

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

AUDIT AND TRANSPARENCY COMMITTEE MEETING

MONDAY 22 JULY 2024

REPORT BY THE EXECUTIVE DIRECTOR OF RESOURCES

DRAFT STATEMENT OF ACCOUNTS 2023/24

Members are asked to note the contents of the 2023/24 draft Statement of Accounts which was authorised for publication by the Executive Director of Resources on 31 May 2024.

FOR INFORMATION

1. EXECUTIVE SUMMARY

- 1.1 The draft accounts were published on the Council's website on 31 May 2024 in line with the statutory deadline.

2. RECOMMENDATION

- 2.1 The Committee is requested to note the contents of the 2023/24 draft Statement of Accounts.

3. BACKGROUND

- 3.1 The accounts for 2023/24 are closed and the external audit of the draft financial statements has commenced. These accounts are subject to change until the conclusion of the audit by Grant Thornton.
- 3.2 The Accounts and Audit Regulations 2015 ordinarily would require that this Committee formally approve and publish the 2023/24 audited accounts by 31 July 2024. However, the Accounts and Audit (Amendment) Regulations 2022 have extended the deadline to 30 September 2024.
- 3.3 The audited accounts will be presented for approval at the Audit and Transparency Committee meeting on 23 September 2024.

4. DRAFT STATEMENT OF ACCOUNTS 2023/24

- 4.1 The contents of the Statement of Accounts are largely determined by statutory requirements set out within the 'Code of Practice on Local Authority Accounting in the UK' published annually by the Chartered Institute of Public Finance and Accountancy (CIPFA). The CIPFA Code of Practice is based on International Financial Reporting Standards (IFRS). The core statements and notes in the

accounts are designed in a standard format to allow easy comparison with other local authorities.

4.2 Set out below are the main elements of the Statement of Accounts with a brief explanation of the information contained within each:

4.3 **The Movement in Reserves Statement (MIRS)** combines the total comprehensive income and expenditure for the year along with adjustments between the accounting basis and funding basis to arrive at the movement in reserves seen on the balance sheet between 31 March 2023 and 31 March 2024.

4.4 **The Comprehensive Income and Expenditure Account (CIES)** summarises the revenue activities of the Council (General Fund and HRA) during 2023/24 and shows the day-to-day costs of services provided by the Council together with charges made to the revenue accounts in respect of the use of assets, costs of borrowing and income from investments.

4.5 The CIES shows gross revenue service income of £522m in 2023/24 and service expenditure of £857m. After taking into account grants, council tax and business rate income and other operating and financing income and expenditure, the 2023/24 overall deficit on the provision of services is £80m. This compares to the deficit of £123m in 2022/23.

4.6 The reduction in the deficit is mainly due to the following:

CIES Heading	2023/24 (£'000)	2022/23 (£'000)	Variance (£'000)	Reason
Adult Social Care and Public Health	37,819	23,685	14,134	£10m reduction in revaluation gains and £3m increase in activity, inflation and complexity of care packages
Children's Services and Education	43,030	93,937	(50,907)	£45m reduction in revaluation loss offset by £3m increase in Looked After Children placement costs
Grenfell Settlement	33,772	0	33,772	£33m provision for Grenfell compensation claims and related costs.
Financing and Investment Income and Expenditure	(23,263)	(1,782)	(21,481)	£20m overall increase in the net interest receivable on the net pension asset.
Taxation and non-specific grant income and expenditure	(237,723)	(197,608)	(40,115)	Overall increase in grants and contributions including: £5m Social Care Support Grant £3m Market Sustainability and Improvement Fund £4m leaseholder income £6m section 278 contributions £4m Section 106 contributions

				£5m Social Housing Decarbonisation Fund £4m Public Sector Decarbonisation Scheme).
Total	(146,365)	(81,768)	(64,597)	

4.7 Technical accounting adjustments for unrealised gains and losses are shown as Other Comprehensive Income and Expenditure. This includes the net pension asset which shows the fair value of employer assets to be greater than the present value of the funded obligations. As at 31 March 2024, the net pension asset was £397m compared to a net pension asset at 31 March 2023 of £447m. This is a result of having to restrict the value to the asset ceiling – the net pension asset figures both with and without the asset ceiling is shown in the table below. Note 36 provides details of the change in the pension asset.

	2023/24 (£'000)	2022/23 (£'000)	Variance (£'000)
Net pension (liability) / asset without asset ceiling	666,657	456,762	(209,895)
Adjustment for asset ceiling	(270,153)	(9,874)	(260,279)
Net pension (liability) / asset with asset ceiling	396,504	446,888	(50,384)

4.8 This leaves an overall total comprehensive income and expenditure loss for the year of £143m compared to a £292m gain in 2022/23. After the statutory and regulatory accounting adjustment gains and losses are removed in the Movement in Reserves Statement (MIRS), General Fund reserves have decreased by £7m to £126m. The HRA reserves (working balance) was unchanged and remains at £6m.

4.9 The CIPFA Code of Accounting requires prominence to be given to the Expenditure and Funding Analysis (Note 9) which provides a reconciliation between the outturn reported in the Narrative Report and the CIES. The former excludes uncontrollable expenditure and includes reserve movements to arrive at reported outturn against revised budget for each service. However, in compliance with the Code and IFRS, the CIES must include statutory accounting adjustments not included in reported outturn.

4.10 **The Balance Sheet** shows the assets and liabilities of the Council as at 31 March 2024. The value of the assets of the Council must equal the value of its liabilities plus reserves. Large movements are shown in the table below.

Balance Sheet Heading	2023/24 (£'000)	2022/23 (£'000)	Variance (£'000)	Reason
Property, plant and equipment	1,573,143	1,543,512	29,631	£150m additions and enhancements reduced by £104m revaluation decreases, £6m reclassification/transfers, £5m disposals and £5m depreciation charge. Details in note 25.

Other Long Term Assets	396,504	446,888	(50,384)	Net pension asset reduction in line with the asset ceiling. Further details in item 4.7 above and note 36.
Debtors	80,923	146,023	(65,100)	Large movements in note 29 are due to: £53m Grenfell settlement payments and legal costs paid out of escrow accounts during 2023/24. £6m debt due from DLUHC for non-domestic rates was cleared in 2023/24. £8m reduction in section 113 income (under 'Trade receivables') due to invoices being raised before the end of the financial year. £9m decline in the 'Central government – Grenfell' debt as grants have tapered off.
Short Term Borrowing and Long Term Borrowing	(345,963)	(231,587)	(114,376)	Total borrowing increased by £114m to fund capital expenditure and also a result of cashflow monitoring showing low investment balances.
Creditors	(138,012)	(173,405)	(35,393)	£25m reduction in collection fund-related DLUHC creditor as the retail relief was budgeted in the 2023/24 NNDR1 and the 2023/24 preceptor payments were more in line with actual relief paid out compared to 2022/23. A further £20m reduction in 2023/24 related to the Social Housing Decarbonisation Fund grant being repaid to DESNZ in 2023/24.
Provisions (current and long term)	63,280	96,939	(33,659)	£30m relates to a net reduction in Grenfell settlement provision (£64m utilised when payments were made out for compensation claims/legal costs offset by £34m new provision) during 2023/24 and £4m drop in NDR provision.
Total	1,629,875	1,828,370	(198,495)	

- 4.11 **The Cash Flow Statement** details the overall cash movements (inflows and outflows) over the year.
- 4.12 **The Housing Revenue Account** is a separate ring-fenced account showing the expenditure and income relating to the management and maintenance of the Council's housing stock of circa 6,700 dwellings. The HRA working capital balance as at 31 March 2024 remained as the previous year at £5m.
- 4.13 **The Collection Fund** is a separate account detailing Council Tax collection (including those collected on behalf of the Greater London Authority (GLA)) and National Non-Domestic Rates (NNDR) part of which is retained by the Council with the remainder being paid to the GLA and the Government. The statement also

includes the effect of supplementary business rates raised on larger organisations which is payable to the GLA to fund the Crossrail project.

- 4.14 Any surplus or deficit on the Fund for Council Tax is distributed between the Council and the GLA in proportion to their share of tax income drawn from the fund. The Fund showed a £0.529m deficit on council tax for the year of which £0.474m is a repayment of prior year deficits from the Council and GLA and the in-year balance is effectively on budget.
- 4.15 The £21m surplus shown on NDR is the net of £10m prior year surplus repaid by the preceptors and £11m in-year surplus mainly due to release of NDR appeal provision.
- 4.16 **The Pension Fund accounts** are separate from the rest of the Council's accounts and show the income (pension contributions and investment returns) and expenditure (pension payments) for the year together with the assets and liabilities of the Pension Fund as at 31 March 2024. The Fund is audited at the same time as the Council's main accounts but is subject to a separate audit opinion. The Pension Fund Annual Report is reviewed by the Investment Committee.
- 4.17 **The Annual Governance Statement** is a statutory requirement which contains the Council's assessment of its own governance framework. Having considered the effectiveness of internal controls, key governance issues and action plans the statement concludes that appropriate governance arrangements in 2023/24 were maintained.

5. PUBLIC INSPECTION PERIOD

- 5.1 Members of the public have a right to inspect the Council's accounts, ask the auditor questions and raise an objection with the auditor. Notice of the period of public inspection for the 2023/24 financial statements has been published on the Council's website and will run from 3 June to 12 July 2024. The Council will report on public inspection queries received at the September 2024 Audit and Transparency Committee meeting.

6. EQUALITY IMPLICATIONS

- 6.1 There are no equality implications arising from this report.

7. LEGAL IMPLICATIONS

- 7.1 As set out in paragraph 4.1 of this report, the draft Statement of Accounts process is guided by reference to the requirements set out within the 'CIPFA Code of Practice on Local Authority Accounting in the UK' published annually by the Chartered Institute of Public Finance and Accountancy (CIPFA). The CIPFA Code of Practice is based on International Financial Reporting Standards (IFRS).
- 7.2 The Chief Financial Officer has signed the Statement of Responsibilities within the financial statements to confirm that the Statement of Accounts for 2023/24 complies with the statutory requirements set out in the CIPFA Code of Practice on Local Authority Accounting in the UK.

7.3 In paragraph 5.1 above, the right of members of the public to inspect, question or raise objections in relation to the Council's accounts is pursuant to the Accounts and Audit Regulations 2015.

8. FINANCIAL AND RESOURCES IMPLICATIONS

8.1 There are no financial implications arising from this report.

LISA TAYLOR
DIRECTOR OF FINANCIAL MANAGEMENT (Deputy CFO)

Appendices:

Draft Statement of Accounts 2023-24

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