



Royal Borough of Kensington and Chelsea Borough Council

Auditor's Annual Report
Year ending 31 March 2025

29 September 2025



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

This report brings together a summary of all the work we have undertaken for Royal Borough of Kensington and Chelsea during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- Give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended.
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25.
- Have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Auditor's powers

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of a local authority has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State. They may also issue:

- Statutory recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

Local government – context

Local government has remained under significant pressure in 2024/25

National	Past	Present	Future
 Funding Not Meeting Need The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased. The sector has also managed a period of high inflation and economic uncertainty.	 Financial Sustainability Many councils continue to face significant financial challenges, including housing revenue account pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.	 Funding Reform The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.	
 Workforce and Governance Challenges Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.	 External Audit Backlog Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.	 Reorganisation and Devolution Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.	

Local

The Council is a London Borough with a population of 147,500 residents. The Council operates under an Executive decision-making model, which oversees the formation of all major policies, strategies and plans and as such the Council’s formal decision making and governance structure constitutes the Full Council and an Executive (the Leadership Team). Full Council and the Leadership Team are supported by an Overview and Scrutiny Committee and four Select Committees. The Council has 50 councillors, and the Council is elected every four years. The most recent elections were in May 2022 when the Conservatives secured a majority with 36 elected councillors.

It is within this context that we set out our commentary on the Council’s value for money arrangements in 2024/25.

Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council's arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	A No significant weaknesses identified; improvement recommendations raised.	No risks of significant weakness identified.	G No significant weaknesses in arrangements identified or improvement recommendations made.
Governance	A No significant weaknesses identified; improvement recommendations raised.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified, but two improvement recommendations made (including in relation to the Pension Fund).
Improving economy, efficiency and effectiveness	A No significant weaknesses identified; improvement recommendations raised.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified, but one improvement recommendation made.

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendation(s) made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Financial sustainability

The Council delivered positive financial results, with a draft revenue outturn for 2024/25 of an underspend of £5.207m. A balanced budget which includes investment in services, as well as seeking efficiencies, has been set for 2025/26. There is scope to strengthen the budget by reviewing the assumptions relating to council tax and pay-inflation when the budget and MTFP are reviewed for 2026/27, and to fully identify £1.258m of savings which are not yet supported by formal plans for 2025/26. The medium-term outlook is a cumulative deficit of £16.9m to 2028/29. The Council has sufficient contingencies and reserves to support the position, although it plans to identify additional savings through future years' budget setting. Delivering savings will be vital to securing financial sustainability over the medium term, likely needed at levels that have not been required before, in the wake of funding reforms which are expected to impact inner London Boroughs most significantly.

The Council achieved a strong HRA position, of an underlying surplus allowing for contributions to capital. The same is planned in 2025/26.

Although the DSG outturn was a small surplus, a cumulative deficit remains, reserve set aside to service this are sufficient.



Governance

The Council maintains strong governance and risk oversight through the Audit and Transparency Committee and the Risk and Control Board. Strategic risks are reviewed biannually and aligned with Council priorities. Internal Audit operates independently and conforms to public sector standards, though improvements in completion of planned audits are recommended.

Scrutiny and decision-making are supported by structured processes, with ethical governance reinforced through codes of conduct and the Independent Ethics Panel. Procurement practices align with national legislation and are supported by digital systems and staff training. The Council continues to strengthen assurance through updated strategies, oversight mechanisms, and targeted improvements.

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Improving economy, efficiency and effectiveness

The Council has sound arrangements to monitor performance, with quarterly reporting aligned to strategic plans and oversight by senior leadership and scrutiny committees. Key Performance Indicators (KPIs) are tracked using RAG ratings, and underperformance is addressed with clear actions.

Governance is improving through new assurance structures and benchmarking tools. External inspections confirm high service quality. Grenfell commitments are actively tracked, though visual clarity and risk reporting should be enhanced.

Strategic partnerships and contract management are embedded in service delivery, with evolving mechanisms to assess value and ensure accountability.

Executive summary – auditor’s other responsibilities

This page summarises our opinion on the Council’s financial statements and sets out whether we have used any of the other powers available to us as the Council’s auditors.

Auditor’s responsibility	2024/25 outcome	
Opinion on the Financial Statements	We have completed our audit of your financial statements and plan to issue an unqualified audit opinion following the Audit and Transparency Committee meeting on 29 September 2025. Our findings are set out in further detail on pages 9-11.	
Use of auditor’s powers	We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014. We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014. We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014. We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.	

Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

We plan to issue an unqualified opinion on the Council's financial statements following the 29 September Audit and Transparency Committee.

The full opinion is included in the Council's Financial statements for 2024/25, which can be obtained from the Council's website.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- Give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended.
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25.
- Have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline of 30 June 2025.

Draft financial statements were of a good standard and supported by detailed working papers. Officers have been responsive to audit queries and requests for further evidence. We recognise that the change in the financial ledger inevitably made the closure of the 2024/25 financial statements and audit process more challenging particularly in respect of obtaining required supporting documentation from Hampshire County Council. The Council has managed the process well and we are confident that the next year's closure process should be more straight forward.

Our audit testing has identified one error of £1.9m that impacts on the Council's outturn position. This was caused by the duplication of a debtor accrual. We have identified other misstatements above our £815k reporting threshold and these are set out within our Audit Findings Report. The Council has updated its financial statements to take account of agreed amendments resulting from the audit process. The audit remains on track to be completed by 30 September in line with the timetable agreed with the Council.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report was presented to the Council's Audit and Transparency Committee on 29 September 2025. Requests for this Audit Findings Report should be directed to the Council.

Opinion on the pension fund statements

These pages set out the key findings from our audit of the pension fund financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

The Pension Fund is required to publish its Annual Report by 1 December 2025. We issue an auditor's consistency report which includes our opinion that the 2024/25 Kensington and Chelsea Pension Fund financial statements within the Pension Fund Annual Report are consistent, in all material aspects, with those within the audited administering authority's Financial Statements.

We have not yet been provided with the final Pension Fund Annual Report and so are yet to provide our consistency opinion.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- Give a true and fair view of the financial position of the Pension Fund as at 31 March 2025 and of its expenditure and income for the year then ended.
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24.
- Have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Pension Fund provided draft accounts in line with the national deadline.

Draft financial statements were of a good standard and supported by detailed working papers. There were no audit adjustments to the Net Asset Statement or the Fund Account.

Minor presentational adjustments have been agreed and been made by the fund.

Opinion on the pension fund statements (continued)

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report is reported to the Audit and Transparency Committee on 29 September 2025. Requests for this Audit Findings Report should be directed to the Council.



Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.



Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Council's report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and budget management, risk management, and making decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial sustainability – commentary on arrangements

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

We considered how the Council:

Commentary on arrangements

Rating

identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

General Fund - The Council delivered positive financial results, with a draft revenue outturn underspend for 2024/25 of £5.207m, across service, statutory and corporate budgets, which has been added to reserves. However, there are underlying pressures within this, specifically temporary accommodation demand. The Council has responded in the 2025/26 budget with an additional £5.2m investment in this area (including additional Homeless Grant received), approved plans to work with the Pension Fund on a £100 million pension fund scheme to buy homes for homeless families, investing in buying back homes sold under the Right to Buy, improving its existing housing stock, and implementing a new housing strategy to increase affordable housing supply and prevent homelessness.

The Council has set a balanced budget for 2025/26, it effectively balances investment in services with driving efficiencies through savings, across directorates, to increase the budget by 1.% compared to the 2024/25 revised budget (or 12.5% on the original budget). In general, key income and expenditure assumptions are reasonable and based on the best available information at the time of setting the budget. Council tax is considered a relatively stable form of income for local authorities, and therefore it is common-place for councils to seek to maximise this form of income. National guidance allows for an increase of up to 2.99% in council tax (and an additional 2% Adult Social Care Precept). The 2025/26 budget has been balanced, whilst limiting the increase to 2% (excluding the precept), aligned with Member objectives to maintain a low level of council tax. The Council has achieved the fourth lowest level in the country, despite the increase. Officers estimate that increasing council tax to the 4.99% allowable would produce an additional £1m in income to the Council. Analysis by the Institute for Fiscal Studies confirms that RBKC is one of the councils that could be most impacted by funding reforms from 2026/27, suggesting funding could fall by over a quarter if the reforms were introduced immediately. Therefore, Members will need to consider its options to respond to these future pressures, whether through savings, income and expenditure assumptions or other sources.

The Council should keep pay inflation assumptions under review for emerging information. The Council assumed a 2% increase in pay inflation for 2025/26, however this was low compared to CPI forecasts of 2.7% at the time of setting the budget. The pay award has since been announced at 3.2% increase. The Council has built this into the budget baseline for 2026/27 and the £1.5m additional pressure associated with 2025/26 will be met from a £2.5m contingency.

G

Financial sustainability – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

(continued)

The medium-term outlook is a cumulative deficit of £16.9m, as per the 2025/26 budget approved in February 2025, before Fair Funding 2.0 announcements), and the unallocated reserves balance at the end of 2026/27 is forecast to be £33.7m. Therefore, in theory, reserves could support this position, as a temporary measure and without depletion, or diverting earmarked reserves away from their specific purposes. In reality, the Council intends to explore savings, in the first instance, rather than relying on reserves. In addition, the Council sets aside contingency and centrally held budget as part of the budget each year, to be used before reserves to mitigate emerging budget pressures. These total £6.3m for 2025/26, for general, as well as specific known pressures.

Dedicated Schools Grant (DSG) – At the end of 2024/25 the Council underspent against its DSG budget by £0.841k, resulting in a cumulative deficit position of £3.287m. Although still a deficit position, the direction of travel is positive. The Council has an agreed deficit management plan in place which was updated in January 2024, and has contributed positively to the position observed. The Council has set aside a DSG Reserve in prior years, the balance is expected to remain stable between 2023/24 to 2026/27 at £3.479m, and therefore is sufficient to cover the expected deficit without any unplanned call on other unallocated or earmarked reserves, should this be required when the existing statutory override arrangements cease in 2028.

Housing Revenue Account (HRA) – The 2025/26 HRA budget forecasts a breakeven position, consisting of an underlying surplus of £1.761m, which is transferred to fund the capital programme. A similar position was achieved for 2024/25 whereby a transfer of £2.731m was made to the HRA capital programme, although this was lower than the budgeted contribution of £3.161m. HRA reserves of £5m have remained stable as a result of the outturn position, and are maintained within the 2025/26 budget. The Council has developed a 30-year HRA Business Plan, this forecasts the HRA will be in deficit by 2030/31, although by assuming CPI plus 1% rent increase assumption it would return to balance in 2051/52. The position in the short to medium-term appears sustainable, with the Council needing to identify longer term solutions to HRA sustainability. The Council has already begun to consider its options to balance the 30-year position, reported as part of the budget setting, and is exploring reductions in the repairs budget, potentially more borrowing for capital, reductions in capital investment, sales of street properties or those past their design lives. It is recognised there is potential these options could hinder the Council's ability to meet objectives, such as providing suitable quality housing if sufficient resources were not allocated to repairs and providing houses. However, plans are only at discussion stage and expected to go through a full scrutiny process to ensure the Council can balance financial sustainability with the need to meet statutory objectives.

Financial sustainability – commentary on arrangements



MTFP and Reserves Strategy Timeline – The MTFP approved by Council in March 2025 covers a 4-year period from 2025/26 to 2028/29. The reserves analysis confirms the position up to the end of 2026/27, but no further information is provided beyond this date. The Council’s unallocated reserves position at this date is £33.7m. The MTFP currently has a £16.9m gap in the medium term to 2028/29, therefore could support the MTFP position, with no impact on earmarked reserves, but this cannot be fully confirmed without the current Reserves Strategy being extended to cover the same time frame as the MTFP. It is rare to see reserves and the MTFP planned for on differing timelines. The MTFP has been updated, and extended, in July 2025, with the reserves position now estimated to 2028/29, however the MTFP has also been extended by one year, and so the misalignment continues.

We considered how the Council:	Commentary on arrangements	Rating
plans to bridge its funding gaps and identify achievable savings	The Council has achieved £11.068m of a £12.638m savings target in 2024/25 (87.6%), which have contributed to the overall draft underspend position. The remaining £1.57m (12.4%) are unachievable and will not be sought going forwards. The 2025/26 savings target is 29% higher than the 2024/25 target, and 48% higher than the achievable savings in 2024/25, a significant increase requiring close monitoring. Around half of those savings unachieved in 2024/25 related to facilities management contracts, specifically delays in getting new contracts set up. Therefore, although the savings have not been achieved in full in year, these schemes have commenced and are expected to deliver in full in 2025/26. Therefore, providing assurance over the deliverability of the 2025/26 target. The 2025/26 budget includes the implementation of £12m of new savings proposals from departments, £3.1m from the corporate workstreams in the Council’s existing Transformation and Savings programme, and £1.3m of savings put forward in previous budget rounds, totalling £16.4m. £1.258m of these savings relate to centrally agreed budgets, and are yet to be confirmed (7.7%), loose plans are in place and therefore the source and nature of the required savings is known but until these are formalised, using standard templates, they will not be allocated to individual directorates within the budget. The Council reviews and updates this position throughout the year and allocates as plans are formalised, this should be a priority for early 2025/26 to maximise the time to deliver each project.	G
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	All directorates have been allocated funds for growth and inflation, as well as being asked to make savings which vary per directorate, each budgeting a net growth position for 2025/26. This is with the exception of the Environment and Neighbourhoods directorate, savings outweigh growth for 2025/26 by £1.9m, compared to 2024/25. Savings in this area are focussed on income generation, and there is planned investment in staff. Therefore, despite the net budget decrease for 2025/26, the Council continues to work towards its objectives to be a greener and safer Borough. A net investment/growth position is restored for the remaining years of the MTFP for this directorate.	G

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:

Commentary on arrangements

Rating

ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system

The Council has undertaken a comprehensive review of the existing Capital Programme as part of the budget setting process. The aim was to better prioritise existing projects, improve the accuracy of its forecasting through reviewing its capacity and deliverability, and to ensure direct alignment of projects with priorities in the Council Plan. New projects are added to the programme via an annualised bidding process, supported by detailed business cases. Existing governance arrangements are now well-embedded and include the Capital Programme Project Management Office (PMO) established in 2023/24. The PMO works with Finance to ensure projects are scheduled for inclusion in the programme at the optimum time, with resources in place, to ensure delivery. The Capital Programme Board continues to fulfil its role in reviewing business cases for individual projects. The Council has strengthened arrangements further, through the establishment of a Capital Delivery Group, which meets monthly to critically assess the deliverability of schemes and recommend actions to improve where required. The Council also continues to monitor the programme through its quarterly budget monitoring reports to Leadership Team. Arrangements are extensive and have allowed the Council to maintain control of the programme, with 81.9% of the general fund and 82.9% of the HRA programme delivered in 2024/25. The 2025/26 programme is £85.9m, a similar level to last year and therefore providing some assurance over deliverability of the programme. A further pipeline of schemes totalling £97m has been identified through the capital review, as well as £58.6m of schemes for future consideration.

Other existing strategies for key priorities such as workforce and climate change continue to be provided for in the budget through investment, growth and efficiencies. The Chartered Institute of Public Finance and Accountancy (CIPFA) guidance advises all councils to include a five-year Asset Management Plan as part of their budget setting process. The Council implemented its newly developed Asset Strategy in February 2025, alongside the budget, to ensure alignment, adhering to CIPFA's guidance. The Council intends to present a full Council Asset Strategy and supporting Asset Management Plan, to the Leadership Team for consideration in February 2026. This will set out an operational plan of how the Strategy will be delivered, through specific projects and timelines.

The Council reports on its Treasury Management activity in line with the requirements of the CIPFA Code on Treasury Management. At the end of 2024/25 the Council held £503.64m debt at an average rate of 4.13% (up from £342.04m at 3.88% in 2023/24). By 2027/28 the Council expects to have a Capital Financing Requirement, determined by its Capital Programme and previous Exceptional Financial Support from Government for support for Grenfell survivors, of £956.2m. Within this, gross debt will total £659.9m, which is significant.

G

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
(continued)	The Council takes advantage of internal borrowing from cash reserves, to minimise its debt burden and avoid interest costs, although these reserves are a finite resource and the Council also aims to remain liquid. Where it has taken out new borrowing over recent years, or has plans to take out new borrowing, the Council favours shorter to medium-term loans which benefit from low interest rates. As these loan terms end and refinancing is required interest rates are at risk of being a higher cost to the Council, evidenced from the increase in the rate from prior year. When considering new borrowing or refinancing, treasury officers work with their Treasury Advisors on the ‘cost of carry’ and break-even analyses. Its output may determine whether the Council will borrow additional sums at long-term fixed rates in 2025/26, with a view to keeping future interest costs low, even if this causes additional cost in the short term.	
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	The initial refresh of the MTFP and draft budget presented to Members in November assessed risks using scenario planning. Various options for key assumptions were discussed with the Budget Scrutiny Group, to provide details of both an optimistic and pessimistic scenario. These continued to be scrutinised through existing governance structures before presenting and approving the ‘best estimate’ budget in February 2025. The Council also includes a dedicated section of the budget to identifying risk and uncertainty which could emerge and impact the planned financial position. We would expect the risks identified to cover income, expenditure, changes in government policy and both local and national issues. Common sector risks, relevant to the Council, are demand pressures in temporary accommodation, uncertainties around national funding, business rates reforms, inflation (pay and prices), climate change/net zero plans, DSG (including SEND and Home to School Transport), delivery of savings and demand pressures in adults’ and children’s social care. These are all considered in the budget, with the exception of climate change which is more relevant to capital plans and is considered implicitly within the Capital Programme. Notably, the Council expresses the actions that will be taken to mitigate each risk and quantifies the impact where possible. Contingencies are set aside in the budget to address risks, should they emerge, protecting reserves in the first	G

Grant Thornton insight

Scenario Planning Completeness– potential scenarios highlighted to the Leadership Team, Cabinet and Full Council include council tax increases, Adult Social Care precept, savings levels and proposals on council tax Second Home Premiums. We do note that there is no mention of potential scenarios related to business rates, which are a key source of income, where risks, uncertainties and assumptions around collection rates and future reforms have the potential to impact the budget and MTFP. The Council may wish to consider including these in future analysis, for consideration.

Governance – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council maintained oversight of governance and risk through the Audit and Transparency Committee (ATC) and the Risk and Control Board, chaired by the Chief Executive. Strategic risks were reviewed twice during the year and aligned with Council priorities. Executive Directors retained responsibility for mitigation actions. The Risk Management Strategy (2025–2028) was approved, setting out escalation routes, resident-focused risks, and links to scrutiny processes.

Internal Audit (IA) operates in accordance with Public Sector Internal Audit Standards, having received a “generally conforms” rating in a 2023/24 peer-led external assessment. The Head of Internal Audit continues to report to a Director with operational responsibilities; however, the IA Charter outlines safeguards to uphold independence, including unrestricted access to senior leadership and appraisal protections. This ensures issues can be reported to a senior officer as required, mitigating some risk associated with the formal reporting lines in place.

The IA Plan outlined 28 review areas for 2024/25 and is updated quarterly to reflect evolving risks, inspections, and priorities. By the end of 2024/25: 24 audits were completed; 14 audits remained in progress; 6 audits were deferred to 2025/26. However, it is unclear how many of the 24 completed audits were carried over from 2023/24 or added mid-year. This lack of clarity limits transparency around audit delivery and prioritisation. Despite a moderate level of completion, the pattern of deferrals continues from 2023/24, when 22 audits were either deferred or removed. While deferrals in 2024/25 were agreed with service areas, the rationale was not consistently documented in Committee papers. This weakens the Committee’s ability to assess whether high-risk areas are being adequately covered (alignment between the Council risk register and audits completed could be improved) and whether audit, or service level, resources are being effectively prioritised. See page 22 for more details of our Improvement Recommendation.

The Corporate Anti-Fraud Service (CAFS) reported £2.17 million in notional savings to the ATC —up from £1.71 million in 2023/24. Fewer investigations took place in the year (365 compared to 1,219 in 2023/24) and the Council achieved higher success rates and more impactful recoveries. The Council also investigated and formally censured a councillor for breaches of the Code of Conduct.

A

Governance – commentary on arrangements (continued)

We considered how the Council:

Commentary on arrangements

Rating

approaches and carries out its annual budget setting process	The Council follows a well-established budget setting process which began in the summer of 2024 for the 2025/26 budget and MTFP. At that time a budget shortfall of between £10.3m and £19.8m was forecast, depending on certain assumptions, based on two scenarios. The budget setting process continues to be a collaborative approach, between July and November Officers, Directorates and Members worked together to identify specific proposals for savings, budget reductions and areas of growth before presenting these to the Leadership Team in November 2024, who then agreed a series of budget proposals to be launched for consultation and between November and February 2025. Ongoing liaison between Finance Officers and individual directorate leads, detailed review by the Budget Working Group arm of the Overview and Scrutiny Committee and public consultation have all been observed, before approving the final budget. Although the process is well embedded and understood, the Council seeks iterative improvements to strengthen arrangements. As part of the 2025/26 budget process this has been achieved by the introduction of budget challenge sessions to add an additional layer of scrutiny from the Chief Executive, Executive Director of Resources, Finance Lead. Overall, the level of stakeholder engagement observed is comprehensive. Savings delivery is vital to the success of delivering the budget, as noted in our Financial Sustainability work, the Council has established a Transformation and Savings Board who add a layer of scrutiny in developing schemes, as well as reviewing progress on each scheme, to respond to the growing demand on savings.	G
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	The Council's arrangements have remained consistent with the prior year and so are well-understood and embedded. Financial performance continues to be reported, quarterly, to the Leadership Team, with input from the Overview and Scrutiny Committee prior to this. This ensures there is a double layer of challenge of the financial position throughout the year. Notably, monitoring reports include revenue, capital, HRA and Treasury Management, effectively presenting a complete picture of financial performance to Members. We have acknowledged, in prior year reports, the benefits of integrating financial and non-financial reporting. This has not yet been explored due to the Council's focus on updating its systems, which impact performance reporting. Oracle Cloud, the Council's new Enterprise Resource Planning (ERP) system, was implemented on 15th April 2025, which intends to improve access to performance information and automate the process, initially focussing on financial reporting. The Council has experienced some initial challenges with the implementation of this system as staff familiarise themselves. In the early stages there were instances of missed payments as a result, these were rectified, additional training provided and the issues not pervasive, having been limited to two departments. As such the Council is observed to be closely monitoring the implementation and reacting to challenges as they emerge.	G

Governance – commentary on arrangements (continued)

 Grant Thornton insight

Budget Monitoring - The budget monitoring reporting is extensive, ensuring, like the budget, that there is coverage of performance, in detail for each directorate. Supporting narrative focusses on the reasons for the performance, any variances and confirms how these will be addressed, financially, either through transformation, additional savings or reserves as examples. There is limited information on the operational actions being undertaken to respond to any adverse variances. This is something that could be explored to strengthen information, however we note actions are discussed at Lead Member briefings and challenge sessions.

We considered how the Council:	Commentary on arrangements	Rating
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	The Council’s Constitution defines decision-making roles for the Leadership Team (LT), Full Council, officers, and scrutiny committees. Decisions are supported by detailed reports and published in advance via the Forward Plan. Scrutiny is delivered through the Overview and Scrutiny Committee (OSC) and four Select Committees, which review decisions, call in proposals, and conduct thematic reviews. OSC coordinates work programmes and has access to LT papers. The Council’s Local Code of Corporate Governance 2025/26 highlights a strong commitment to the Nolan Principles through embedded ethical standards, including codes of conduct for members and officers, whistleblowing arrangements, and oversight by an Independent Ethics Panel. The Council sets a clear tone from the top, with leadership actively promoting a culture of good governance. The Audit and Transparency Committee (ATC) met regularly in 2024/25, with senior officer attendance and evidence of challenge observed. Membership of the Committee has remained stable and includes input from 3 independent Members, which is good practice. A self-assessment identified nine improvement actions, which are being progressed and tracked at the Committee’s meetings.	G

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	The Council’s Legal Services monitored legislative changes, advised departments, and reviewed reports for statutory compliance. Codes of Conduct for Members and Officers are embedded in the Constitution and supported by the Independent Ethics Panel and Monitoring Officer. Gifts, hospitality, and declarations of interest were monitored, with no declarations recorded for the Audit and Transparency Committee. Procurement practices are now aligned with the UK Procurement Act 2023, supported by updated regulations, digital systems such as Oracle ERP, and oversight from the Commercial Assurance Panel. Staff completed mandatory training on procurement, ethics, and data protection in the year. However, waiver performance lacks consolidated reporting, limiting oversight—an issue raised in 2022/23 and still unresolved.	A

 Grant Thornton insight

Tracking Waivers for Smarter Procurement - Waivers play a vital role in enabling flexible, responsive procurement when standard procedures cannot be followed. The Council has made progress in strengthening governance —there remains a gap in performance oversight. Waivers are now subject to greater scrutiny and include detailed justifications, yet the absence of consolidated reporting limits transparency and accountability. Without a central tracker, the Council cannot monitor waiver volumes, trends, or compliance with internal policies. This hinders the ability to assess annual performance and identify systemic issues. Implementing a waiver reporting mechanism would enhance governance, support ethical sourcing, and provide valuable insights to committees and the public.

Governance – improvement recommendation

Area for Improvement identified: internal audit planning, delivery and deferral reporting

Key Finding: The 2024/25 initial Internal Audit Plan included 28 reviews. The Plan is kept under review quarterly with audits added and removed as required. This resulted in 24 audits completed overall, 14 in progress and 6 deferred to 2025/26, at the end of 2024/25. Many of these audits were either carried over from 2023/24 or added to the Plan mid-year. There is coverage across all directorates within the audits completed. The highest rated risks on the Council's risk register relate to the ongoing support provided in relation to the Grenfell tragedy, the housing stock, cyber security and financial and staffing pressures in social care. Although we have observed reviews taking place in areas of Adult and Children's social care they have not focussed on key issues of demand, inflation and staffing risks. Other high rated risks do not appear to have had any IA reviews completed in 2024/25, This could be improved.

The Plan is refreshed quarterly to remain agile and responsive to changing risks and inspections. This flexible approach is appropriate, but clearer tracking of original vs revised audits would improve transparency and help assess delivery against initial priorities. Deferred audits include those covering Temporary Accommodation, Building Control, and Planning Applications. Last year we recommended an Internal Audit review of Temporary Accommodation take place in 2024/25 to address emerging risk. We note this has been deferred to 2025/26. Twenty two audits were deferred in 2023/24. Repeated deferrals across two years, could suggest capacity constraints within the IA Team, although we note timing was also cited as a factor in the deferrals, suggesting potential to improve readiness by services for audits.

Evidence: Internal audit reports in December 2024, and July 2025 (year end report) confirmed the deferrals. While both reports noted that delays were agreed with departments and alternative assurance methods were considered, only the December report provided partial reasons. The July report lacked detail on the rationale for each deferral.

Impact: the absence of timely completion of reviews, or gaps in audit coverage from a lack of Plan completion, could mean that key risks remain unidentified, and control weaknesses may go undetected, potentially impacting the Council's ability to respond to issues proactively.

Also, the lack of detail regarding the rationale for deferrals make it difficult for the Audit and Transparency Committee to assess how audit decisions are made and how risks are managed when audits are postponed. This reduces transparency and may hinder effective oversight of high-risk areas.

Improvement Recommendation 1

IR1: Internal Audit should clearly report the reasons for audit deferrals and the actions minimise these. Specifically focussing on ensuring there is sufficient capacity with the Internal Audit Team, and service teams, and building resilience into the Teams, as required. Clearer tracking of original vs revised audits should also be explored to improve transparency and help assess delivery against initial priorities. The Council should work closely with Internal Audit to ensure that the Audit Plan and key risks at the Council are closely aligned

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

uses financial and performance information to assess performance to identify areas for improvement

The Council has clear arrangements to use information to assess performance and identify improvement areas. Whilst financial and non-financial performance reports are not integrated, both reports are presented at key meetings. This approach is considered sufficient for oversight. Quarterly Corporate Performance Reports are structured around Council Plan themes and include 74 internal KPIs, 75 Council Plan Action Plan (CPAP) activities, and 18 Borough Indicators. These are reviewed quarterly by Executive Management Team (EMT), and bi-annually by the Overview & Scrutiny Committee (OSC). KPIs are tracked using a RAG rating system and aligned with strategic plans such as the Health and Wellbeing Strategy. At year end, 59% of KPIs rated Green, 65% of CPAP actions rated Green and 44% of Borough Indicators were improving, with 39% declining. This is indicative of moderate performance, overall.

Underperformance is clearly identified, with explanations and remedial actions outlined. Examples include targeted responses to long-term issues in recycling, temporary accommodation, and housing standards. Workforce metrics are generally strong, and while a formal data quality framework is not yet in place, the establishment of the Information Assurance Board and an ongoing internal audit of performance reporting indicate active steps to strengthen governance. Benchmarking is being improved via a new dashboard launching in Autumn 2025.

G



Grant Thornton insight

Improving Data Integrity - High-quality data is essential in the public sector to support informed decision-making, ensure accountability, and deliver effective services. While the Council has taken positive steps—such as establishing the Information Assurance Board and initiating audits on performance reporting—it currently lacks a formal data quality framework or policy. To reinforce its commitment to data integrity and governance, the Council should consider developing and implementing a data quality policy that sets clear standards and responsibilities across services.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
evaluates the services it provides to assess performance and identify areas for improvement	External inspections offer strong assurance on the quality of Council services: Children’s Services received an “Outstanding” rating from Ofsted in November 2024, and a Care Quality Commission (CQC) inspection of Adult Social Care also received an 'Outstanding' rating in July 2025. A Building Safety Regulator review is underway, with an internal audit deferred to 2025/26. Following the Grenfell Tower Inquiry Phase 2 report (September 2024), the Council made 45 commitments across 12 themes. Progress is tracked via a cross-Council working group and overseen by the OSC and an Independent Advisory Panel. The Commitments Tracker used to monitor progress is comprehensive and well-structured, reflecting progress across housing, safety, culture, and governance. However, its usability could be improved (see details in our ‘Insight’ on page 27). Internal audit coverage and oversight mechanisms are in place, and the Council’s arrangements for progressing and monitoring its Grenfell-related commitments are appropriate and demonstrate a sustained commitment to improvement.	G
ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives.	The Council has established a range of strategic partnerships across public, private, and third sectors, including statutory arrangements such as the Local Safeguarding Children Partnership (LSCP) and collaborative programmes like Grenfell Recovery. These partnerships are embedded in service delivery and referenced in key governance documents such as the Annual Governance Statement (AGS). Stakeholder engagement is structured and ongoing, particularly in Grenfell-related programmes, where a three-phase scrutiny process involving community feedback, independent reviews, and transparent reporting ensures alignment with strategic objectives. Mechanisms such as quarterly and annual reporting, independent scrutiny functions, and committee oversight (e.g., LSCP annual report to the Family Select Committee) provide assurance that partnership activities are monitored and remain accountable.	G

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
commissions or procures services, assessing whether it is realising the expected benefits	The Council has made meaningful progress in reassessing its procurement function. Governance structures and communication between central and devolved teams have improved. However, the procurement strategy and contract management framework are still being finalised, with full implementation and reporting expected in 2026. Our prior year recommendation in this area remains open until fully implemented. The Council has evolving arrangements to assess whether it is realising expected benefits from commissioned services. These include the implementation of ‘Gateway 3’ contract reviews for strategic contracts, the development of a corporate contract register and procurement pipeline, and the delivery of targeted training to procurement officers. Governance is supported by the Commercial Assurance Panel and other boards, which oversee procurement strategies and contract performance. Internal audit reviews have confirmed that contract management is actively monitored, with follow-up actions taken to address identified issues. We reviewed procurement function policies and procedural compliance documents against 115 key controls covering the Procurement Act 2023 and the Procurement Regulations 2024 which came into force on 24 February 2025 as well as procurement related training, conflicts of interest , bribery and kick backs , contract manipulation, contract reviews and supplier due diligence. The positive outcomes from this deep dive review of 15 policies and procedures echoed the view that appropriate improvement action was now underway within procurement and that improving governance and enhanced control processes aligned to the updated procurement regulatory environment supports the Council in embedding an improved governance architecture for the procurement function by 2026.	A

 **Grant Thornton insight**

Procurement fraud prevention controls linked to ECCTA 2023 fraud risk considerations – The creation of new controls and an enhancement of existing controls within procurement are a direct consequence of aligning the procurement strategy and action plan to the Procurement Act 2023 and its associated regulations. Separately, procurement fraud has been identified as one of the Top 10 risks facing the Council with regards to the ECCTA 2023 legislation and work is already underway in this area. Key fraud prevention controls identified within procurement as part of its current reassessment of its operations could also be used to populate an ECCTA based enterprise level fraud risk assessment and provide ‘appropriate fraud prevention procedures’ in line with the requirements of the new Act

Improving economy, efficiency and effectiveness – commentary on arrangements – improvement recommendation

Area for Improvement identified: Inclusion of government disbarring rules and mandatory and discretionary supplier/connected person exclusion grounds.

The Council's procurement processes do not set out the mandatory exclusion grounds under the Procurement Act which extend to any "connected person" (including parent and subsidiary companies, any person (legal) or natural who exercises, or has, the right to exercise significant control or influence over the supplier, and any person (legal or natural) over whom the supplier exercises, or has the right to exercise significant influence or control) "associated person" (anyone the supplier is relying on in order to satisfy the conditions of participation other than a guarantor such as consortium partners and sub contractors of the supplier).

In addition, the Council's procurement processes do not set out discretionary exclusion grounds as set out in Schedule 7 of the Procurement Act. (NB: These include where the contracting authority "considers that the supplier or a connected person has engaged in professional misconduct which brings into question the supplier's integrity" or where a court, regulator or other authority has ruled to the same effect. Again, this extends to any "associated person" of the supplier for the purposes of the Procurement Act). NB: "Professional misconduct" is defined in Schedule 7 of the Procurement Act as conduct involving dishonesty, impropriety, or a serious breach of applicable ethical or professional standards. Where a mandatory or discretionary exclusion ground applies, is the Contracting Authority satisfied that the circumstances giving rise to its application are "continuing or likely to occur again."

Evidence: At this point in time there are no companies listed by the government as barred from public procurement. Currently operational focus has been on building the integrity of the Council's Contract Register which is 85% complete rather than on supplier exclusion. The Council has recognised that including suppliers on any national / local exclusion list will need to be managed sensitively and these items have yet to be incorporated within the Council's procurement procedures,

Impact: The absence of clear statements on the Council's use of the national disbarring listings and guidance on any locally mandated and/or discretionary exclusion grounds may put the Council at risk to reputational damage and/or legal challenge. This may be particularly true when SMEs are included on any local exclusion listings. By including clear statements on the Council's use of any national/local disbarring listing, suppliers will be appropriately informed as to why they may be excluded from a procurement.

Improvement Recommendation 2

IR2: The Council should consider including within the next iteration of the RBKC Commissioning and Procurement Strategy reference to the government's disbarring process and provide details as to the grounds a supplier/person(s) and or connected persons can be excluded from a procurement. (NB: From 1 September 2025, the failure to prevent fraud offence (s.199 ECCTA) means that the actions of all a company's 'associates' (i.e., employees, agents, subsidiaries and anyone else providing services for it or on its behalf) will be capable of triggering discretionary exclusion and debarment under the Procurement regulations).

Grant Thornton insights – learning from others

The Council has the expected arrangements in place to deliver and monitor its Grenfell commitments but could go further by adopting sector-leading practices to improve visibility and oversight.



What the Council is already doing

- The Council has made 45 commitments following the Grenfell Inquiry, supported by a £12m Restorative Justice programme.
- Progress is tracked through a cross-Council working group, with oversight from scrutiny committees and an Independent Advisory Panel and via a detailed Commitments Tracker
- Internal audit reviews financial support processes, and reporting is regular and transparent.



What others do well

In similar contexts—such as tracking inquiry recommendations, regulatory reforms, or strategic action plans—leading organisations use:

- RAG (Red–Amber–Green) ratings to show progress and risk.
- Status fields (e.g., Completed, In Progress) for clarity.
- Dashboards to provide visual summaries.
- Risk columns to highlight blockers or dependencies.

These features help stakeholders quickly identify areas needing attention and support effective decision-making.



The Council could consider

To improve clarity and accountability, the Council could enhance its Commitments Tracker by adding RAG ratings, progress status fields, and a risk column. A summary dashboard would also support quicker, more informed oversight.

Pension Fund

The Council is the administering authority for the Royal Borough of Kensington and Chelsea Pension Fund. As part of our VfM work we are required to consider the Council's arrangements in respect of the Pension Fund.

We considered the Pension Fund's:

Commentary on arrangements

Rating

Financial Sustainability: sufficiency of funds to meet liabilities	The Pension Fund is revalued every three years by an independent actuary, to assess future liabilities and set employers' contribution rates. The most recent formal valuation, as at 31 March 2022, assessed the whole Pension Fund as being 154% funded. This is a strong position whereby the Fund is estimated to be able to meet its pension liabilities with its available assets. A full valuation will be conducted in 2025.	G
Governance: appropriateness of governance arrangements	The Fund's governance arrangements consist of an Investment Committee and Pensions Board. The Investment Committee has delegated responsibility to manage the pension fund and is the decision-making body and they support the Pensions Board in their role to ensure compliance with LGPS regulations and legislation and to ensure the effective and efficient governance and administration of the Fund. The two have met sufficiently regularly, at least quarterly, in 2024/25. Standing agenda items and ad hoc reports cover a range of issues in relation to risk, performance and compliance. Following advice from the Fund's actuary and legal Counsel, the Executive Director of Resources advised Members of the Investment Committee on 4 February 2025 to set the contribution rate at 7.5%. Members voted to set 0% contributions. Legal advice was sought before this decision was made, and ongoing liaison with legal experts confirmed that should the decision be challenged in Court there would not necessarily be a clear and obvious outcome. The Fund has followed the appropriate internal governance processes, sought specialist advice and Members made their decision based on all available and relevant information. The decision represents a one-year break in contributions and is not setting a precedent for future years, this fact is clearly documented within the minutes. The Government published its 'Fit for Future' consultation response in May 2025. This confirmed that Funds should have all their assets under pool management by 31 March 2026, to align with the current Pension Bill which is going through Parliament, with this planned implementation date. As per the draft 2024-25 accounts 0% of investment are currently managed by the London CIV Pool. Given the limited progress in pooling arrangements, and the intended Pension Bill requirements, we have raised an Improvement Recommendation (IR3).	A

Pension Fund (continued)

We considered the
Pension Fund's:

Commentary on arrangements

Rating

Governance (continued)

At the Investment Committee on 16 September 2024, Members supported an in-principle recommendation to support the Pension Fund's investment to address local housing needs, by acquiring suitable premises for operational use by the Council as temporary accommodation (TA). The rationale being diversification of the Pension Fund's investment portfolio and generation of a rental income stream for the Pension Fund, which can be used to pay pensions or reinvest in other allocations. Both Pension Fund and Council Members will need to ensure that the objectives of both parties can be met in any transactions related to the decision, specifically that the Pension Fund is able to meet its objectives of delivering maximum returns for minimal risk to the Fund. There is also a risk that this decision diverts Pension Fund assets away from pooling arrangements. Discussions with Officers highlights that to date progress on identifying and investing in appropriate properties is limited.

The Administration Team has achieved between 93-100% of KPIs within the agreed target for the full 2024/25 period. Risks are appropriately mitigated or managed, and this is clearly articulated through the Pension fund risk register. Although this is kept under review we note that risks relating to pooling are amber-rated, given our findings that the Pension Fund is an outlier in terms of its progress, Officers may wish to consider whether this remains reflective of the current circumstances.

Improving Economy,
Efficiency and
Effectiveness: annual
report findings

We considered arrangements for implementing some key work streams and the impact on the Fund Administration teams. For 2024/25 these include:

- **implementing the McCloud remedy** - implementation requires lots of complex calculations so could potentially impact heavily on administration teams. The Fund considers itself on track to implement the McCloud remedy with information to be included in the 2025 Annual Benefit Statements.
- **preparing for the Pensions Dashboard** - The Department for Work and Pensions (DWP) have designed an online platform (Pension Dashboard), public sector schemes are required to be connected by October 2025 per the guidance provided, with a statutory deadline of 31 October 2026. The fund considers itself on track to upload their pension administration data by the statutory deadline. By July 2025 the Fund were working through member data to ensure it is correct and liaising with their Independent Software Provider (ISP) to progress to live registration.
- **preparing and maintaining a Funding Strategy Statement** - In January 2025 the SAB, CIPFA and MHCLG produced "Guidance for Preparing and maintaining a Funding Strategy Statement (FSS)". The Pension Fund's updated FSS will be drafted following the 2025 actuarial valuation results and tabled for committee approval in Feb 2026. The Fund's Actuary has already provided FSS guidance for the LGPS, that the Fund has been following for several years, which covers many of the new requirements. As such the Fund is sufficiently prepared in the period between the guidance being released and formal approval of their FSS.

G

Pension Fund (continued)

Area for Improvement identified: Pension fund pooling arrangements

Key Finding: The Government published its 'Fit for Future' consultation response in May 2025. This confirmed that Pension Funds should have all their assets under pool management by 31 March 2026. As per the draft accounts £150k of the Council's Pension Fund assets are managed by the London CIV Pool, this is consistent with the last 2 years. This represents the Council's Start Up Investment in the LCIV which all London Boroughs committed, therefore £0 and 0% is pooled, in reality.

Evidence: The Investment Committee invited the London CIV to its meeting on 7 July 2025 to discuss asset pooling plans and next steps, Officers are attending meetings to advance discussions, including a regular London Officers meeting where the LCIV provides updates and addresses Officer concerns. The Director of Pensions and his team are also engaging with ministers, government representatives, the Local Government Pension Scheme FM Advisory Board (LGPS SAB) and the wider LGPS community to collaborate on the transition. Therefore, early steps to initiate a plan have been taken but these are very much in their infancy, with no formal pooling transition plans in place, despite an impending deadline. Challenges with transferring illiquid assets are expected, although the Fund does have some vanilla assets which it can transfer to a pool more readily. The current funding level of the Pension Fund is over 200% and so the Fund is managing its investments effectively, outside of pooling arrangements. Despite this, we acknowledge the Government requirements to pool assets.

Impact: The requirement to pool Pension Fund assets is now part of a Bill which could likely be written into statute, and so failure to meet the requirements could result in legal or regulatory penalties, although the consequences of not achieving the target and deadline have not been clarified by Government.

Improvement Recommendation 3

IR3: The Pension Fund should seek to formalise its plans for achieving 100% of investment assets managed under pooled arrangements by 31 March 2026, as per Government requirement, and seek to deliver this plan at pace, to avoid any regulatory or legal consequences that may arise by not meeting the requirements of the Pensions Bill, in this respect.

Improvement recommendations raised in 2024/25

Recommendation		Relates to	Management Actions
IR1	We recommend that Internal Audit and services clearly report the reasons audit deferrals, and the actions minimise these. Specifically focussing on ensuring there is sufficient capacity with the Internal Audit Team, and service teams, and building resilience into the Teams, as required. Clearer tracking of original vs revised audits should also be explored to improve transparency and help assess delivery against initial priorities. The Council should work closely with Internal Audit to ensure that the Audit Plan and key risks at the Council are closely aligned	Governance	Impact: The absence of timely completion of reviews, or gaps in audit coverage from a lack of Plan completion, could mean that key risks remain unidentified, and control weaknesses may go undetected, potentially impacting the Council’s ability to respond to issues proactively. Also, the lack of detail regarding the rationale for deferrals make it difficult for the Audit and Transparency Committee to assess how audit decisions are made and how risks are managed when audits are postponed. This reduces transparency and may hinder effective oversight of high-risk areas. Actions: Internal Audit operate an agile audit planning process, to be able to address known and emerging risks which relate to the Council’s priorities. Regular reports to the Audit and Transparency Committee do set out where audits have been deferred. Information on reasons for deferral will provided in future reports to the Committee. Responsible Officer: Moira Mackie Due Date: 2025/26

Improvement recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
IR2 The Council should consider including within the next iteration of the RBKC Commissioning and Procurement Strategy reference to the governments disbarring process and provide details as to the grounds a supplier/person(s) and or connected persons can be excluded form a procurement. (NB: From 1 September 2025, the failure to prevent fraud offence (s.199 ECCTA) means that the actions of all a company's 'associates' (i.e., employees, agents, subsidiaries and anyone else providing services for it or on its behalf) will be capable of triggering discretionary exclusion and debarment under the Procurement regulations).	Improvement economy, efficiency and effectiveness	Impact: The absence of clear statements on the Council's use of the national disbarring listings and guidance on any locally mandated and/or discretionary exclusion grounds may put the Council at risk to reputational damage and/or legal challenge. This may be particularly true when SMEs are included on any local exclusion listings. By including clear statements on the Council's use of any national/local disbarring listing, suppliers will be appropriately informed as to why they may be excluded from a procurement Actions: The detailed points suggested here will be taken into account and incorporated as part of the current review of the Procurement Code (this sets out the procurement processes and so the procurement strategy will not cover this). We have added reference to the debarment list and a link to Government guidance too. Other exclusion grounds are covered through our Procurement Specific Questionnaire which we use for any PA23 procurements. Within our Tender forms (form part of the ITT pack) we are in the process of updating them to include reference to the ECCTA. Responsible Officer: Lee White Due Date: 2025/26

Improvement recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
IR3 The Pension Fund should seek to formalise its plans for achieving 100% of investment assets managed under pooled arrangements by 31 March 2026, as per Government requirement, and seek to deliver this plan at pace, to avoid any regulatory or legal consequences that may arise by not meeting the requirements of the Pensions Bill, in this respect.	Governance (Pension Fund)	Impact: The requirement to pool Pension Fund assets is now part of a Bill which could likely be written into statute, and so failure to meet the requirements could result in legal or regulatory penalties, although the consequences of not achieving the target and deadline have not been clarified by Government Actions: The RBKC Pension Fund is actively progressing with LCIV pool asset transition to be achieved by 31 March 2026, in line with Government requirements. Officers have been engaging with the London CIV over the last six months regarding the asset transition plan. At the November 2025 Investment Committee meeting, further discussions will focus on defining next steps. Officers are also due to meet officially with the Monitoring Officer regarding the overall plan. A template Investment Management Agreement (IMA), to be managed at the London CIV’s discretion with agreed terms, is under compilation and review. The Fund is committed to completing this process promptly to ensure compliance with the future Pensions Bill, currently making its way through Parliament. Responsible Officer: Phil Triggs Due Date: 31 March 2026

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council’s Value for Money arrangements

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council’s arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor’s professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

**A range of different recommendations can be raised by the Council’s auditors as follows:**

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council’s arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Further action
IR1	We recommend that members needing to satisfy themselves that savings plans are robust and to hold directors to account for delivery or appropriate mitigation.	2023/24	Robustness - £1.258m of savings in centrally agreed budgets are 'yet to be confirmed' (7.7%), these do not yet have formalised, templated plans, to the same extent as those savings assigned to individual directorates, however the nature of the saving is known. As such they are not considered to be unidentified. We are satisfied that the recommendation has been responded satisfactorily but note fully drawing up plans should be a priority for 2025/26. Accountability - budget challenges sessions have been introduced into the budget setting process in 2024/25, these include challenge of savings proposals. The Transformation Team overseen by the Chief Executive has supported the challenge process and development of the Transformation Savings Programme. Accountability for budget variances, including savings performance, is not formalised but undertaken internally via Lead Member briefings and challenge sessions.	No, the recommendation is addressed, although we acknowledge the Council could consider updates to budget monitoring via our 'insight' on page 20
IR2	Given the financial pressures posed by temporary accommodation, we would encourage the Council to ensure that this planned internal audit is completed during 2024/25	2023/24	The 2024/25 Internal Audit Plan—approved in March 2024—included a review of Temporary Accommodation and Homelessness. However, this audit was deferred to 2025/26 and so the recommendation is unaddressed. An associated recommendation (IR2) raised regarding IA capacity and Plan completion. Indicative of potentially emerging challenges in IA and services to support the audit process, which if unaddressed could escalate.	Yes. To be followed up in 2025/26. Updated Management Responses provided to Audit and Transparency Committee 29 September 2025.

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Further action
IR3	The Council should consider its statutory officer management and reporting arrangements in light of the CIPFA code on Good Governance. In particular, noting the Monitoring Officer (MO) is currently managed by the S151 officer, that appropriate safeguards are put in place to ensure that their ability to act independently is not compromised and that the Monitoring Officer's professional role and advice is not seen as subordinate to S151 officer advice.	2023/24	The AGS confirms that the MO continues to fulfil statutory duties, including maintaining the register of interests, managing complaints, and reporting breaches. The MO also participates in the Statutory Officers Group and attends Ethics Panel meetings with the Chief Executive. However, no evidence explicitly confirming a change in the reporting line or structural safeguards to ensure independence.	Yes. To be followed up in 2025/26. Updated Management Responses provided to Audit and Transparency Committee 29 September 2025.
IR4	The Council needs to develop a 30-year HRA Business Plan.	2022/23	The HRA Budget approved in February 2025 includes a draft 5-year HRA Capital Programme and a refreshed 30-year Business Plan. This shows that the HRA will go into deficit in 2030/31 unless significant actions are taken. The report specifically considers options to close the financial gap, demonstrating that the Council is acting ahead of time to address the medium-term issue. Plans are at early discussion stage and expected to go through a full scrutiny process to ensure the Council can balance financial sustainability with the need to meet statutory objectives.	No, recommendation has been addressed.

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

	Prior Recommendation	Raised	Progress	Further action
IR5	The Council should consider aligning the risk register more closely with the objectives of the Council Plan 2023-2027.	2022/23	Risk entries are now allocated to Council Plan themes (e.g. Fairer, Safer, Making it happen), which enhances visibility of how risks impact strategic objectives.	No, recommendation has been addressed.
IR6	The Council should ensure that role of the Head of Internal Audit maintains sufficient independence from operational activities that may be subject to review.	2022/23	The Head of Internal Audit continues to report to a Director with operational responsibilities, however the IA Charter outlines safeguards to maintain independence, including unfettered access to senior leadership and appraisal protections.	No, recommendation has been addressed.
IR7	The Council should consider whether a more streamlined performance report for Committee review would better support members in discharging their responsibilities relating to performance monitoring.	2022/23	The Council has implemented several improvements including RAG rating for improved readability. The Council has developed a new public-facing performance dashboard which is being launched in Q1 2025/26 to provide clearer, visual access to performance data. An Annual Report on performance is scheduled for Autumn 2025, this will include external benchmarking to support comparative analysis.	No, recommendation has been addressed.
IR9	The Council needs to reassess their current procurement function and create an updated strategy to reflect the changes that are currently being implemented. His assessment process should focus on the establishment of a centralised contract register and a procurement pipeline that compiles all contracts across the authority. The Council should also support and facilitate the communication between the devolved procurement teams and the central procurement team, creating a reporting framework that will align their strategy, and their monitoring and reporting processes.	2022/23	The Council has made meaningful progress in reassessing its procurement function. Governance structures and communication between central and devolved teams have improved. However, the procurement strategy and contract management framework are still being finalised, with full implementation and reporting expected in 2026.	Yes – in progress therefore to reassess response to the recommendation in 2025/26. Updated Management Responses provided to Audit and Transparency Committee 29 September 2025.

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

	Prior Recommendation	Raised	Progress	Further action
IR10	The Council should focus on the reduction of number of waivers and strengthen the current arrangements over repeated commissioning. The Council should also document and record the rationale behind the waivers and have a centralised record of these processes.	2022/23	Procurement governance has been strengthened through alignment with the UK Procurement Act 2023, updated regulations, new digital systems , and oversight by the Commercial Assurance Panel. Waivers are now subject to greater scrutiny. However, committee oversight and reporting of waivers, in totality, is still lacking.	Yes. To be followed up in 2025/26. Updated Management Responses provided to Audit and Transparency Committee 29 September 2025.
IR11	As the revised risk management process becomes embedded and the risk management strategy is developed, regular reporting should be included to the Council's Leadership Team in addition to the Audit & Transparency Committee to ensure oversight and ownership for strategic risks by key decision-makers.	2021/22	The Strategic Risk Register is reviewed biannually and discussed at the Executive Management Team (EMT) via the Risk and Control Board, chaired by the Chief Executive. This board meets bi-monthly and is responsible for overseeing the Council's risk strategy and identifying emerging risks.	No, recommendation has been addressed.



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