	-
Net Increase/Decrease before Transfers	**(21,187)**	**6,217**	**-**	**-**	**-**	**(14,970)**	**2,542**	**(12,428)**	**(144)**	**(12,572)**
Adjustments between accounting basis and funding bas	20,557	(9,122)	(1,232)	-	(9,893)	310	(310)	-	-	-
Increase or Decrease in 2025/26	**(630)**	**(2,905)**	**(1,232)**	**-**	**(9,893)**	**(14,660)**	**2,232**	**(12,428)**	**(144)**	**(12,572)**
Balance at 31st March 2026 carried forward	**(22,705)**	**(9,566)**	**(13,050)**	**-**	**(22,597)**	**(67,917)**	**(249,196)**	**(317,112)**	**284**	**(316,828)**

Group Comprehensive Income and Expenditure Statement:

2024/25 Gross Expenditure £000s	2024/25 Income £000s	2024/25 Net Expenditure £000s		2025/26 Gross Expenditure £000s	2025/26 Income £000s	2025/26 Net Expenditure £000s
			Continuing Operations			
509	(114)	395	Leadership Support	551	(208)	343
4,128	(155)	3,973	Governance & Law	4,384	(524)	3,860
820	(118)	702	Human Resources	864	(158)	705
33,637	(26,678)	6,959	Finance Customer & Support	30,950	(22,300)	8,650
-	-	-	Strategic Development	-	-	-
1,082	(1,253)	(171)	Economic Development	1,145	(572)	573
2,028	(1,286)	742	Planning	2,064	(1,439)	624
9,277	(6,104)	3,172	Estates & Operations	15,000	(7,735)	7,265
2,567	(3,979)	(1,411)	Housing	4,221	(5,382)	(1,161)
9,278	(3,156)	6,122	Customer Case Regulatory & Communities	10,325	(3,205)	7,120
-	-	-	Transition & Transformation	-	-	-
23,492	(20,463)	3,028	Local Authority Housing (HRA)	24,820	(20,657)	4,163
86,817	**(63,306)**	**23,511**	**(Surplus)/Deficit on Continuing Operations**	**94,323**	**(62,179)**	**32,143**
2,706	(3,103)	(397)	Other operating expenditure	4,170	(939)	3,231
13,837	(14,201)	(364)	Financing and investment income and expenditure	(603)	(556)	(1,159)
6,856	(42,337)	(35,481)	Taxation and non-specific grant income	7,087	(51,549)	(44,462)
110,216	**(122,947)**	**(12,731)**	**(Surplus) or Deficit on Provision of Services**	**104,977**	**(115,223)**	**(10,246)**
		(15,164)	(Surplus) or deficit on revaluation of non-current assets			(3,448)
		(453)	Re-measurement of net defined liability			1,122
		(15,617)	**Other Comprehensive Income and Expenditure**			**(2,326)**
		(28,348)	**TOTAL Comprehensive Income and Expenditure**			**(12,572)**

Group Balance Sheet:

2024/25 £000s		Note	2025/26 £000s
	Non current assets		
226,781	Council dwellings		229,461
119,963	Property, plant and equipment		126,943
2,998	Heritage Assets		2,998
40,720	Investment property	2	41,302
236	Intangible assets		168
13,383	Long term investments	3	13,503
3,051	Long term debtors	4	2,895
407,131	**Long term assets**		**417,271**
2,069	Assets Held For Sale		-
23,833	Inventories	5	28,272
13,220	Short term debtors	6	19,767
5,505	Cash and cash equivalents	7	10,568
44,626	**Current assets**		**58,607**
(45,455)	Short term borrowing	9	(55,179)
(14,300)	Short term creditors		(17,810)
(5,423)	Grants receipts in advance - capital		(6,235)
(1,333)	Current Provisions		(782)
221	Cash in transit	7	(1,774)
(66,290)	**Current liabilities**		**(81,780)**
(62,881)	Long term borrowing	9	(63,706)
(7,116)	Net Pensions liability		(6,779)
(10,590)	Long term liabilities		(6,143)
(643)	Provisions		(643)
(81,230)	**Long term liabilities**		**(77,270)**
304,238	**Net assets**		**316,828**
(52,810)	Usable reserves		(67,613)
(251,427)	Unusable reserves		(249,216)
(304,238)	**Total Reserves**		**(316,828)**

Group Cashflow Statement:

2024/25 £000s		2025/26 £000s
2,962	Net surplus or (deficit) on the provision of services	14,381
16,794	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements	8,114
(7,604)	Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	(19,922)
12,153	**Net cash flow from operating activities**	**2,573**
(6,549)	**Net cash flow from investing activities (Group Note 8)**	**(5,058)**
(5,301)	**Net cash flow from financing activities**	**5,553**
303	**Net increase or decrease in cash and cash equivalents**	**3,068**
5,424	Cash and cash equivalents at the beginning of the reporting period	5,727
5,726	**Cash and cash equivalents at the end of the reporting period**	**8,794**

Explanation of Group Financial Statements

Group MiRS

This statement shows the movement in the year on the different reserves held by the Council and its subsidiaries Oportunitas Limited and Otterpool Park LLP, analysed into usable reserves i.e., those that can be applied to fund expenditure or reduce local taxation and other reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Group CIES. This is different from the statutory amounts required to be charged to the General Fund balance for council tax setting. The 'Net Increase/Decrease' line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves.

Group CIES

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Group MiRS. The statement shows the consolidated position of the Council and incorporates its subsidiaries, Oportunitas Limited and Otterpool Park LLP.

Group Balance Sheet

The Group Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e., those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve, where amounts would only become available to provide services if the assets were sold); and reserves that hold timing differences shown in the Group MiRS line 'Adjustments between accounting basis and funding basis under Regulations.' The Group Balance Sheet shows the consolidated position incorporating the Council's subsidiaries Oportunitas Limited and Otterpool Park LLP.

Group Cash Flow Statement

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Council and its subsidiaries, Oportunitas Limited and Otterpool Park LLP, during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing, and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of 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 to the Group Financial Statements

The Group Accounts should be read in conjunction with the Council's single entity accounts. Only notes to the accounts that are materially different from the single entity accounts are produced for the group accounts.

Note 1 – Accounting Policies

In preparing the Group Accounts the Council has aligned the accounting policies of the company with those of the Council and made consolidation adjustments where necessary; has consolidated the financial statements of the company with those of the Council on a line-by-line basis; and has eliminated full balances, transactions, income and expenses between the Council and its subsidiaries.

Notes to the Group Financial Statements have been presented where the figures are materially different from those of the Council entity accounts. Where there are no material differences, Notes to the Council's accounts provide then required disclosures.

Note 2 – Investment Properties

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

Cost or Valuation	2024/25 £000s	2025/26 £000s Investment Property	2025/26 £000s AUC	2025/26 £000s Total
At 1 April	43,959	40,721	-	40,721
Additions – acquisitions	360	5	-	5
Assets Under Construction (AUC) - at 1 April	-	-	-	-
Additions - AUC	-	-	-	-
Transfers from AUC	-	-	-	-
Net gain/loss from fv adjustments	(2,337)	582	-	582
Impairment	(360)	(5)	-	(5)
Reclassification to PPE- Surplus Asset	-	-	-	-
Disposals	(901)	-	-	-
At 31 March	**40,721**	**41,302**	**-**	**41,302**

Fair Value Hierarchy for Investment Properties

Details of the Authority's Investment Properties and information about the fair value hierarchy as at 31st March 2026 are as follows:

2025/26 Recurring fair value measurements using:	Other significant observable inputs	Fair value at
	(Level 2)	31-Mar-26
	£000s	£000s
Residential Units	21,709	21,709
Agricultural Land	1,175	1,175
Commercial Units	18,418	18,418
Total at Fair Value	**41,302**	**41,302**
Assets Under Construction	-	-
Total Investment Properties	**41,302**	**41,302**

Valuation Techniques used to Determine Level 2 Fair Values for Investment Properties

Significant observable inputs – Level 2

The fair value for the residential units, agricultural land and commercial units has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local Authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Note 3 – Long Term Investments

Long Term Investments	2024/25	2025/26
	£000s	£000s
Bond, equity & property funds	13,383	13,503
Shares in unlisted companies	-	-
Changes in FV of equity investments in companies	-	-
	13,383	13,503

Note 4 – Long Term Debtors

Long Term Debtors	2024/25 £000s	2025/26 £000s
Loan to Oportunitas Limited	-	-
Loan to Otterpool Park LLP	-	-
Expected Credit Loss (Loans to Companies)	-	-
Other Adjustments	(55)	(1)
Soft Loans	1,557	1,453
Other Loans	699	605
Capital Prepayment (Otterpool Land Options)	773	773
Lease Receivables	77	65
	3,051	**2,895**

Note 5 – Stock and WIP

	2024/25 £000s	2025/26 £000s
Stock	13	11
Work in progress	23,820	28,261
	23,833	**28,272**

Note 6 – Short Term Debtors

Short Term Debtors	2024/25 £000s	2025/26 £000s
Trade Receivables	1,656	1,263
Receivables from Related Parties	4,359	8,154
Prepayments	875	2,664
Other Receivables	2,415	2,438
Council Taxpayers	2,297	3,419
Business Ratepayers	325	1,350
Sundry Debtors	3,610	3,527
	15,537	**22,815**
Impairment of debt		
Trade Receivables	(909)	(967)
Other Receivables	(1,408)	(2,081)
Total	**(2,317)**	**(3,049)**
	13,220	**19,767**

Note 7 – Cash and Cash Equivalents

Cash and Cash Equivalents	2024/25 £000s	2025/26 £000s
Bank Accounts	415	313
Money Market Funds	5,090	10,255
Cash in Transit	221	(1,774)
	5,726	**8,794**

Note 8 – Cash Flow Statement – Investing Activities

2024/25 £000s		2025/26 £000s
(12,423)	Purchase of property, plant & equipment, investment property and intangible assets	(27,332)
(3)	Purchase of short-term and long-term investments	(792)
(16)	Other payments for investing activities	4,117
(5,740)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(4,409)
-	Proceeds from investments	-
11,632	Other receipts from investing activities	23,358
(6,546)	**Net cash flows from investing activities**	**(5,058)**

Note 9 – Financial Instruments

Financial Liabilities	Long Term 31-Mar-25 £000s	Long Term 31-Mar-26 £000s		Short Term 31-Mar-25 £000s	Short Term 31-Mar-26 £000s
Loans amortised cost:					
- Principal sum borrowed	(62,880)	(63,704)	-	(44,683)	(54,138)
- Accrued interest	-	-	-	(772)	(1,040)
Total Borrowing	**(62,881)**	**(63,704)**	**-**	**(45,455)**	**(55,179)**
Liabilities at amortised cost:					
- Cash in Transit	-	-	-	-	(1,730)
Total Cash Liability	**-**	**-**	**-**	**-**	**(1,730)**
Liabilities at amortised cost:					
- Trade payables	-	-	-	(3,590)	(5,332)
Included in Creditors	**-**	**-**	**-**	**(3,590)**	**(5,332)**
Total Financial Liabilities	**(62,881)**	**(63,704)**	**-**	**(49,045)**	**(62,241)**

Financial Assets	Long Term 31-Mar-25 £000s	Long Term 31-Mar-26 £000s		Short Term 31-Mar-25 £000s	Short Term 31-Mar-26 £000s
At fair value through profit & loss:					
- Fair value	13,192	14,575	-	-	-
Total investments	**13,192**	**14,575**	**-**	**-**	**-**
At amortised cost:					
- Principal	-	-	-	402	-
At fair value through profit & loss:					
- Fair value	-	-	-	5,090	10,255
Total Cash & Cash Equivalents	**-**	**-**	**-**	**5,492**	**10,255**
At amortised cost:					
- Trade receivables*	-	-	-	4,785	5,240
- Lease receivables*	77	65	-	11	12
- Loans made for service purposes*	2,088	2,221	-	467	491
- Loss allowance Expected Credit Loss*	-	-	-	(403)	(58)
Included in Debtors	**2,166**	**2,286**	**-**	**4,859**	**5,686**
Total Financial Assets	**15,358**	**16,861**	**-**	**10,351**	**15,941**

Independent Auditor's Report to the Members of Folkestone and Hythe District Council

2025/26 Audit Opinion to Follow

Annual Governance Statement 2025/26

[Annual Governance Statement to follow – See July 2026 Audit and Governance Committee meeting (ModGov)]

Folkestone
& Hythe
District Council