

# Statement of Accounts

2024/25

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THE ROYAL BOROUGH OF  
KENSINGTON  
AND CHELSEA



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## Introduction

Each year, I introduce this report by setting out the financial challenges that we as a country and a borough are facing, and this year is no different. Times continue to be challenging with inflation remaining above 2%, economic growth sluggish, and geopolitical events all impacting adversely on the lives of our residents, our staff, local businesses, partners and our services. The most vulnerable in our community continue to be disproportionately impacted and as a Council, we have a duty of care to support those in our borough who need it most, and it is with this in mind that our budgets are set.

The Council has a statutory responsibility to set a balanced budget and the Medium Term Financial Strategy 2025/26 to 2028/29 approved by Full Council in July 2024 set out our approach for doing this while also providing support to our residents. The economic reality we are experiencing continues to bring with it significant financial challenges and the Council must be poised to deal with these over the medium-term. We are always looking at ways in which we might take a different approach when designing processes and interventions that maximise impact and deliver longer-term outcomes for our communities.

During 2024/25 work commenced across the Council, led by our Corporate Strategy and Finance teams, to develop a collaborative and multi-year Transformation and Savings programme. This programme's aim was to balance the budget by working across the Council, looking to modernise practices, and considering key questions about what type of organisation the Council wants to be. The programme was instrumental in us setting a balanced budget for 2025/26 back in March and we are developing this programme further to support the Council in setting a balanced budget for 2026/27 and beyond. Further detail of this will be published in our Medium Term Financial Strategy 2026/27 to 2029/30 which will be taken to Leadership Team in July.

The 2024/25 Local Government Finance Settlement included an inflationary increase in our core funding and additional funding for homelessness prevention which was welcome. However, looking forward the outlook for our funding from central government is much more uncertain. Changes to local government funding have been on the agenda for almost a decade now and following the change in government last summer reform to funding is expected to be implemented from 2026/27. At the time of writing the exact impact on RBKC remains unknown but indications in the initial consultation suggested that smaller boroughs with low council tax will lose out financially. Therefore, these changes have the potential to adversely affect our financial position and we will continue to lobby the government to take into account the specific challenges inner London boroughs face and to not punish councils that have kept taxes low for their residents. Our current financial plans assume any reductions in funding would be limited to £5 million - £6 million a year and any larger reductions than this would increase our budget gap and the savings we would need to find going forward.

The Housing Revenue Account (HRA) continues to face significant financial challenges, arising from the intensive investment needs of our housing stock, and from a range of factors in the economic operating environment including higher inflation, borrowing costs, the cost of materials, and the permanent impact on the income budget of the government's below-inflation 7% cap on social rents in 2023/24. There is also the general shortfall in the supply of affordable housing, the challenging economic conditions, and the continuing high levels of homelessness in London. These challenges pose a significant risk to the affordability of the Council's HRA long-term business planning and forecasts assumed when setting the HRA budget. In addition, over



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the past few years, regulatory and compliance requirements have increased. While these tightening standards changes are welcome in terms of clarity, consistency, and improved experience for residents, these new requirements will increase costs, and in many cases the Council will have to absorb these additional costs.

In September 2024 the final phase 2 report of the Grenfell Tower Inquiry was published. Following this the Council accepted the Inquiry's findings and committed to drive up professional standards and reset the power imbalance between residents and the Council. The full response from the Council was published for the Full Council meeting on 27 November 2024. Reports are accessible on the Council's website by navigating to the heading 'Council, Councillors and Democracy', then selecting 'Councillors and Committee meetings' and proceeding to 'Council Committee meetings, agendas and reports'. The Council recognises that support for the bereaved, survivors and immediate community will need to continue well into the future. We are committed to supporting the Grenfell communities throughout these key stages – both by providing direct support to those affected and by driving through broader change at the Council so the lessons from Grenfell are properly learnt and acted upon.

To facilitate this the Council committed to a new four-year period of direct support through to March 2028, investing £12 million. This formed part of the new Restorative Justice programme (2024-2028) which was agreed as part of the settling of the majority of the civil claims that were filed against the Council and other organisations. In total approximately £50 million has been pledged to the Restorative Justice programme by the defendants.

Back in January 2023 I requested approval for exceptional financial support from the Secretary of State to help cover the cost of resolving all claims that have been lodged since the tragedy and to contribute towards the Restorative Justice (RJ) support programme. This was agreed and the Council has now borrowed the full amount to cover these costs. The revenue impact of this borrowing is currently being funded from our Civil Claims Reserve and so does not have any impact on the council tax payer.

The Council's financial performance during 2024/25 is set out in this Statement of Accounts and in the 2024/25 Final Outturn Revenue and Capital Financial Monitoring Report. Service budgets underspent overall by £3.472 million. However, this did include several over and underspends in different services including large overspend on temporary accommodation which continues to be our biggest financial pressure.

We continue to look at innovative solutions to bring these costs down and in June our Leadership Team agreed a pioneering scheme to use up to £100 million from our pension fund to purchase up to 250 homes for homeless families. The initiative, the first of its kind in Britain, will provide vulnerable residents with stable, affordable and safe homes while significantly reducing the Council's reliance on expensive and sometimes unsuitable options such as hotels, B&Bs and properties from private landlords.

This overspend on temporary accommodation was offset by a significant overachievement of income from parking and property. The Council's overall revenue position is an underspend of £5.207 million after adjusting for Treasury interest and the impact of one-off corporate items, taxation and non-specific grants. £0.381 million will be transferred to the Parking Reserve and £4.827 million will be transferred to the Budget Stabilisation Reserve to fund future transformation work at the Council.

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Our pension fund continues to perform well and was measured at 207% funded in 2024. As a result of this consistent strong performance our Investment Committee agreed in February to temporarily reduce our employer contributions to 0% in 2025/26 only. This saving will be transferred into our reserves and will be used to fund costs relating to the Grenfell RJ Support Programme and resolving claims that have been lodged since the Grenfell tragedy. I continue to review the adequacy of our reserve balances more generally and the balances as at the end of 2024/25 are included in the statement of accounts.

The overall position on the Housing Revenue Account (HRA) is a transfer of £2.731 million to the capital programme which will be used to support further capital investment in the council's housing stock.

The overall position on the General Fund Capital Programme was an underspend of £17.825 million against a revised budget of £98.425 million. The HRA Capital Programme underspent by £14.562 million against a revised budget of £85.056 million.

The identification and delivery of savings in 2025/26 and beyond remains challenging. The 2025/26 budget was approved by Full Council in March 2025 and Leadership Team will receive regular progress reports during the financial year on the delivery of the budget and savings identified as part of the budget.

The £677.79 million the Council will spend on the day to day running of core services in 2025/26 includes £115.008 million on Housing Benefit, which the Council administers on behalf of Government, and the £79.350 million Dedicated Schools Grant (DSG), which is passported in large part to the Borough's maintained schools. Over the period 2024/25 to 2027/28, the Council will invest general fund capital expenditure of £195.619 million in the borough's housing needs, schools and early years provision; highways, transport, environment and open space; and Council buildings and digital infrastructure. In addition, £350.167 million will be invested into the Council's housing stock through the Housing Revenue Account. Full details on the general fund budget are set out in the 2025/26 Revenue Budget, Capital Programme and Council Tax and the HRA position is set out in the 2024/25 HRA Budget Setting Report and Business Plan.



Mike Curtis  
Executive Director of Resources

## Political Structure

The Council consists of 50 councillors, who are elected for four-year terms (most recently in May 2022), with most electoral wards represented by three local councillors. The political make-up at 31<sup>st</sup> March 2025 was: 36 Conservative councillors making up a majority, 8 Labour councillors making up the principal opposition group, 2 Liberal Democrat councillors, 2 The Independent Group councillors, 1 Green councillor and 1 Workers Party of Britain councillor.

The Leader of the Council is elected every four years and can choose up to another 9 councillors to serve as Lead Members, each taking responsibility for a portfolio of services. The Leader and Lead Members make up the Leadership Team.

The Council sets the policy and budgetary framework on the basis of advice from officers, and the Leadership Team takes the major policy, financial and service decisions within the budgetary and policy framework agreed by Full Council.

The 8 Leadership Team portfolios as at 31 March 2025 were:

- Adult Social Care and Public Health
- Communities and Community Safety
- Employment, Culture and Economy
- Environment and Planning
- Family and Children's Services
- Finance, Digital, and Efficiency
- Housing
- Property, Parks and Leisure Services

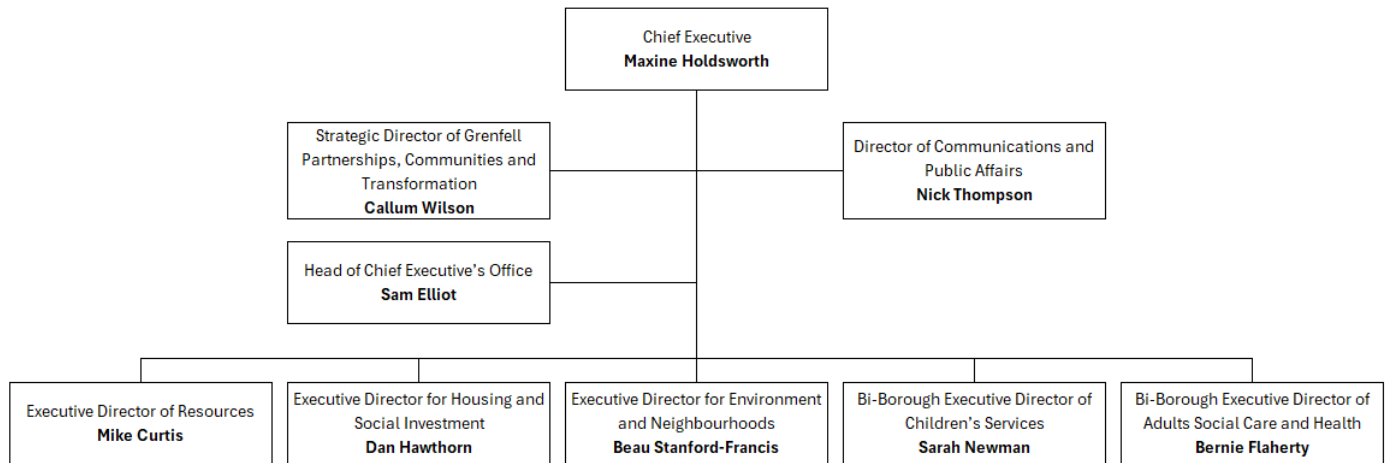
Within their defined portfolio, each Lead Member is responsible for:

- Setting the strategic direction of the Council, usually linked to a political document such as a manifesto.
- Being a leader within our communities, (promoting the Council's direction of travel as detailed in our Council Plan, developing partnerships, and consulting on policy proposals).
- Being the public face for the Council's policies and processes.
- Making certain decisions, as defined by the Constitution.

## Operational Model

Supporting the work of the elected members is the Council's Executive Management Team (EMT), which is led by Maxine Holdsworth, Chief Executive. This is the structure that is in effect at the time of writing, which consolidates all services into five operational directorates, as shown below:

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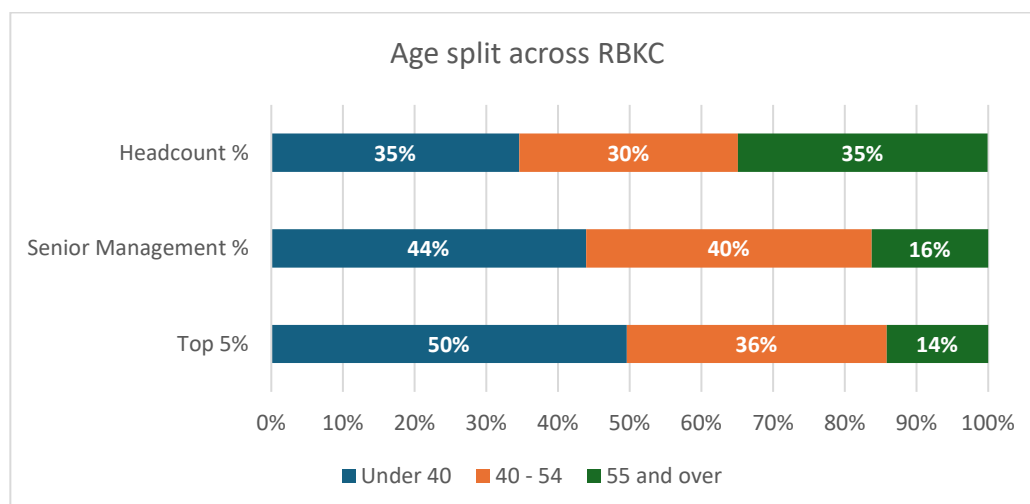
Across these five Directorates, the Council employs 2,808 staff (2687 FTE), figures that include shared services.

The Council operates shared services with Westminster City Council for Adult Social Care, Public Health and Children's Services. Tri-Borough arrangements for Audit, Risk, Fraud and Insurance; Fostering and Adoption; and Treasury and Pensions are also in place with Westminster City Council, and LB Hammersmith and Fulham.

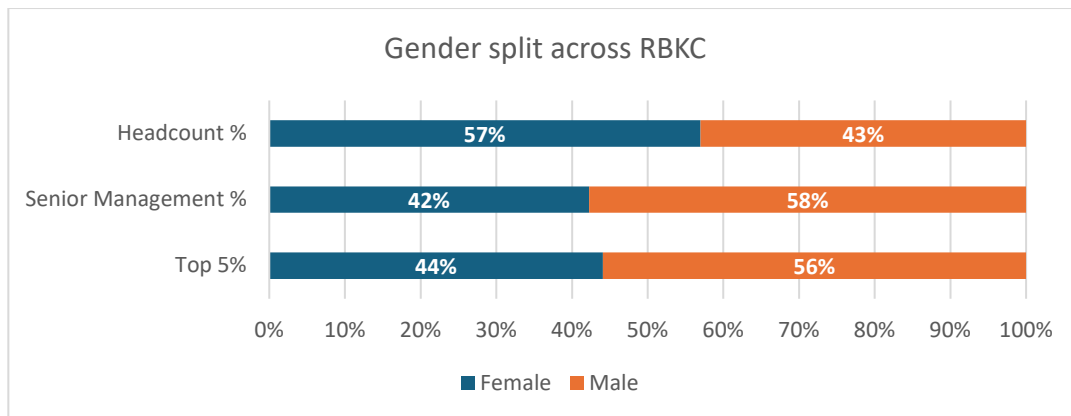
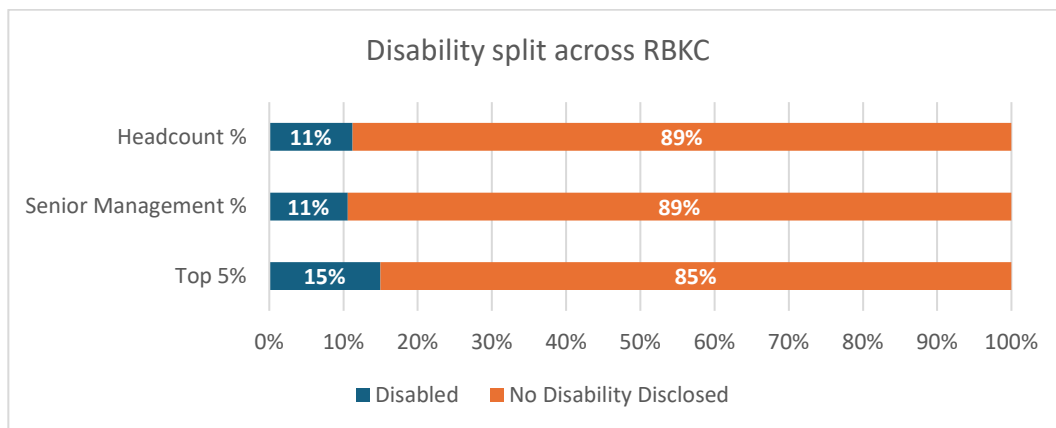
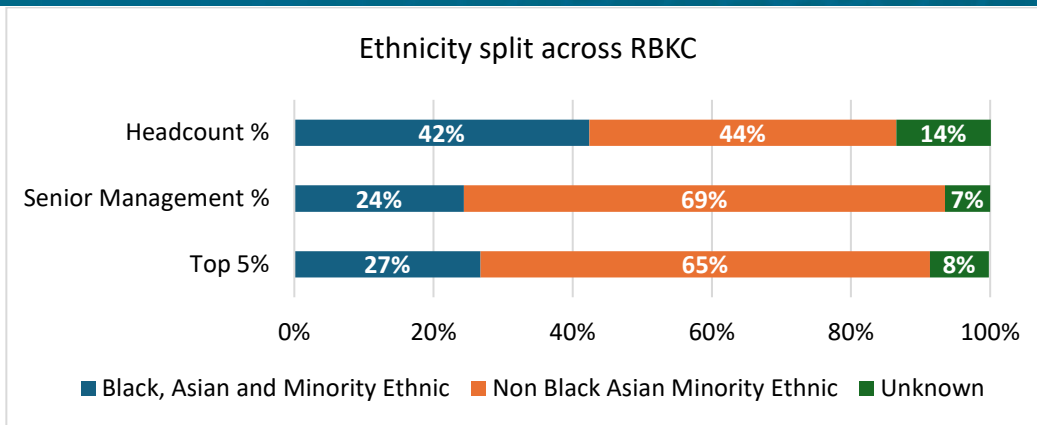
## Who works for the Council?

The Council's policies ensure promotion of equality and respect for diversity, both through service delivery and as an employer. Our workforce reflects the diversity of the borough. The following charts show this broken down by ethnicity, age and disability.

Senior Management is defined as Heads of Service, Directors, Executive Directors and the Chief Executive. The top 5% is based on the annual salary of all staff in the top 5% of earners.



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## Council Plan 2023 to 2027

### Becoming the best council for a borough that is Greener, Safer, Fairer

The Council Plan 2023 to 2027 sets the priorities for the Council and our overarching ambition to be Become the Best Council for a Borough that is Greener, Safer, Fairer. It also guides what we do and our budget sets out how we will fund delivery of these priorities. The Plan, combined with our Charter for Public Participation, values, People Plan and budget give direction to what every Council team does. Councillors and staff are central to achieving the vision and change and we will support them so they can do the best possible job for our communities.



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An important part of this is the development of the Fairer Action Plan 2025-2029, which is the Council's strategy to tackle inequality, celebrate diversity and promote inclusion in the borough. The Fairer Action Plan supports the Council's ambition to be a fairer borough for all, in its journey to being the best Council. It will be an important test in ensuring Council-funded services are having the desired impact, particularly on residents who live in the most deprived areas of the borough and encourages staff to consider if we might be able to use money more effectively to provide direct support.

A refreshed Council Plan Action Plan (CPAP) was adopted in April 2025 and sets out the key activities for the council over the coming two years to deliver the Council Plan. The CPAP for 2025-27 seeks to build on the successes of the past few years with a clearer and more focused set of actions. Delivery of the CPAP will continue to be monitored closely by officers and elected members, with quarterly updates published on the Council website to ensure transparency and resident access. Progress will be reviewed every six months by the Overview and Scrutiny Committee (at the end of quarters two and four).

## Financial Performance 2024/25: Revenue

The Council's day-to-day spending on services is known as revenue expenditure. The General Fund revenue budget final outturn position is an underspend of £5.207 million after adjusting for Treasury interest and the impact of one-off corporate items, taxation and non-specific grants, and this will be transferred to reserves. The overall position includes an underspend of £3.472 million against a revised service budget of £180.410 million. The revised budget includes the impact of virements between service areas processed after the original budget was set but excludes year-end movements to and from reserves.

The overall position includes pressures of £5.439 million in Housing and Social Investment arising from temporary accommodation-related pressures in Housing Management that are being mitigated by favourable variances elsewhere in the service. Also contributing to this position is an overspend of £0.115 million in Resources and Customer Delivery where Digital Data and Technology (DD&T) pressures are being offset by underspends across the wider directorate.

This adverse position is offset by an underspend of £8.049 million in Environment and Neighbourhoods where a favourable position owing largely to a net overachievement of income, most notably in Parking Services. Also contributing to the position are underspends of £0.835 million in the Chief Executive's directorate due to an overachievement of income in the Registrars service along with one-off grant funding and a £0.100 million against the Grenfell Corporate budget. There are also net Treasury interest and MRP budget underspends of £1.345 million as the borrowing strategy throughout 2024/25 was to focus on operational liquidity management, with a focus on predominately borrowing in the HRA where the concessionary rate still applies and there is a large amount of internal borrowing. The remainder of the capitalisation borrowing was also taken in year, which is funded from a reserve, but that still supports cash balances and liquidity requirements. This resulted in lower than budgeted for borrowing in the General Fund.

The Contingency and Centrally Held Budget are managed corporately and are held to mitigate the impact of unforeseen and/or unavoidable circumstances. The Contingency budget reflected late awarded additional grants for Children's Services and Adult Social Care. These were largely transferred to departmental budgets in year, with the balance relating to Adult Social Care being transferred to reserves at year end. The £12.048m Centrally Held Budget was used in full to manage departmental costs arising from pay and contract inflation.

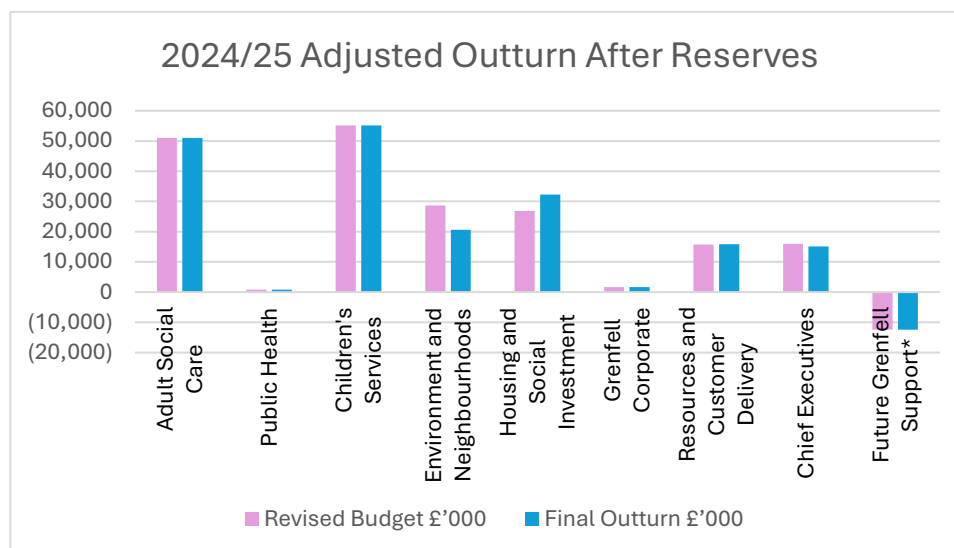
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These budgets, outturn and reserve movements are included in the table below.

Service Area	2024/25 Revised Budget	Final Outturn	Net Cont To / (From) Reserves	2024/25 Adjusted Outturn after Reserves	Over / (Under) Spend
	£'000	£'000	£'000	£'000	£'000
Adult Social Care	50,623	51,028	(405)	50,623	0
Public Health	2	825	(823)	2	0
Children's Services	55,838	55,122	673	55,795	(43)
Environment and Neighbourhoods	27,927	20,641	(763)	19,878	(8,049)
Housing and Social Investment	23,432	32,255	(3,384)	28,871	5,439
Grenfell Corporate	1,153	1,609	(555)	1,054	(99)
Resources and Customer Delivery	6,241	15,812	(9,456)	6,356	115
Chief Executives	14,884	15,078	(1,029)	14,049	(835)
Future Grenfell Support	310	(12,399)	12,709	310	0
<b>Service Budgets</b>	<b>180,410</b>	<b>179,971</b>	<b>(3,033)</b>	<b>176,938</b>	<b>(3,472)</b>
Grenfell Recovery	5,757	4,522	1,235	5,757	0
Treasury Interest Payable	8,298	7,649	(541)	7,108	(1,190)
Treasury Return on Investments	(2,713)	(3,965)	1,030	(2,935)	(222)
Treasury Minimum Revenue Provision	8,732	8,798	0	8,798	66
Levies	11,646	11,226	0	11,226	(420)
<b>Net Expenditure</b>	<b>212,130</b>	<b>208,201</b>	<b>(1,309)</b>	<b>206,892</b>	<b>(5,238)</b>
Contingency	212	0	212	212	0
Centrally Held Budgets	0	0	0	0	0
<b>Net Cost of Services</b>	<b>212,342</b>	<b>208,201</b>	<b>(1,097)</b>	<b>207,104</b>	<b>(5,238)</b>
Other Corporate Budgets	(14,960)	(14,977)	0	(14,977)	(17)
Use of Reserves	4,234	(3,390)	7,612	4,222	(12)
Use of Reserves - Collection Fund	(5,778)	0	(5,778)	(5,778)	0
Resourcing	(195,838)	(189,834)	(5,944)	(195,778)	60
	<b>0</b>	<b>0</b>	<b>(5,207)</b>	<b>(5,207)</b>	<b>(5,207)</b>
<b>Transfer to Car Parking reserve</b>					<b>381</b>
<b>Transfer to Budget Stabilisation reserve</b>					<b>4,826</b>

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The chart below compares the revised budget to adjusted outturn for the service areas.



\* The Future Grenfell Support out-turn includes significant income receipts that were transferred to reserves at the end of the year

The overall position on the Housing Revenue Account (HRA) is a transfer of £2.731 million to the capital programme against a net budget of £3.161 million. This is an adverse position of £0.429 million when compared to the budget and is a result of a combination of higher than budgeted depreciation charges, offset by lower than budgeted energy costs; though this resulted in reduced service charge income as a result of the fall in utility unit costs.

	2024/25 Revised Budget	2024/25 Final Outturn	2024/25 Variance
	£000	£000	£000
Total Expenditure	74,637	72,814	(1,823)
Total Income	(77,798)	(75,546)	2,252
<b>Net Total</b>	<b>(3,161)</b>	<b>(2,732)</b>	<b>429</b>
Transfer to fund Capital Programme	3,161	2,732	(429)
<b>Grand Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Working Balance b/fwd.</b>	(5,000)	(5,000)	0
Contribution to (-) or from(+) Working Balance	0	0	0
<b>Total Working Balance</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>0</b>

## Financial Performance 2024/25: Capital (including HRA)

The Capital Programme was presented to Full Council for approval in February 2025 as part of the [2024/25 to 2027/28 Capital Programme](#). The Capital Strategy is being revised and will be presented to Full Council in the summer along with the Medium Term Financial Strategy, providing a framework for the allocation of resources to fund capital projects.

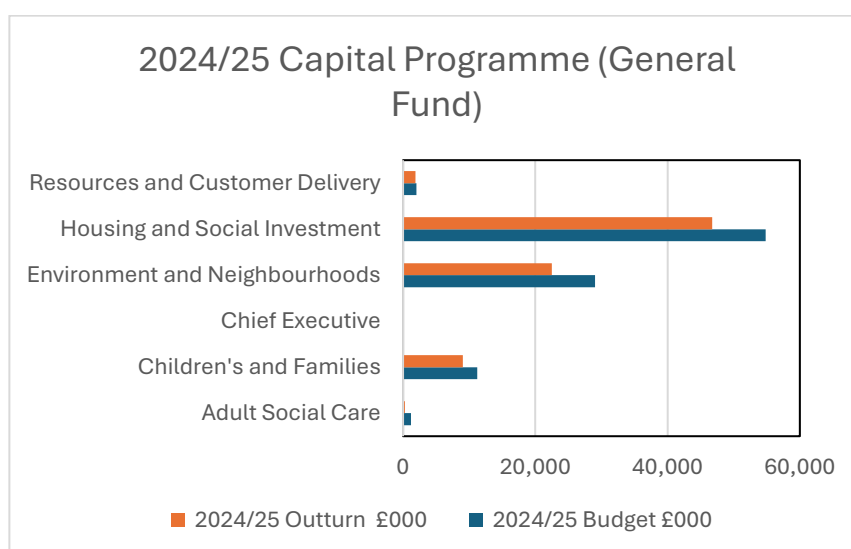
Total General Fund capital expenditure in 2024/25 was £80.600 million against a revised budget of £98.425 million. The net underspend relates largely to schemes that have been delayed and project budgets will be rephased in most cases. Any remaining balances are held in capital contingency to mitigate against future risks to the Capital Programme.

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General Fund capital expenditure includes £6.603 million on providing additional places in secondary schools and £1.315 million on the development of Special Educational Needs provision in schools, both delivered by Children and Family Services. £10.007 million has been spent on Street Scene improvements and £1.755m on projects in Parks and Open spaces in Environment & Communities, and £20.632 million was spent on the New Homes Delivery Programme in Housing and Social Investment.

Total HRA capital expenditure was £70.494 million against a revised budget of £85.056 million. £49.696 million of this was spent on the main capital programme as set out in the business plan and £20.798 million was spent on the Lancaster West refurbishment. The £14.562 million underspend primarily relates to delayed delivery of the Lancaster West refurbishment, which is a continuing scheme.

The following graph illustrates the capital expenditure against budget, split by directorate.



The tables below show the over/under spend against capital budgets and how the spend was financed.

Directorate	2024/25 Revised Budget	2024/25 Final Outturn	2024/25 Variance
	£'000	£'000	£'000
Adult Social Care and Public Health	1,184	283	(901)
Chief Executive	157	129	(28)
Children's Services	11,198	9,048	(2,150)
Environment and Neighbourhoods	29,048	22,495	(6,553)
Housing and Social Investment	54,838	46,752	(8,086)
Resources and Customer Delivery	2,000	1,893	(107)
<b>General Fund Capital Programme</b>	<b>98,425</b>	<b>80,600</b>	<b>(17,825)</b>
<b>HRA Capital Programme</b>	<b>85,056</b>	<b>70,494</b>	<b>(14,562)</b>
<b>Total Capital Programme</b>	<b>183,481</b>	<b>151,094</b>	<b>(32,387)</b>

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Capital Funding – General Fund	2024/25 Revised Budget	2024/25 Final Outturn	2024/25 Variance
	£'000	£'000	£'000
Capital Grants and Contributions	(25,625)	(18,321)	7,304
S106/CIL Contributions	(9,653)	(10,309)	(656)
S278 Contributions	(7,485)	(9,884)	(2,399)
Car Parking Reserve	(4,689)	(2,186)	2,503
Borrowing Requirement	(50,973)	(39,900)	11,073
<b>Total Funding</b>	<b>(98,425)</b>	<b>(80,600)</b>	<b>17,825</b>

Capital Funding - HRA	2024/25 Revised Budget	2024/25 Final Outturn	2024/25 Variance
	£'000	£'000	£'000
Capital Grants and Contributions	(29,359)	(12,121)	17,238
Capital Receipts Reserve	(2,461)	(4,081)	(1,620)
Major Repairs Reserve	(5,210)	(7,682)	(2,472)
Revenue Contribution	(3,262)	0	3,262
Borrowing Requirement	(44,764)	(46,610)	(1,846)
<b>Total Funding</b>	<b>(85,056)</b>	<b>(70,494)</b>	<b>14,562</b>

The Council's funding assumptions are based on borrowing in the long-term to finance capital expenditure. The principal source of long-term borrowing is the Public Works Loans Board (PWLb). However, the Council has also made use of the Mayor's Energy Efficiency Fund and some short term borrowing from other local authorities as part of its day-to-day cash flow management. A total of £40.722 million of debt was repaid and new loans of £202.222 million were agreed in 2024/25, which increased the Council's borrowing from £342.038 million to £503.538 million and also increased the average total interest rate on loans to 4.13% from 3.88%. £39.900 million of borrowing was used to fund delivery of the General Fund capital programme in 2024/25. Of this £503.538 million of borrowing as at 31st March 2025, £66.610 million related to the exceptional financial support request.

The Council's capital receipts in year totalled £3.406 million primarily arising from the renewal of leaseholder agreements and Right To Buy sales. There were no significant sales of Council assets during the year.

## Risk Management

Although a balanced budget is reported for 2025/26, there are a number of inherent risks for next year and subsequent years:

- Economic factors
- Local authority funding for future years
- Temporary Accommodation Pressures
- Demographic and demand pressures
- Delivery of savings
- Dedicated Schools Grant Deficit



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The nature of risks and uncertainties means it is therefore important that the Council takes a prudent approach to assumptions in both next year's budget and medium-term financial plans to hold sufficient levels of contingency funding within the budget for dealing with unforeseen circumstances in the short term. Levels of reserves provide a safety net in the event of more significant negative impacts on Council funding in the medium term.

The Council's financial risks are published in full as part of the 2025/26 Revenue Budget Report that was presented to the Leadership Team on 12 February 2025. Strategic risks and the overall approach to risk and governance are set out in full in the Annual Governance Statement.

## Introduction to the Statutory Accounts

The **Statutory Accounts** set out the Council's income and expenditure for the year, and its financial position at 31 March 2025. This covers the General Fund (GF), Housing Revenue Account (HRA), Pension Fund and all the other accounts for which the Council is responsible.

The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, which in turn is underpinned by International Financial Reporting Standards. The Statement of Accounts comprises core financial statements, explanatory notes and supplementary financial statements:

The **Movement in Reserves Statement** (MIRS) on page 21 shows the movement from the start to the end of the year on the different reserves held by the Council, analysed into 'usable' reserves (i.e. those that can currently be used to fund expenditure or reduce local taxation) and other 'unusable' reserves. The level of usable reserves, the Council's spending plans and other sources of funding will determine how much council tax needs to be raised.

The MIRS shows how in-year reserve movements are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase / Decrease line shows the statutory GF Balance and HRA Balance movements in the year following those adjustments.

Statutory adjustments are made to usable reserves to remove transactions that are required by accounting standards and add transactions required by statute. For example, accounting standards require depreciation to be charged to the general fund to represent the cost of assets used in the delivery of services. Statute requires that all capital transactions are removed from the general fund. Depreciation is therefore taken out of the general fund and replaced with the minimum revenue provision (MRP). The MRP represents the Council's estimate of how much it should contribute to capital expenditure each year and is approved by members at the start of every year.

The **Comprehensive Income and Expenditure Statement** (CIES) on page 22 records all Council income and expenditure for the year. The top part of the table presents an analysis by service area and includes expenditure on both statutory services and discretionary services. This means that it does not have the same headings seen in commercial financial statements. The bottom part deals with corporate accounting transactions and funding. The CIES shows the accounting position of the Council before statutory overrides are applied.

The CIES reports the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (GF) or rents (HRA). The Council raises taxation (or rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (EFA) and the Movement in Reserves Statement (MIRS).

The **Balance Sheet** on page 23 is a “snapshot” of the Council’s assets, liabilities, cash balances and reserves at the year-end date. It shows the value as at 31 March 2025 of the assets and liabilities recognised by the Council. The Council’s net assets are matched by its reserves. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. For example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt. The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the MIRS line ‘Adjustments between accounting basis and funding basis under regulations’.

The **Cash Flow Statement** on page 24 shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating activities, new investment and financing activities (such as the repayment of borrowing and long-term liabilities). The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or through fees and charges from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

The Notes to the Accounts provide more detail about the items contained in the key financial statements, the Council’s accounting policies and other information that help with the interpretation and understanding of the key financial statements and accounts. Notes are only provided where the amounts involved are material. Materiality is determined by the magnitude of the disclosure and the potential for the user of the accounts being influenced by any omission.

The **Supplementary Financial Statements** on pages 105 to 111 provide details of the HRA and Collection Fund. These are provided to aid interpretation and understanding of the key financial statements and notes, to provide additional statutory information and to disclose information of use to other parties.

The Supplementary Financial Statements are:

- The **Housing Revenue Account** (HRA) – this account separately identifies the Council’s statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.
- The **Collection Fund Account** – this summarises the collection of council tax and business rates, and the redistribution of some of that money to the GLA and Central Government.

The **Pension Fund Account** on pages 113 to 136 reports the contributions received, payments to pensioners and the value of net assets invested in the Local Government Pension Scheme on behalf of Council employees.

# Narrative Report

The **Annual Governance Statement** on pages 137 to 149 sets out the governance structures of the Council and its key internal controls. This statement is not formally part of the accounts but published alongside to provide details of the risk and control framework within which the Council operates.

## Feedback

We are always seeking to improve our Statement of Accounts through engaging with residents and businesses who are amongst our key stakeholders. If you have any feedback on any items within the accounts or ideas on how we can improve the presentation, please contact us at [FinalAccounts@rbkc.gov.uk](mailto:FinalAccounts@rbkc.gov.uk). We welcome your comments.

If you need any part of this document in a different format or would like to discuss the content of any graphics or tables, please email [Shaheena.Kabir@rbkc.gov.uk](mailto:Shaheena.Kabir@rbkc.gov.uk). We will consider your request and get back to you within two working days.

Copies of these financial statements can be obtained by contacting:

Shaheena Kabir CPFA  
Head of Financial Reporting and Controls  
Kensington Town Hall  
Hornton Street  
London W8 7NX

# Statement of Responsibilities

## The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Chief Financial Officer (CFO)) has the responsibility for administration of those affairs
- manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets
- approve the Statement of Accounts.

## The Chief Financial Officer's Responsibilities

The CFO is responsible for the preparation of the Council's Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the UK (the Code).

In preparing this Statement of Accounts, the CFO has:

- selected suitable accounting policies and then applied them consistently
- made judgments and estimates that were reasonable and prudent
- complied with the Code
- kept proper accounting records that were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities
- used the going concern basis of accounting on the assumption that the functions of the Council will continue in operational existence for the foreseeable future
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I certify that the Statement of Accounts for 2024/25 (set out on pages 21 to 111 and 113 to 136) gives a true and fair view of the financial position of the Council as at 31 March 2025 and its income and expenditure for the year ended 31 March 2025.



Mike Curtis

Executive Director of Resources (CFO)

30 June 2025



# Independent Auditor's Report to Members

## Report on the Audit of the Financial Statements

### Opinion on financial statements

[TO BE INSERTED AT END OF AUDIT]

The background image is a sepia-toned photograph of a street scene. In the foreground, on the left, is a large, leafy potted plant. To its right is a decorative metal railing with ornate scrollwork. In the background, a row of multi-story houses with many windows lines the street. A street lamp is visible on the right side of the street. The overall tone is warm and historical.

# Primary Financial Statements

# Movement in Reserves Statement

Movement in Reserves Statement	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2024</b>	<b>(125,650)</b>	<b>(5,987)</b>	<b>(6,830)</b>	<b>(1)</b>	<b>(40,164)</b>	<b>(178,632)</b>	<b>(1,562,453)</b>	<b>(1,741,085)</b>
<b><u>Movement in reserves during 2024/25</u></b>								
Total Comprehensive Income and Expenditure	(48,726)	56,305	0	0	0	7,579	359,933	367,512
Adjustments between accounting basis and funding basis under regulations (Note 6)	56,410	(56,305)	676	(194)	(414)	173	(173)	0
<b>Net (increase) / decrease in 2024/25</b>	<b>7,684</b>	<b>0</b>	<b>676</b>	<b>(194)</b>	<b>(414)</b>	<b>7,752</b>	<b>359,760</b>	<b>367,512</b>
<b>Balance at 31 March 2025</b>	<b>(117,966)</b>	<b>(5,987)</b>	<b>(6,154)</b>	<b>(195)</b>	<b>(40,578)</b>	<b>(170,880)</b>	<b>(1,202,693)</b>	<b>(1,373,573)</b>
<b>Balance at 31 March 2023</b>	<b>(132,386)</b>	<b>(5,987)</b>	<b>(11,299)</b>	<b>(61)</b>	<b>(37,490)</b>	<b>(187,223)</b>	<b>(1,694,695)</b>	<b>(1,881,918)</b>
<b><u>Movement in reserves during 2023/24</u></b>								
Total Comprehensive Income and Expenditure	29,566	53,384	0	0	0	82,950	57,883	140,833
Adjustments between accounting basis and funding basis under regulations (Note 6)	(22,830)	(53,384)	4,469	60	(2,674)	(74,359)	74,359	0
<b>Net (increase) / decrease in 2023/24</b>	<b>6,736</b>	<b>0</b>	<b>4,469</b>	<b>60</b>	<b>(2,674)</b>	<b>8,591</b>	<b>132,242</b>	<b>140,833</b>
<b>Balance at 31 March 2024</b>	<b>(125,650)</b>	<b>(5,987)</b>	<b>(6,830)</b>	<b>(1)</b>	<b>(40,164)</b>	<b>(178,632)</b>	<b>(1,562,453)</b>	<b>(1,741,085)</b>

# Comprehensive Income and Expenditure Statement

Comprehensive Income and Expenditure Statement	2024/25			2023/24		
	Gross	Gross	Net	Gross	Gross	Net
	Expenditure	Income	Expenditure	Expenditure	Income	Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care	84,448	(37,352)	47,096	76,696	(41,263)	35,433
Public Health	26,386	(25,659)	727	16,846	(23,463)	(6,617)
Children's Services	189,230	(142,805)	46,425	170,850	(137,159)	33,691
Environment and Neighbourhoods	91,823	(90,303)	1,520	94,921	(79,820)	15,101
Housing and Social Investment	103,776	(55,175)	48,601	90,017	(44,533)	45,484
Resources and Customer Delivery	215,116	(157,947)	57,169	215,540	(137,407)	78,133
Chief Executive	17,900	(6,285)	11,615	15,317	(4,003)	11,314
Grenfell Recovery	4,720	(34)	4,686	7,827	(24)	7,803
Grenfell Corporate	2,222	(562)	1,660	1,918	(1,232)	686
Future Grenfell Support	4,684	(17,083)	(12,399)	355	0	355
Grenfell Settlement	0	0	0	33,772	0	33,772
Housing Revenue Account	138,924	(70,434)	68,490	136,270	(68,542)	67,728
<b>Cost of Services</b>	<b>879,229</b>	<b>(603,639)</b>	<b>275,590</b>	<b>860,329</b>	<b>(537,446)</b>	<b>322,883</b>
Other operating income and expenditure (Note 12)			4,965			6,069
Financing and investment income and expenditure (Note 13)			(18,679)			(23,263)
Taxation and non-specific grant income and expenditure (Note 14)			(254,297)			(222,739)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>7,579</b>			<b>82,950</b>
(Surplus) / deficit on revaluation of non current assets (Note 8)			(203)			3,443
Remeasurement of net defined benefit liability (Note 36)			360,136			54,440
<b>Other Comprehensive Income and Expenditure</b>			<b>359,933</b>			<b>57,883</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>367,512</b>			<b>140,833</b>

# Balance Sheet

Balance Sheet	Note	31 March 2025 £'000	31 March 2024 £'000
Property, Plant and Equipment	24	1,617,332	1,563,108
Intangible Assets	26	4,096	4,760
Heritage Assets	27	52,309	46,631
Investment Property	25	251,926	250,226
Long Term Investments	33	23,452	23,272
Long Term Debtors	29	2,928	3,128
Other Long Term Assets	36	39,790	396,504
<b>Long Term Assets</b>		<b>1,991,833</b>	<b>2,287,629</b>
Inventories		217	215
Debtors	29	116,369	80,923
Cash and Cash Equivalents	41	70,190	22,167
<b>Current Assets</b>		<b>186,776</b>	<b>103,305</b>
Short Term Borrowing	33	(74,316)	(24,817)
Short Term Creditors	30	(176,346)	(138,012)
Capital Grants Receipts in Advance	15	(21,895)	(24,672)
Revenue Grants Receipts in Advance	15	(14,103)	(10,605)
Short Term Provisions	31	(25,243)	(60,940)
<b>Current Liabilities</b>		<b>(311,903)</b>	<b>(259,046)</b>
Long Term Provisions	31	(8,781)	(2,340)
Long Term Borrowing	33	(433,755)	(321,146)
Long Term Creditors	30	(5,156)	(1,201)
Revenue Grants Receipts in Advance	15	(11,544)	(18,180)
Long Term Capital Grants Receipts in Advance	15	(33,897)	(47,936)
<b>Long Term Liabilities</b>		<b>(493,133)</b>	<b>(390,803)</b>
<b>Net Assets</b>		<b>1,373,573</b>	<b>1,741,085</b>
Usable Reserves	7	(170,880)	(178,632)
Unusable Reserves	8	(1,202,693)	(1,562,453)
<b>Total Reserves</b>		<b>(1,373,573)</b>	<b>(1,741,085)</b>

To comply with IFRS 16 requirements, balances for leases, are included within Property, Plant and Equipment and both Long Term and Short Term Creditors.



# Cash Flow Statement

Cash Flow Statement	Note	2024/25 £'000	2023/24 £'000
<b>Net Surplus or (Deficit) on Provision of Services</b>		<b>(7,579)</b>	<b>(82,950)</b>
Adjustments to net surplus or deficit on the provision of services for non-cash movements	38	7,652	98,427
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	38	(26,249)	(26,145)
<b>Net cash flows from Operating Activities</b>		<b>(26,176)</b>	<b>(10,668)</b>
Investing Activities	39	(112,679)	(104,547)
Financing Activities	40	186,878	112,174
<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>48,023</b>	<b>(3,041)</b>
Cash and cash equivalents at the beginning of the reporting period		22,167	25,208
<b>Cash and cash equivalents at the end of the reporting period</b>	41	<b>70,190</b>	<b>22,167</b>

# Notes to the Accounts

HIGH STREET KENSINGTON STATION

HIGH STREET KENSINGTON STATION

## 1. Critical judgements in applying accounting policies

In calculating the net pensions asset, the Council has made a judgement that the statutory framework for setting employer's contributions under its pension schemes constitutes a minimum funding requirement. This limits the Council's ability to realise the full economic benefits through reductions in future employer's contributions.

Accounting standards IAS 19 paragraph 64 and IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement' require a net pension asset to be recognised up to the level of the asset ceiling. This is calculated by the actuary based upon discount rates and a number of forecasts such as salary estimates and employer contributions to the pension fund. Based on the pension fund's 210% funding level, the Council decided not to make any contributions to the fund in 2025/26. This has been factored into the asset ceiling calculation included in the net pension asset disclosures in note 36.

## 2. Material items of income and expenditure

There were no material items of income and expenditure.

## 3. Events after the reporting period

These financial statements were approved by the Executive Director of Resources on 30 June 2025. There were no events that would have a material effect on the 2024/25 accounts between 1 April and 30 June 2025.

## 4. Accounting standards issued but not yet adopted

From 1 April 2025, the CIPFA Accounting Code will change the arrangements for the valuation of Property, Plant and Equipment. This is to align with the standard provisions of IAS 16 Property Plant and Equipment.

For 2024/25, there has been a general requirement that assets are revalued sufficiently regularly so that their carrying amount at 31 March does not differ materially from their current value at that date. This will be replaced by an option to revalue assets every five years, subject to annual reviews for impairment and the updating of carrying amounts by the application of relevant indices.

No adjustments to carrying amounts will be required at 1 April 2025. As indices for 2025/26 will not be available until after 31 March 2026, it is not possible to project what the impact of indexation will be.

# Technical Notes, Judgements and Assumptions

## 5. Assumptions made about the future and other major sources of estimation uncertainty

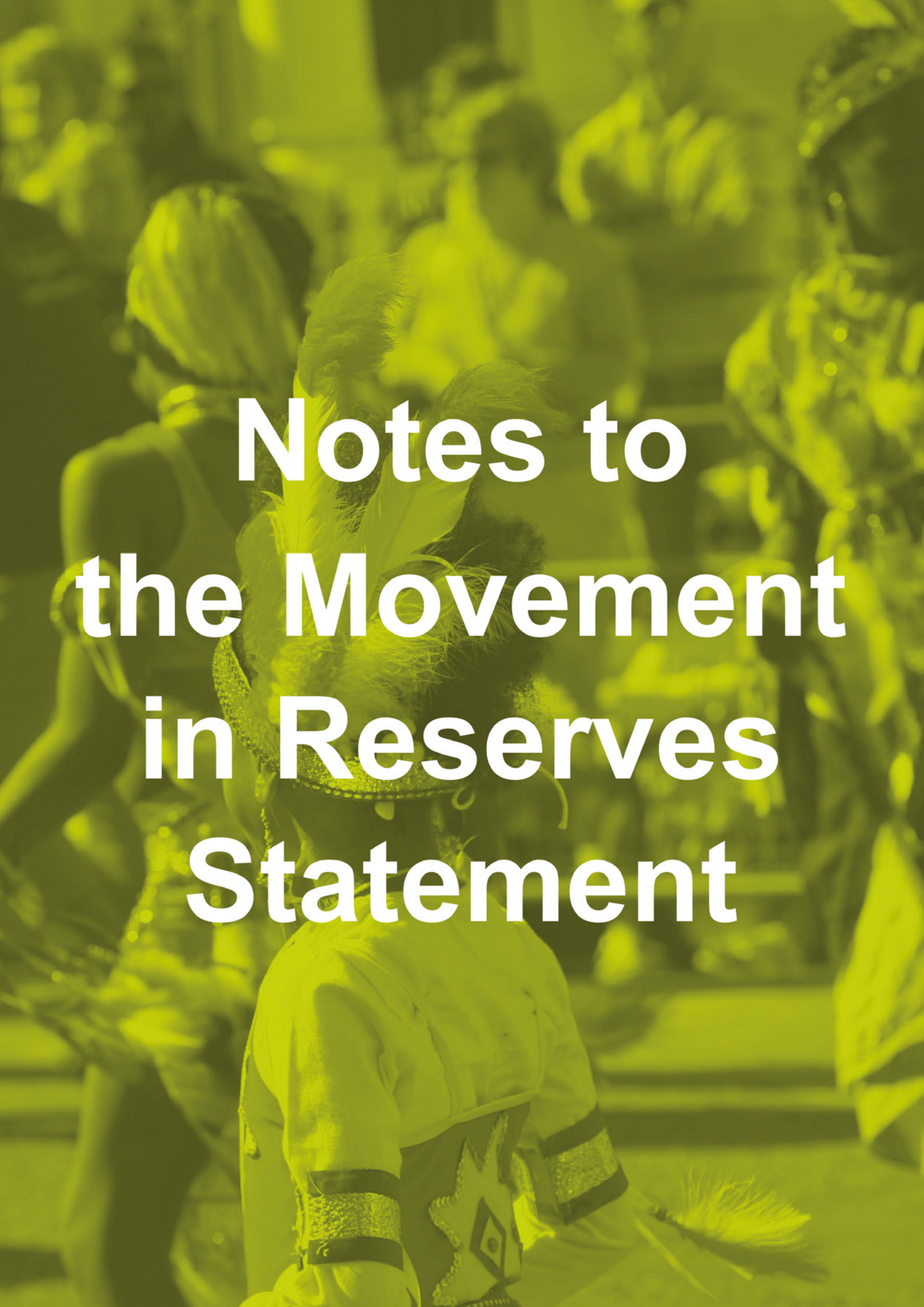
The accounts contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results in 2024/25 could be materially different from these estimates.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Asset/Liability	The value of the Council's net pension asset/liability is estimated by professional actuaries based on complex and interdependent assumptions, such as life expectancy, long-term salary, pension inflation and the discount rate used. Any variation in these assumptions will lead to a change in the value of the net pension asset/liability. Details on the valuation basis, risks, assumptions and associated sensitivity analysis are disclosed in note 36 and the Employee Benefits accounting policy.	A decrease of 0.1% in the real discount rate will reduce the net pension asset by £16.273 million. If the estimated life expectancy of members increases by 1 year, the net pension asset will reduce by £37.716m. More details can be found in note 36.
Investment Property	The Council's external valuers assess the fair value of investment properties using techniques based on market participants assumptions. Where active market data exists (with some adjustments), these valuation inputs are considered as level 2 (observable data). If this is not available, valuers use the best information available. The carrying value of investment properties as at 31 March 2025 was £251.926 million.	Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date. If investment property values were to reduce by 10%, this would lead to a £25.193 million reduction. This would impact the Council's CIES Surplus/Deficit.
Property, Plant and Equipment	The Council's Property Plant and Equipment is determined by professional valuers in line with RICS regulations, using appropriate methods for individual assets. Valuations involve assumptions and estimates influenced by external factors such as economic and political changes. Assets are based on Current	A reduction in estimated valuations would result in reductions to the Revaluation Reserve and / or a loss in the Comprehensive Income and Expenditure Statement (CIES). For example, a 10% reduction in the net book value of Council

## Technical Notes, Judgements and Assumptions

	Value and regularly reviewed to avoid material misstatements. As at 31 March 2025, the Council's Other Land and Buildings portfolio was valued using Depreciated Replacement Cost (DRC) with carrying value of £371.070 million based on assumptions including floor areas, BCIS indices and obsolescence; Existing Use Value (EUV) and comparable methods with carrying value of £226.599 million based on assumptions of rental income and yields; Existing Use Value - Social Housing (EUV-SH) with carrying value of £873.959 million using beacon methodology, market value and a social housing discount factor. Asset lives are reviewed annually based on valuer advice.	Dwellings would reduce the value by £87.396 million. A similar fall in Other Land and Buildings would lead to a £59.767 million charge to the CIES. Increases in value would have the opposite effect, increasing the Revaluation Reserve and / or reversals of previous negative revaluations to the CIES and / or gains being recorded as appropriate in the CIES. The net book value of non-current assets subject to potential revaluation is £1.472 billion.
Soft loan	In 2023/24, £4 million paid to a supplier was discounted to its present value and accounted for as a soft loan. This is reflected as a long-term debt of £3.014 million. The company is facing significant financial risk therefore an expected credit loss (ECL) of £0.404 million has been included in the 2024/25 accounts.	The supplier agreed to transfer full ownership and title of their stock of equivalent value to the Council, as security, until the advanced amount is repaid. However, as the stock is being utilised, there is a risk that the full value may not be recoverable.





# Notes to the Movement in Reserves Statement

## 6. Adjustments between accounting basis and funding basis under statutory provisions

This note details the adjustments that are made to the total comprehensive income and expenditure recognised in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to meet future capital and revenue expenditure. The following paragraphs describe each of the reserves that the adjustments are made against.

### General Fund Balance

The General Fund (GF) is the statutory fund into which all the Council's receipts are paid and out of which all liabilities are to be met, except to the extent that statutory rules provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the GF, which is not necessarily in accordance with proper accounting practice. The balance summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

### HRA Balance

The HRA Balance reflects the statutory obligation to maintain a revenue account for local authority Council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure that is available to fund future expenditure in connection with the Council's landlord function or, where in deficit, that is required to be recovered from tenants in future years.

### Capital Receipts Reserve (CRR)

The CRR holds the proceeds from the Council sold nine Right to Buy of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

### Major Repairs Reserve (MRR)

The Council is required to maintain the MRR, which controls the application of the resource arising from depreciation on HRA assets or the financing of historical capital expenditure. The balance shows the resource that has yet to be applied at the year-end.

### Capital Grants Unapplied Reserve (CGUR)

The CGUR holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

# Notes to the Movement in Reserves Statement

<b>Movement on Usable Reserves (with contra to Unusable Reserves) during 2024/25</b>	<b>GF</b>	<b>HRA</b>	<b>CRR</b>	<b>MRR</b>	<b>CGUR</b>	<b>Unusable</b>
	£'000	£'000	£'000	£'000	£'000	
<b>Adjustments to Revenue Resources</b>						
<u>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements</u>						
- Pensions costs (transferred to / from the Pensions Reserve)	2,934	488	0	0	0	(3,422)
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	316	0	0	0	0	(316)
- Gain/losses on pooled investments (transferred to Pooled Investment Fund Adjustment Account)	180	0	0	0	0	(180)
- Council Tax and NDR (transfers to or from the Collection Fund)	20,954	0	0	0	0	(20,954)
- Holiday pay (transferred to the Accumulated Absence Reserve)	(40)	(5)	0	0	0	45
- Transfer in-year Dedicated Schools Grant deficit (to DSG Deficit Reserve)	0	0	0	0	0	0
- Reversal of entries included in the (Surplus) or Deficit on Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account)	17,640	(68,068)	0	0	(414)	50,842
<b>Total Adjustments to Revenue Resources</b>	<b>41,984</b>	<b>(67,585)</b>	<b>0</b>	<b>0</b>	<b>(414)</b>	<b>26,015</b>
<b>Adjustments between Revenue and Capital Resources</b>						
- Transfer of non-current asset sale proceeds from revenue to the CRR	1	3,404	(3,405)	0	0	0
- Payments to the government housing receipts pool (funded by a transfer from the CRR)	0	0	0	0	0	0
- Posting of HRA resources from revenue to the MRR	0	7,876	0	(7,876)	0	0
- Statutory provision for the repayment of debt (transfer from the CAA)	12,239	0	0	0	0	(12,239)
- Capital expenditure financed from revenue balances (transfer to the CAA)	2,186	0	0	0	0	(2,186)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>14,426</b>	<b>11,280</b>	<b>(3,405)</b>	<b>(7,876)</b>	<b>0</b>	<b>(14,425)</b>
<b>Adjustments to Capital Resources</b>						
- Use of the CRR to finance capital expenditure	0	0	4,081	0	0	(4,081)
- Use of the MRR to finance capital expenditure	0	0	0	7,682	0	(7,682)
- Application of capital grants to finance capital expenditure	0	0	0	0	0	0
- Cash payments in relation to deferred capital receipts	0	0	0	0	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>0</b>	<b>0</b>	<b>4,081</b>	<b>7,682</b>	<b>0</b>	<b>(11,763)</b>
<b>Total Adjustments during 2024/25</b>	<b>56,410</b>	<b>(56,305)</b>	<b>676</b>	<b>(194)</b>	<b>(414)</b>	<b>(173)</b>



# Notes to the Movement in Reserves Statement

<b>Movement on Usable Reserves (with contra to Unusable Reserves) during 2023/24</b>	<b>GF</b>	<b>HRA</b>	<b>CRR</b>	<b>MRR</b>	<b>CGUR</b>	<b>Unusable</b>
	£'000	£'000	£'000	£'000	£'000	
<b>Adjustments to Revenue Resources</b>						
<u>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements</u>						
- Pensions costs (transferred to / from the Pensions Reserve)	3,578	478	0	0	0	(4,056)
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	(1,193)	0	0	0	0	1,193
- Gain/losses on pooled investments (transferred to Pooled Investment Fund Adjustment Account)	731	0	0	0	0	(731)
- Council Tax and NDR (transfers to or from the Collection Fund)	5,944	0	0	0	0	(5,944)
- Holiday pay (transferred to the Accumulated Absence Reserve)	2	0	0	0	0	(2)
- Transfer in-year Dedicated Schools Grant deficit (to DSG Deficit Reserve)	0	0	0	0	0	0
- Reversal of entries included in the (Surplus) or Deficit on Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account)	186	(67,407)	0	0	(49,668)	116,889
- Grenfell settlement - capitalisation of prior year revenue costs (charged to the Capital Adjustment Account)	(51,772)	0	0	0	0	51,772
<b>Total Adjustments to Revenue Resources</b>	<b>(42,524)</b>	<b>(66,929)</b>	<b>0</b>	<b>0</b>	<b>(49,668)</b>	<b>159,121</b>
<b>Adjustments between Revenue and Capital Resources</b>						
- Transfer of non-current asset sale proceeds from revenue to the CRR	2	4,216	(4,218)	0	0	0
- Payments to the government housing receipts pool (funded by a transfer from the CRR)	0	0	0	0	0	0
- Posting of HRA resources from revenue to the MRR	0	9,329	0	(9,329)	0	0
- Statutory provision for the repayment of debt (transfer from the CAA)	6,131	0	0	0	0	(6,131)
- Capital expenditure financed from revenue balances (transfer to the CAA)	13,561	0	0	0	0	(13,561)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>19,694</b>	<b>13,545</b>	<b>(4,218)</b>	<b>(9,329)</b>	<b>0</b>	<b>(19,692)</b>
<b>Adjustments to Capital Resources</b>						
- Use of the CRR to finance capital expenditure	0	0	8,687	0	0	(8,687)
- Use of the MRR to finance capital expenditure	0	0	0	9,389	0	(9,389)
- Application of capital grants to finance capital expenditure	0	0	0	0	46,994	(46,994)
- Cash payments in relation to deferred capital receipts	0	0	0	0	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>0</b>	<b>0</b>	<b>8,687</b>	<b>9,389</b>	<b>46,994</b>	<b>(65,070)</b>
<b>Total Adjustments during 2023/24</b>	<b>(22,830)</b>	<b>(53,384)</b>	<b>4,469</b>	<b>60</b>	<b>(2,674)</b>	<b>74,359</b>

# Notes to the Movement in Reserves Statement

## 7. Movements in earmarked reserves

This note shows the amounts set aside from the GF and HRA usable reserve balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet GF and HRA expenditure.

	Note	Balance at 31 March 2023	Transfer Out 2023/24	Transfer In 2023/24	Balance at 31 March 2024	Transfer Out 2024/25	Transfer In 2024/25	Balance at 31 March 2025
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund:</b>								
Grenfell	1	(13,507)	6,562	0	(6,945)	5,277	(105)	(1,773)
Special Projects	2	(10,036)	10,392	(5,711)	(5,355)	9,990	(5,500)	(865)
Car Parking	3	(22,374)	4,921	0	(17,453)	4,151	(381)	(13,683)
Budget Carry Forward	4	(14,802)	4,530	(2,269)	(12,541)	3,298	(2,079)	(11,322)
Budget Stabilisation	5	(10,101)	20,292	(27,260)	(17,069)	4,313	(4,826)	(17,582)
Reorganisation	6	(132)	16	0	(116)	0	(1,104)	(1,220)
Schools Reserves	7	(7,863)	10,205	(9,311)	(6,969)	3,355	(1,247)	(4,861)
Insurance	8	(23)	0	(4,136)	(4,159)	555	(715)	(4,319)
Public Health	9	(6,660)	0	(497)	(7,157)	823	0	(6,334)
Public Health - Cost of Living	10	(2,000)	0	0	(2,000)	0	0	(2,000)
Notting Hill Carnival	11	(375)	375	0	0	0	0	0
Street Trading	12	(183)	0	(116)	(299)	32	0	(267)
Affordable Housing	13	(9,900)	9,900	0	0	0	0	0
Local Projects	14	(710)	0	(221)	(931)	0	(233)	(1,164)
Troubled Families	15	(1,029)	0	(189)	(1,218)	0	(98)	(1,316)
Proceeds of Crime	16	(142)	0	(41)	(183)	0	(127)	(310)
Dedicated Schools Grant Surplus	17	(1,336)	28	(2,171)	(3,479)	260	(1,100)	(4,319)
Contingency	18	(5,359)	0	0	(5,359)	4,404	0	(955)
Council Plan Implementation	19	0	0	(1,000)	(1,000)	579	0	(421)
Council Implementation Plan - Ward Improvements	20	0	0	0	0	0	(1,000)	(1,000)
Grenfell Restorative Justice	21	0	0	0	0	0	(13,479)	(13,479)
Civil Claim Settlement	22	0	2,056	(7,250)	(5,194)	5,479	(7,250)	(6,965)
Curve Legacy	23	0	0	(1,364)	(1,364)	0	(1,368)	(2,732)
Collection Fund	24	(15,852)	0	(1,005)	(16,857)	5,778	0	(11,079)
<b>Subtotal of Usable Earmarked Reserves</b>		<b>(122,384)</b>	<b>69,277</b>	<b>(62,541)</b>	<b>(115,648)</b>	<b>48,294</b>	<b>(40,612)</b>	<b>(107,966)</b>
GF Working Balance		(10,000)	0	0	(10,000)	0	0	(10,000)
<b>Total GF Reserves per MIRS</b>		<b>(132,384)</b>	<b>69,277</b>	<b>(62,541)</b>	<b>(125,648)</b>	<b>48,294</b>	<b>(40,612)</b>	<b>(117,966)</b>

# Notes to the Movement in Reserves Statement

	Note	Balance at 31 March 2023 £'000	Transfer Out 2023/24 £'000	Transfer In 2023/24 £'000	Balance at 31 March 2024 £'000	Transfer Out 2024/25 £'000	Transfer In 2024/25 £'000	Balance at 31 March 2025 £'000
<b>HRA:</b>								
HRA Controlled Repairs	25	(988)	0	0	(988)	0	0	(988)
HRA Working Balance		(5,000)	0	0	(5,000)	0	0	(5,000)
<b>Total HRA Reserves per MIRS</b>		<b>(5,988)</b>	<b>0</b>	<b>0</b>	<b>(5,988)</b>	<b>0</b>	<b>0</b>	<b>(5,988)</b>

1. This reserve is held to support the Grenfell Recovery Strategy.
2. The funds are primarily available for one-off costs associated with service re-design and transformation, revenue costs associated with the delivery of capital schemes, and pump-priming for invest-to-save projects.
3. This reserve holds the surpluses from on-street parking places and contraventions and is controlled by the provisions of Section 55 of the Road Traffic Regulation Act 1984 (as amended) including the application of any surplus income held in such an account. The reserve is used to fund capital schemes and one-off projects that meet the criteria for spend, such as highways maintenance and local environmental improvements.
4. This reserve contains includes balances set aside in previous years for which there may be planned use in future years. The reserve also provides the opportunity for resources to be mobilised swiftly to enable the Council to respond efficiently in the face of unforeseen circumstances that were not known at the time of budget setting.
5. The Budget Stabilisation Reserve was established to manage the impact of uncertainty in government funding.
6. This reserve has been established to support one-off costs associated with workforce planning.
7. Schools' balances are held on behalf of maintained schools across the borough.
8. The Insurance Fund is held to cover future insurance liabilities.
9. This reserve holds unspent Public Health grant income and is earmarked for use in future years including meeting public health outcomes.
10. This reserve contains £2m of the Public Health Grant income which has been earmarked for strategic investment across the Council which meet public health outcomes such as supporting those affected by the cost of living crisis.
11. This reserve held historic funds used to support delivery of the Notting Hill Carnival, which have been utilised in full.
12. Street Trading operates as a ringfenced account and this reserve is maintained to offset any losses on that account.
13. This reserve is ringfenced for investment into affordable housing in the borough and has been fully used.
14. An annual sum equivalent to council tax receivable from the bereaved and survivors of the Grenfell Tower fire is ringfenced to support opportunities for disadvantaged young people or those who need help with employment and skills.



## Notes to the Movement in Reserves Statement

15. This reserve is used to manage fluctuations in service delivery that may otherwise occur as a result of any changes to the Council's annual Supporting Families (previously Troubled Families) grant allocation. There may be transfers to or from the reserve, according to levels of service delivery.
16. This reserve has been created for fraud recoveries arising from the Proceeds of Crime Act 2022. Funds are to be ringfenced and reinvested into crime prevention/reduction projects.
17. The Dedicated Schools Grant (DSG) grant conditions allow a local authority to carry forward surplus and deficits to future years with Schools Forum approval. The reserve is ringfenced for future spend in accordance with the grant.
18. The Council intends to use this reserve to mitigate any unexpected one-off budget pressures in future years.
19. The Council Plan Implementation Reserve will be used to support delivery of the Council Plan and the Council's ambition to become the best Council for residents in a borough that is greener, safer and fairer.
20. The Council Implementation Plan – Ward Improvements Reserve supports delivery of the Council's cross-cutting ambitions and ward-based improvement.
21. The Grenfell Restorative Justice Reserve contains the external contributions towards the Restorative Justice programme of support.
22. The Civil Claims Settlement Reserve was created from planned savings arising from a 2-year temporary reduction to the Council's employer pension contributions following the triennial actuarial valuation of the pension fund.
23. The Curve Legacy Reserve was established with funds transferred from the Grenfell Reserve. This relates to a commitment the Council has made to monitor interest generated on this balance, which will be added to the budget whilst it remains unspent.
24. The Collection Fund is used to manage the surplus or deficit arising from the difference between the Council's actual and estimated council tax base in monetary terms. Balances are subsequently recovered from or paid back to Government by forming part of the estimate for the following year.
25. This reserve is used to fund housing repair projects in the HRA.

# Notes to the Movement in Reserves Statement

## 8. Movements in unusable reserves

The following is a summary of reserves held to manage accounting processes. Unusable reserves are not available to use to support service delivery. These reserves arise from either:

- (a) statutory adjustments required to reconcile balances to the amounts chargeable to council tax for the year, in order to comply with legislation, or
- (b) accounting gains or losses recognised in other comprehensive income and expenditure in accordance with accounting standards adopted by the Code, rather than in the surplus or deficit on the provision of services.

	31 March 2025	31 March 2024
	£'000	£'000
Revaluation Reserve	(720,447)	(727,641)
Capital Adjustment Account	(438,377)	(455,633)
Pensions Reserve	(39,790)	(396,504)
Deferred Capital Receipts	(1)	(1)
Dedicated Schools Grant Adjustment Account	7,606	7,606
Collection Fund Adjustment Account	(15,163)	5,791
Pooled Investment Fund Adjustment Account	1,548	1,728
Financial Instruments Adjustment Account	1,174	1,490
Accumulated Absences Adjustment Account	757	711
<b>Total unusable reserves</b>	<b>(1,202,693)</b>	<b>(1,562,453)</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its PPE since 1 April 2007 when the reserve was created. The balance is reduced when assets with accumulated gains are:

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

	2024/25		2023/24	
	£'000	£'000	£'000	£'000
<b>Balance at 1 April</b>		(727,641)		(735,273)
Upward revaluation of assets	(38,999)		(11,353)	
Downward revaluation of assets	38,795		14,796	
<b>Revaluation not posted to the (Surplus) or Deficit on Provision of Services</b>		<b>(204)</b>		<b>3,443</b>
Difference between current and historic cost depreciation		7,295		2,390
Accumulated depreciation on assets sold or scrapped		103		1,799
<b>Balance at 31 March</b>		<b>(720,447)</b>		<b>(727,641)</b>

# Notes to the Movement in Reserves Statement

## Capital Adjustment Account (CAA)

The CAA absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

	2024/25	2023/24
	£'000	£'000
<b>Balance at 1 April</b>	<b>(455,633)</b>	<b>(535,343)</b>
<u>Reversal of items debited or credited to the CIES:</u>		
Impairment / Revaluation charged to the CIES	82,942	91,141
Charges for depreciation	16,826	10,791
Reversal of depreciation charged in respect of dwellings	4,929	3,376
Amortisation of intangible assets	1,920	2,526
Revenue expenditure funded from capital under statute	11,533	57,101
Amounts written off on disposal or sale as part of the gain / loss on disposal to the CIES	532	5,459
<u>Adjusting amounts written out of the Revaluation Reserve:</u>		
Accumulated revaluation gains on assets sold or scrapped	(103)	(1,799)
Difference between fair value depreciation and historic cost depreciation	(7,295)	(2,390)
<u>Capital financing applied in the year:</u>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(4,081)	(8,687)
Use of the MRR to finance new capital expenditure	(7,682)	(9,389)
Capital grants and contributions credited to the CIES that have been applied to capital financing	(50,635)	(45,214)
Application of grants to capital financing from the Capital Grants Unapplied Account	0	(1,781)
Statutory provision for the repayment of debt - MRP	(12,239)	(6,131)
Capital expenditure charged against the General Fund and HRA balances	(2,186)	(13,561)
<u>Other Movements:</u>		
Movements in the market value of investment properties	(5,763)	(1,124)
Movement in the donated assets account credited to the Comprehensive Income and Expenditure Statement	(14,277)	(608)
Other adjustments	2,835	0
<b>Movement in year</b>	<b>17,256</b>	<b>79,710</b>
<b>Closing balance at 31 March</b>	<b>(438,377)</b>	<b>(455,633)</b>

# Notes to the Movement in Reserves Statement

## Dedicated Schools Grant (DSG)

In line with the School and Early Years Finance (England) Regulations 2020, so that for the financial years beginning on 1 April 2020, 2021 and 2022, the Council must carry forward its overall DSG deficit in an account established, charged and used solely for the purpose of recognising deficits in respect of its schools' budget. This statutory override has been extended from 2023/24 to 2025/26.

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The amounts shown below bring together adjustments for the Local Government Pension Scheme and unfunded teachers' discretionary benefits (LPFA Scheme) disclosed in note 36.

	2024/25	2023/24
	£'000	£'000
<b>Balance at 1 April</b>	(396,504)	(446,888)
Remeasurements recognised in Other Comprehensive Income and Expenditure	359,894	54,440
Reversal of items relating to retirement benefits debited or credited to (Surplus) or Deficit on the Provision of Services	7,657	6,705
Employers contributions payable to scheme	(10,837)	(10,761)
<b>Balance at 31 March</b>	<b>(39,790)</b>	<b>(396,504)</b>

## Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the CIES as it falls due from council taxpayers compared with the statutory arrangements for transferring amounts to the GF from the Collection Fund.

	2024/25	2023/24
	£'000	£'000
<b>Balance at 1 April</b>	5,791	11,735
Amount by which council tax and non domestic rates income credited to the CIES is different from council tax and non domestic rates income calculated for the year in accordance with statutory requirements	(20,954)	(5,944)
<b>Balance at 31 March</b>	<b>(15,163)</b>	<b>5,791</b>

# Notes to the Movement in Reserves Statement

## Pooled Investment Fund Adjustment Account

The balance on this unusable reserve represents an overall unrealised loss on a long-term investment grade bond fund that the Council invested into in November 2021. In 2024/25, the bond has yielded a gain.

## Financial Instruments Adjustment Account

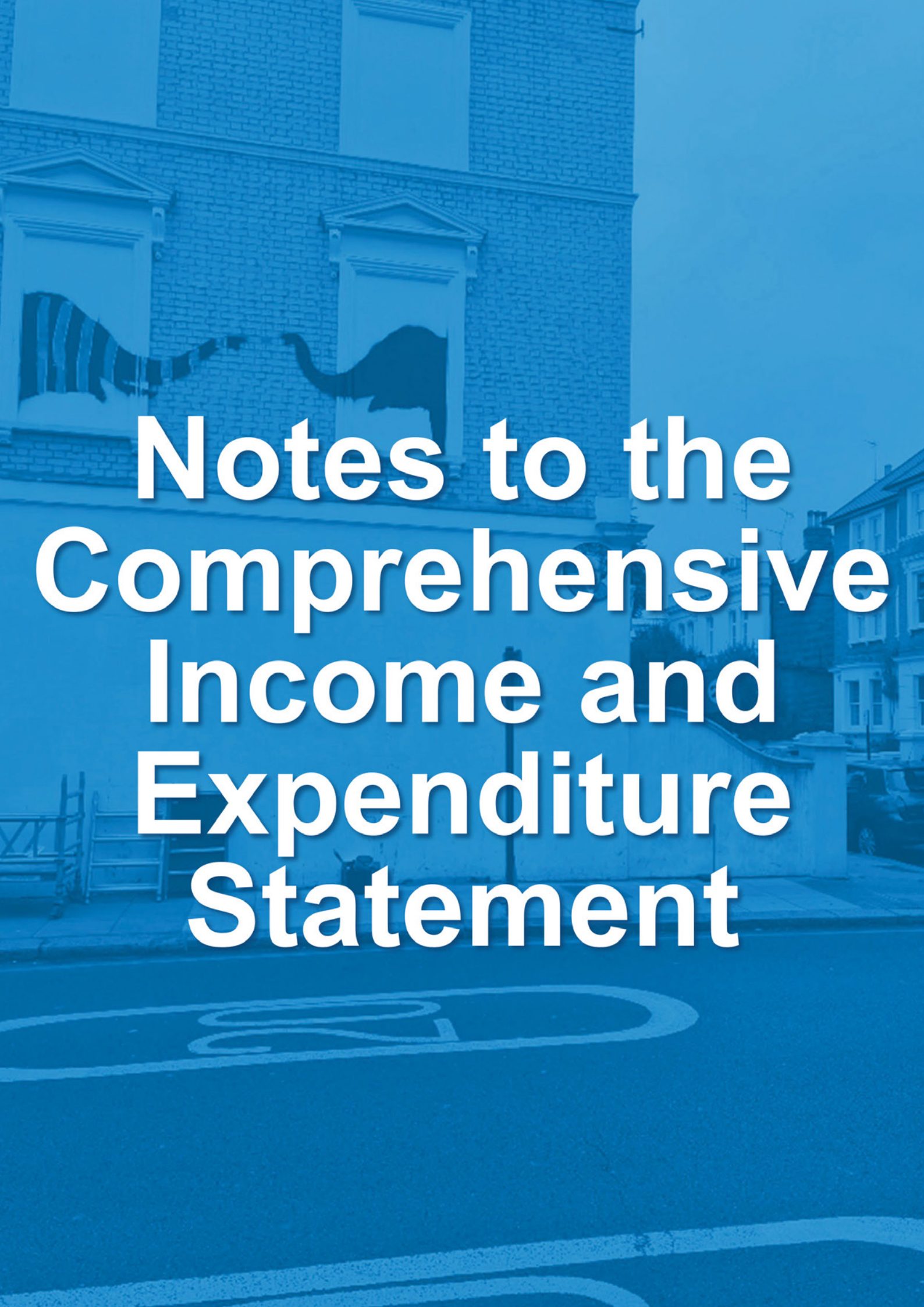
The balance on this adjustment account relates to timing differences arising from the accounting for income and expenses on premiums paid on the early redemptions of loans and the discounted effect of soft loans.

## Accumulated Absences Account

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

	2024/25	2023/24
	£'000	£'000
<b>Balance at 1 April</b>	711	714
Settlement or cancellation of accrual made at the end of the preceding year	(711)	(714)
Amounts accrued at the end of the current year	757	711
<b>Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements</b>	<b>46</b>	<b>(3)</b>
<b>Balance at 31 March</b>	<b>757</b>	<b>711</b>





# Notes to the Comprehensive Income and Expenditure Statement



## 9. Expenditure and Funding Analysis (EFA)

The EFA shows how annual expenditure incurred is funded from resources (including government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services.

Two additional columns have been added to the EFA table to show adjustments between the revenue outturn reported in the Narrative Report and the net expenditure chargeable to GF and HRA balances. These adjustments mainly reflect the fact that:

- revenue outturn includes movements to earmarked reserves within individual services, while the EFA shows the surplus or deficit on services prior to any movements to earmarked reserves
- revenue outturn includes charges for depreciation and amortisation within individual services with a reversing adjustment within Resourcing, whilst the EFA excludes these charges.

The services reported under the Chief Executive directorate include the Chief Executive's Office and Elections, Communications, Culture, Communities, Corporate Strategy, Economic Development and Registrars.

Resources and Customer Delivery includes the following services:

Audit, Risk, Fraud and Insurance is responsible for the Council's internal audit, fraud, insurance and strategic procurement services.

The Chief Information Officer is responsible for the Council's Digital Data and Technology function.

The main 'front door' access point for a wide range of council services is provided by Customer Delivery. These include the Customer Contact Centre, Revenues and Benefits, residential parking permits, housing needs and planning.

Financial Management is responsible for meeting the Council's statutory financial requirements and embedding a culture of good financial management across the organisation.

The Human Resources function supports Council staff.

Legal Services provides a wide range of legal services to the Council.

The Governance and Mayoralty Team incorporates the Scrutiny Support and Member Support functions and is responsible for delivering high standards in meeting administration, decision-making and good governance.

# Notes to Comprehensive Income and Expenditure Statement

Expenditure and Funding Analysis	2024/25					2023/24		
	As reported in the Narrative Report	Adjustments to arrive at exp charged to GF and HRA balances	Expenditure charged to GF and HRA balances	Adjustments between accounting and funding (note 10)	Net Expenditure in the CIES	Expenditure charged to GF and HRA balances	Adjustments between accounting and funding (note 10)	Net Expenditure in the CIES
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care	50,623	230	50,853	(3,757)	47,096	34,003	1,431	35,434
Public Health	2	725	727	0	727	(498)	(6,119)	(6,617)
Children's Services	55,795	251	56,046	(9,621)	46,425	45,110	(11,418)	33,692
Environment and Neighbourhoods	19,878	(5,550)	14,328	(12,808)	1,520	18,345	(3,244)	15,101
Housing and Social Investment	28,871	(1,350)	27,521	21,080	48,601	25,429	20,055	45,484
Resources and Customer Delivery	6,356	3,566	9,922	47,246	57,168	14,868	63,264	78,132
Chief Executive	14,049	891	14,940	(3,325)	11,615	14,867	(3,553)	11,314
Grenfell Recovery	5,757	(1,235)	4,522	164	4,686	7,762	41	7,803
Grenfell Corporate	1,054	554	1,608	52	1,660	895	(210)	685
Future Grenfell Support	310	(12,709)	(12,399)	0	(12,399)	355	0	355
Grenfell Settlement	0		0	0	0	0	33,772	33,772
Housing Revenue Account	0	0	0	68,490	68,490	0	67,728	67,728
<b>Net Costs of Services</b>	<b>182,695</b>	<b>(14,627)</b>	<b>168,068</b>	<b>107,521</b>	<b>275,589</b>	<b>161,136</b>	<b>161,747</b>	<b>322,883</b>
Other GF income and expenditure	(182,695)	22,310	(160,385)	(95,441)	(255,826)	(154,400)	(67,514)	(221,914)
Other HRA income and expenditure	0		0	(12,185)	(12,185)	0	(18,019)	(18,019)
<b>(Surplus) / Deficit on Services</b>	<b>0</b>	<b>7,683</b>	<b>7,683</b>	<b>(105)</b>	<b>7,578</b>	<b>6,736</b>	<b>76,214</b>	<b>82,950</b>

Movement on GF and HRA balances	2024/25			2023/24		
	GF	HRA	Total	GF	HRA	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Opening Balance:</b>	<b>(125,650)</b>	<b>(5,988)</b>	<b>(131,638)</b>	<b>(132,386)</b>	<b>(5,988)</b>	<b>(138,374)</b>
(Surplus) / Deficit on Balance in Year	7,683	0	7,683	6,736	0	6,736
<b>Closing Balance:</b>	<b>(117,967)</b>	<b>(5,988)</b>	<b>(123,955)</b>	<b>(125,650)</b>	<b>(5,988)</b>	<b>(131,638)</b>

## 10. Adjustments between accounting and funding bases – Expenditure and Funding Analysis

The following note accompanies the EFA and details the adjustments made between funding and accounting basis across three headings.

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

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets;
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. MRP and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices;
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

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

- For services this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs;
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

Other differences - Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the GF / HRA for the timing differences for premiums and discounts;
- Taxation and non-specific grant income and expenditure – the charge represents the difference between what is chargeable under statutory regulations for council tax and non-domestic rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

The following adjustments were made to arrive at the CIES amounts:

# Notes to the Comprehensive Income and Expenditure Statement

	2024/25				2023/24			
	Capital	Pension	Other	Total	Capital	Pension	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care	(127)	(1,122)	5,006	3,757	318	1,067	46	1,431
Public Health	0	0	0	0	0	0	(6,119)	(6,119)
Children's Services	(4,207)	(4,129)	17,957	9,621	(903)	4,494	(15,009)	(11,418)
Environment and Neighbourhoods	(6,439)	(1,994)	21,241	12,808	13,410	1,958	(18,612)	(3,244)
Housing and Social Investment	(6,474)	(611)	(13,995)	(21,080)	2,372	927	16,756	20,055
Resources and Customer Delivery	(5,662)	(4,302)	(37,282)	(47,246)	12,800	5,552	44,912	63,264
Chief Executive	(138)	(590)	4,053	3,325	100	595	(4,248)	(3,553)
Grenfell Recovery	0	(163)	(1)	(164)	0	210	(169)	41
Grenfell Corporate	0	(52)	0	(52)	17	29	(256)	(210)
Future Grenfell Support	0	0	0	0	0	0	0	0
Grenfell Settlement	0	0	0	0	33,772	0	0	33,772
Housing Revenue Account	(59,807)	488	(9,171)	(68,490)	53,862	(478)	14,344	67,728
<b>Net Cost of Services</b>	<b>(82,854)</b>	<b>(12,475)</b>	<b>(12,192)</b>	<b>(107,521)</b>	<b>115,748</b>	<b>14,354</b>	<b>31,645</b>	<b>161,747</b>
Other income and expenditure (GF)	55,114	15,897	24,430	95,441	(29,991)	(18,411)	(19,112)	(67,514)
Other income and expenditure (HRA)	3,019	0	9,166	12,185	0	0	(18,019)	(18,019)
<b>Total Adjustments</b>	<b>(24,721)</b>	<b>3,422</b>	<b>21,404</b>	<b>105</b>	<b>85,757</b>	<b>(4,057)</b>	<b>(5,486)</b>	<b>76,214</b>

## 11. Expenditure and income analysed by nature - EFA

The following is an analysis of the Council's expenditure and income by the nature of transactions undertaken.

	2024/25	2023/24
	£'000	£'000
<u>Expenditure</u>		
Employee benefits expenses	246,241	232,200
Other service expenses	538,231	528,432
Depreciation, amortisation and impairment	106,617	107,835
Interest Payments	15,230	10,421
Net interest on net defined benefit liability	41	0
Precepts and Levies	5,004	4,828
<b>Total expenditure</b>	<b>911,364</b>	<b>883,716</b>
<u>Income</u>		
Fees, charges and other service income	(284,571)	(249,788)
Loss / (Gain) on disposal of non-current assets	(39)	1,241
Government grants & contributions	(437,708)	(393,259)
Interest Income	(2,202)	(2,470)
Net interest on net defined benefit liability	(18,882)	(21,303)
Net income from Council Tax and Business Rates	(154,621)	(134,063)
Change in Fair Value of Investment Properties	(5,763)	(1,124)
<b>Total income</b>	<b>(903,786)</b>	<b>(800,766)</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>7,578</b>	<b>82,950</b>

# Notes to the Comprehensive Income and Expenditure Statement

## 12. Other operating income and expenditure

	2024/25	2023/24
	£'000	£'000
Levies	5,004	4,828
(Gains) / losses on the disposal of non-current assets	(39)	1,241
<b>Total other operating expenditure</b>	<b>4,965</b>	<b>6,069</b>

## 13. Financing and investment income and expenditure

	2024/25	2023/24
	£'000	£'000
Interest payable and similar charges	15,229	10,421
Net interest on the net defined benefit liability	(18,841)	(21,303)
Interest receivable and similar income	(2,202)	(2,470)
Income and expenditure in relation to investment properties	(15,350)	(13,225)
Changes in fair values of investment properties	(5,763)	(1,124)
Changes in fair values of financial instruments	(180)	(731)
Deficit on trading operations not allocated to services	0	0
Expected Credit Loss - impairment allowance	8,428	5,169
<b>Total financing and investment income and expenditure</b>	<b>(18,679)</b>	<b>(23,263)</b>

## 14. Taxation and non-specific grant income and expenditure

	2024/25	2023/24
	£'000	£'000
Council tax income	(104,892)	(98,482)
Non domestic rates	(92,415)	(75,015)
Business rates tariff	42,686	39,435
<b>Non-ringfenced government grants</b>		
- Revenue Support Grant	(13,875)	(11,919)
- S31 Business Rate Relief	(24,497)	(24,140)
- Services Grant	(368)	(2,133)
- Market Sustainability and Improvement Fund	(3,792)	(3,348)
- Other general grants / contributions	(1,472)	(799)
<b>Capital grants and contributions</b>		
- Donated assets	(14,277)	(607)
- Section 278	(9,884)	(7,352)
- Affordable Housing Programme	(7,794)	0
- Section 106 contributions	(7,199)	(9,791)
- Leaseholder Income	(5,981)	(4,215)
- Social Housing Decarbonisation Fund	(5,761)	(5,494)
- Building Council Houses for Londoners	(1,489)	(3,237)
- Community Infrastructure Levy	(890)	(4,570)
- High Needs Provision Capital	(591)	(1,454)
- Public Sector Decarbonisation Scheme	0	(3,723)
- Must be Zero Grant	0	(1,828)
- Other capital grants and contributions	(1,806)	(4,067)
<b>Total taxation and non-specific grants</b>	<b>(254,297)</b>	<b>(222,739)</b>

# Notes to the Comprehensive Income and Expenditure Statement

## 15. Grant income

The following revenue grants, contributions and donations were credited to Net Cost of Services in the CIES during 2024/25.

<b>Net Cost of Services</b>	<b>2024/25</b>	<b>2023/24</b>
	£'000	£'000
Housing Benefit Subsidy	(117,772)	(115,995)
Dedicated Schools Grant	(86,111)	(83,345)
Public Health Grant	(23,542)	(22,889)
Social Care Support Grant	(18,339)	(13,910)
Improved Better Care Fund	(7,662)	(7,662)
Homelessness Prevention Grant	(6,397)	(4,834)
Grenfell Restorative Justice Contribution	(6,100)	0
Basic Needs Grant*	(4,255)	(99)
Pupil Premium Grant	(3,360)	(3,624)
UASC and Leaving Care Fund	(2,942)	(3,372)
Section 106 Contributions*	(2,743)	(1,420)
Household Support Fund Grant	(2,361)	(2,242)
Adult and Community Learning*	(2,177)	(1,587)
Other Grants (under £2 million each)	(28,904)	(20,767)
Revenue contributions	(25,367)	(22,836)
<b>Total</b>	<b>(338,032)</b>	<b>(304,582)</b>

\* In 2023/24, these grants and contributions were included within 'Other Grants'. Since the 2024/25 amount is over £2 million, they have been shown separately.

The Council also received a number of grants and contributions that have yet to be recognised as income as they have unmet conditions attached to them. The balances at year end are as follows:

<b>Capital</b>	<b>2024/25</b>	<b>2023/24</b>
	£'000	£'000
<u><b>Current Liabilities</b></u>		
DFE - High Needs Provision	(6,801)	(8,080)
DFE - Basic Need Grant	(3,276)	(7,531)
Health Lodged Funds	(2,157)	(2,200)
Food Waste Collection Grant	(1,383)	0
MHCLG - Local Authority Housing Fund	(1,155)	0
GLA - Notting Dale Future Neighbourhood	(1,154)	(2,159)
Heat Network Investment Project	(1,116)	(1,116)
Other Grants (under £1 million)	(4,853)	(3,586)
	<b>(21,895)</b>	<b>(24,672)</b>
<u><b>Long Term Liabilities</b></u>		
Section 106 and Private Contributions	(24,822)	(33,538)
Section 278 Contributions	(9,075)	(14,398)
<b>Balance as at 31 March</b>	<b>(55,792)</b>	<b>(72,608)</b>



# Notes to the Comprehensive Income and Expenditure Statement

Revenue	2024/25	2023/24
	£'000	£'000
<u>Current Liabilities</u>		
Afghan Hotel Wraparound Grant	(4,418)	(880)
Homes for Ukraine	(4,811)	(4,653)
Dedicated Schools Grant	(2,133)	(2,064)
Other Grants (under £1m)	(2,741)	(3,008)
	<u>(14,103)</u>	<u>(10,605)</u>
<u>Long Term Liabilities</u>		
Grenfell Restorative Justice Contribution	0	(7,866)
Section 106 and Private Contributions	(11,544)	(10,314)
<b>Balance as at 31 March</b>	<u><b>(25,647)</b></u>	<u><b>(28,785)</b></u>

## 16. Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by Dedicated Schools Grant (DSG) received from the Education Funding Agency. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2020. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2024/25 are below.

2024/25	Central Expenditure	ISB	Total
	£'000	£'000	£'000
Final DSG for 2024/25 before academy and high needs recoupment			(126,360)
Less academy and high needs figure recouped for 2024/25			40,359
<b>DSG after academy and high needs recoupment</b>			<b>(86,001)</b>
Plus brought forward from 2023/24			(3,478)
Less carry forward to 2025/26 agreed in advance			3,478
<b>Agreed initial budget distribution in 2024/25</b>	(21,523)	(64,478)	<b>(86,001)</b>
In year adjustments	0	388	388
<b>Final budget distribution for 2024/25</b>	<b>(21,523)</b>	<b>(64,090)</b>	<b>(85,613)</b>
Less actual central expenditure	20,222		20,222
Less actual ISB deployed to schools		64,550	64,550
<b>In-year carry-forward to 2025/26</b>	<b>(1,301)</b>	<b>460</b>	<b>(841)</b>
Plus: Carry-forward to 2025/26 agreed in advance			(3,478)
<b>Carry-forward to 2025/26</b>			<b>(4,319)</b>
DSG unusable reserve at the end of 2023/24			7,606
Addition to DSG unusable reserve at the end of 2024/25			0
<b>Total of DSG unusable reserve at the end of 2024/25</b>			<b>7,606</b>
<b>Net DSG position at the end of 2024/25 - (Surplus)/Deficit</b>			<b>3,287</b>

# Notes to the Comprehensive Income and Expenditure Statement

2023/24	Central Expenditure £'000	ISB £'000	Total £'000
Final DSG for 2023/24 before academy and high needs recoupment			(121,922)
Less academy and high needs figure recouped for 2023/24			36,477
<b>DSG after academy and high needs recoupment</b>			<b>(85,445)</b>
Plus brought forward from 2022/23			(1,335)
Less carry forward to 2024/25 agreed in advance			1,335
<b>Agreed initial budget distribution in 2023/24</b>	(21,696)	(63,749)	<b>(85,445)</b>
In year adjustments	0	1,120	1,120
<b>Final budget distribution for 2023/24</b>	<b>(21,696)</b>	<b>(62,629)</b>	<b>(84,325)</b>
Less actual central expenditure	18,784		18,784
Less actual ISB deployed to schools		63,398	63,398
<b>In-year carry- forward to 2024/25</b>	<b>(2,912)</b>	<b>769</b>	<b>(2,143)</b>
Plus: Carry-forward to 2024/25 agreed in advance			(1,335)
<b>Carry-forward to 2024/25</b>			<b>(3,478)</b>
DSG unusable reserve at the end of 2022/23			7,606
Addition to DSG unusable reserve at the end of 2023/24			0
<b>Total of DSG unusable reserve at the end of 2023/24</b>			<b>7,606</b>
<b>Net DSG position at the end of 2023/24 - (Surplus)/Deficit</b>			<b>4,128</b>

The DSG deficit has reduced in 2024/25 by £0.841 million to £3.287 million at 31 March 2025 which reflects the achievement of the planned £0.913 million contribution to reducing the deficit from the high needs block. This was offset by the £0.260 million overspend in the early years block overspend due to overpaid deprivation payments. The school and central schools block had underspends in total of £0.188 million relating to school restructuring costs and the Admissions service.

The accumulated DSG deficit of £7.606m, reported since the end of 2021/22, has been carried forward and disclosed as a statutory unusable reserve in note 8 and the accumulated surplus of £4.319m at the end of 2024/25 is shown separately. The net deficit of £3.287m will be carried forward and recovered from future years DSG settlements, rather than from wider General Fund reserves.

## 17. Revenue from contracts with service recipients

The income from Fees, Charges and Other Services shown in note 11 includes the following revenue from contracts with service recipients.

	2024/25	2023/24
	£'000	£'000
Social Housing Rentals	(65,704)	(61,821)
Temporary Accommodation Rentals	(33,224)	(34,187)
Shared Services Income	(26,252)	(21,514)
On Street Parking	(26,116)	(23,193)
Commercial Property	(18,965)	(16,926)
Parking Suspensions	(9,492)	(9,433)
Commercial Waste	(7,182)	(7,023)
Residents' Parking	(7,034)	(6,647)
Leaseholder Service Charges	(5,308)	(5,893)
Other (below £5m)	(48,531)	(39,199)
<b>Total Income</b>	<b>(247,808)</b>	<b>(225,836)</b>

The Council typically satisfies its performance obligations as services are rendered, or upon completion of a service. No significant contract assets or liabilities have therefore been recognised.

## 18. Member allowances

The total of Members' Allowances paid in 2024/25 was £1.192 million (£1.142 million in 2023/24). Full details of individual Members' payments can be accessed on the Council's website with a search for Councillor allowances and training.

# Notes to the Comprehensive Income and Expenditure Statement

## 19. Officer remuneration

### Senior officers

The following table sets out the remuneration for senior officers who report directly to the Chief Executive, have statutory posts or who have responsibility for directing or controlling major activities of the Council, as well as any other officer whose salary is more than £150,000.

In accordance with CIPFA accounting requirements, where an officer's salary exceeds £150,000 both their job title and name are disclosed.

			Employer	Total Remuneration
	Note	Salary, Fees and	Pension	(including employer
2024/25		Allowances	Contribution	pension
Job Title		£	£	£
Chief Executive (Maxine Holdsworth)		232,965	17,022	249,987
Director of Social Investment & Property (interim) (Christine Addison)		197,846	0	197,846
Executive Director of Resources (Mike Curtis)	1	194,850	14,809	209,659
Executive Director for Housing and Social Investment (Dan Hawthorn)		194,473	14,522	208,995
Executive Director for Environment and Neighbourhoods (Beau Stanford-Francis)		174,981	13,106	188,087
Bi-Borough Director of Adult Social Care (Visvalingam Sathasivam)	2	170,661	12,799	183,460
Director of Transport and Regulatory Services (Andrew Burton)	3	166,665	8,625	175,290
Director of Customer Delivery (Sophie Evans)		151,957	11,397	163,354
Director for Family Services (Glen Peache)		151,867	11,209	163,076
Bi-Borough Director of Education and Libraries (Ian Heggs)	4	151,766	11,209	162,975
Strategic Director of Grenfell Partnerships, Communities and Transformation		148,398	11,272	159,670
Director of Financial Management		146,574	10,993	157,567
Director of Communications and Public Affairs		115,306	8,640	123,946

### Notes

1. The Council received £23,664 as a 10% contribution from the Pension Fund for the work carried out in this area by this officer.
2. This officer is employed by RBKC and their full cost is reported in the table. 50% of their cost has been recharged to WCC.
3. The officer was an agency staff prior to becoming a permanent employee on 24th June 2024.

# Notes to the Comprehensive Income and Expenditure Statement

4. This officer is employed by RBKC and their full cost is reported in the table. 50% of their cost has been recharged to WCC.

In some years the Chief and Deputy Returning Officers and other senior officers receive payments for election duties. Payments in respect of Parliamentary and European election expenses are not considered as remuneration for employment by the Council and are funded by other sources. Payments made in respect of local elections are considered to be remuneration for employment by the Council.

## Senior Officer shared posts employed by other local authorities 2024/25

The following officers are formally employed by Westminster City Council but provide services for both councils.

In 2024/25, the Council paid £126,981 for the Bi-Borough Executive Director of Adults 50% of the total remuneration, £84,199 for the Bi-Borough Director of Public Health, being 44% of the total remuneration, £111,467 for the Bi Borough Executive Director of Children's, being 50% of the total remuneration and £29,429 for the Bi Borough His Majesty's Coroner - Inner West London, being 16.2% of the total remuneration.

Remuneration details for these officers can be found within WCC's Statement of Accounts, available on their Council website.

<b>2023/24</b>	<b>Note</b>	<b>Salary, Fees and Allowances</b>	<b>Employer Pension Contribution</b>	<b>Total Remuneration (including employer pension contribution)</b>
<b>Job Title</b>		<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive (Maxine Holdsworth)		<b>216,783</b>	16,259	233,042
Executive Director of Resources (Mike Curtis)	1	<b>189,521</b>	14,448	203,969
Executive Director for Environment and Neighbourhoods (Sue Harris)	2	<b>141,678</b>	10,626	152,304
Executive Director for Environment and Neighbourhoods (Beau Stanford-Francis)	3	<b>41,100</b>	3,083	44,183
Executive Director for Housing and Social Investment (Dan Hawthorn)		<b>185,250</b>	13,894	199,144
Strategic Director of Grenfell Partnerships, Communities and Transformation	4	<b>130,822</b>	9,812	140,634
Director of Financial Management		<b>139,569</b>	10,468	150,037
Director of Corporate Strategy	5	<b>36,737</b>	2,755	39,492
Director of Social Investment & Property (interim) (Christine Addison)	6	<b>160,611</b>	0	160,611
Director of Transport and Regulatory Services (interim) (Andrew Burton)		<b>207,717</b>	0	207,717

## Notes

1. The Council received £23,032 as a 10% contribution from the Pension Fund for the work carried out in this area by this officer.



# Notes to the Comprehensive Income and Expenditure Statement

2. The officer left the Council in December 2023.
3. The officer commenced in this post in January 2024.
4. The officer has held two positions during the financial year - first as 'Director of Grenfell Partnerships & Corporate' up to August 2023 and then as 'Strategic Director of Grenfell Partnerships, Communities and Transformation'.
5. The officer left the Council in July 2023.
6. The officer commenced in this post in June 2023.

## Senior Officer shared posts employed by other local authorities 2023/24

The following officers are formally employed by Westminster City Council but provide services for both councils.

In 2023/24, the Council paid £116,537 for the Bi-Borough Executive Director of Adults being 50% of the total remuneration, £81,328 for the Bi-Borough Director of Public Health, being 44% of the total remuneration, £108,748 for the Bi-Borough Executive Director of Children's Services, being 50% of the total remuneration and £34,643 for the Bi-Borough His Majesty's Coroner - Inner West London, being 16.2% of the total remuneration. Remuneration details for these officers can be found within WCC's Statement of Accounts, available on their Council website.

# Notes to the Comprehensive Income and Expenditure Statement

## Salary bandings

The number of employees in each salary band is based on all sums paid to or receivable by an employee and sums due by way of taxable expenses, allowances and the monetary value of any other benefits received other than in cash, excluding employer pension contributions. The numbers below cover all Council activities, including schools based staff, receiving more than £50,000 remuneration for the year. Senior officers are excluded from this table as their remuneration is disclosed separately on the previous page.

	2024/25	2023/24
	No. of employees	No. of employees
£50,000 - £54,999	361	339
£55,000 - £59,999	260	252
£60,000 - £64,999	223	139
£65,000 - £69,999	107	118
£70,000 - £74,999	114	90
£75,000 - £79,999	72	41
£80,000 - £84,999	25	19
£85,000 - £89,999	20	24
£90,000 - £94,999	25	24
£95,000 - £99,999	16	16
£100,000 - £104,999	16	5
£105,000 - £109,999	3	7
£110,000 - £114,999	2	3
£115,000 - £119,999	1	3
£120,000 - £124,999	4	1
£125,000 - £129,999	3	1
£130,000 - £134,999	1	7
£135,000 - £139,999	4	1
£140,000 - £144,999	3	4
£145,000 - £149,999	4	3
<b>Total</b>	<b>1,264</b>	<b>1,097</b>

The number of officers within the disclosure threshold has increased as a result of the £1,575 national wage increase for all employees and also due to general recruitment.

## **20. Termination benefits**

The numbers of exit packages with total cost per band are set out in the table below.

Pension strain and redundancy are the main costs incurred. Other less significant costs include Pay In Lieu of Notice and payment for unused holiday entitlement.

Further to a decision taken by the Council in November 2024, pension strain costs were not recouped from the Council in 2024/25. These pension strain costs were borne by the Pension Fund.

# Notes to the Comprehensive Income and Expenditure Statement

2024/25				
Exit Package Cost Band	Redundancies (all compulsory)	Other agreed departures	Total departures	Total cost of exit packages
£'000	Number	Number	Number	£
0 - 20	11	6	17	160,687
21 - 40	5	3	8	219,005
41 - 60	4	1	5	242,433
61 - 80	0	0	0	0
81 - 100	0	1	1	93,510
<b>Total</b>	<b>20</b>	<b>11</b>	<b>31</b>	<b>715,636</b>

2023/24				
Exit Package Cost Band	Redundancies (all compulsory)	Other agreed departures	Total departures	Total cost of exit packages
£'000	Number	Number	Number	£
0 - 20	15	7	22	246,323
21 - 40	8	2	10	304,316
41 - 60	0	1	1	49,110
61 - 80	1	0	1	65,245
81 - 100	1	1	2	178,245
101 - 150	1	0	1	144,206
151-200	1	0	1	175,351
<b>Total</b>	<b>27</b>	<b>11</b>	<b>38</b>	<b>1,162,796</b>

## 21. External audit costs

	2024/25	2023/24
	£'000	£'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	428	359
Fees payable for the certification of grant claims and returns for the year	91	91
<b>Total audit costs</b>	<b>519</b>	<b>450</b>

The increase in costs is primarily due to additional audit work required in relation to the transition to the Council's new finance and HR system.

## 22. Joint Funding Arrangements

The Council has entered into a pooled budget arrangement with the North West London Clinical Integrated Care Board (NWLICB) for the provision of Adult Social Care services to older people, people with physical or learning disabilities, people with mental health problems and services to safeguard adults.

The aim is to meet the needs of people living in RBKC. Expenditure funded from this budget includes the provision of care in residential settings, community services enabling people to remain in their own homes and a community independence service which supports the enablement of residents. This arrangement is made in accordance with Section 75 of the National Health Service Act 2006 and is funded primarily by the Better Care Fund (BCF). With the exception

# Notes to the Comprehensive Income and Expenditure Statement

of the Community Equipment Budget referred to later, each partner is responsible for the delivery of the schemes that have been attributed to them and any resulting surplus or deficit.

The pooled budget includes all income and expenditure relating to the BCF, whether funded by the Council or the health service. It is hosted by RBKC although some activities are not pooled. Therefore, only those transactions pass through the Council's accounting system for schemes which the Council has delivered, including that for the Integrated Community Equipment Service. The CIES includes the Council's share of £22.052 million income and expenditure of £22.229 million.

	2024/25	2023/24
	£'000	£'000
RBKC contributions to the pooled budget	(22,052)	(20,135)
NWLICB contributions to the pooled budget	(8,724)	(8,146)
<b>Total contributions into the pooled budget</b>	<b>(30,776)</b>	<b>(28,281)</b>
Costs relating to care provided in residential or community settings	18,760	18,065
Support Services and programme management relating to the BCF	1,047	1,044
iBCF Programme	7,662	7,662
Discharge Funding	3,659	2,055
<b>Total expenditure met by the pooled budget</b>	<b>31,128</b>	<b>28,826</b>
<b>Net in-year (surplus) / deficit</b>	<b>352</b>	<b>545</b>
<b>Comprising shares due to:</b>		
RBKC	177	154
NWLICB	175	391
<b>Total</b>	<b>352</b>	<b>545</b>

## Net in-year deficit on the pooled budget

At the end of 2024/25 there was a deficit of £0.352 million, relating to the shared contribution to the Integrated Community Equipment Service. Over the last few years, the service has experienced increased costs, due to higher demand for services associated with the growing number of hospital discharges, increasing complexity of care, coupled with and an ageing population. Community Equipment expenditure is shared between NWLICB and RBKC based on an agreed share of the total cost.

## **23. Related party transactions**

The Council is required to disclose material transactions with related parties i.e. bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

### Central Government

The Government has effective control of all local authorities. It is responsible for the statutory framework in which the Council operates, provides some of the Council's funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties e.g. council tax and housing benefits. Grants received from the Government are set out in notes 14 and 15.

# Notes to the Comprehensive Income and Expenditure Statement

## Members and Officers

Elected Members have direct control of the Council's policies and strategies. The total of Members allowances paid during 2024/25 is shown in note 18.

Day-to-day responsibility lies with the Council's Leadership Team which in 2024/25 comprised nine Members with authority within their respective portfolios to approve decisions of a value less than £500,000. Decisions with a value greater than £500,000 are taken by Leadership Team collectively or by Full Council, as appropriate.

No Member has declared a relationship or position held with a company that has a material commercial relationship with the Council. Some Members have relationships or hold positions with other public bodies, schools, charities, voluntary organisations and development trusts with which the Council interacts but does not have a financially material relationship.

Ten Members held positions of control or significant influence in related parties to the Council during 2024/25 (thirteen Members and one officer in 2023/24). These include charitable organisations which received funds from the Council of £3.173 million in 2024/25 (£2.781 million in 2023/24).

At the time of publication one Member had not returned their declaration.

## Entities Controlled or Significantly Influenced

The Council undertakes an annual assessment of joint arrangements and interests in other companies. The Council has two wholly owned subsidiaries, Kensington and Chelsea TMO Repairs Direct Limited and Notting Dale Heat Network Limited. Group accounts are not prepared for any of these entities as the consolidated position would not be materially different to the single entity accounts.

Kensington and Chelsea TMO Repairs Direct Ltd (Company reference 08375353 incorporated on 25 January 2013) was purchased by the Council for a nominal sum on 1 March 2018. On 1 April 2019 the Council took direct control of housing repairs and maintenance and the company ceased trading and was dormant during 2024/25. There are three Directors of the limited company, being three independent people.

Notting Dale Heat Network Ltd (Company ref 13882225 incorporated 31 January 2022) was established for the provision of heating, energy and hot water services. There are six Directors of the limited company, two being Council employees and four independent people. As at 31 March 2025, the company had not started trading. In June 2025, the Council decided to make the company dormant and to deliver the Notting Dale Heat Network programme in-house.

## Other Public Bodies

The Council delivers services in close co-operation with other public bodies such as the Greater London Authority, Transport for London, the Kensington and Chelsea Partnership, Metropolitan Police Service, National Health Service Trusts and commissioning groups, the London Fire and Civil Defence Authority and other local authorities. At times, the Council will influence and be influenced by these bodies. Where the Council receives significant grant funding from another public body, this is disclosed in notes 14 and 15.

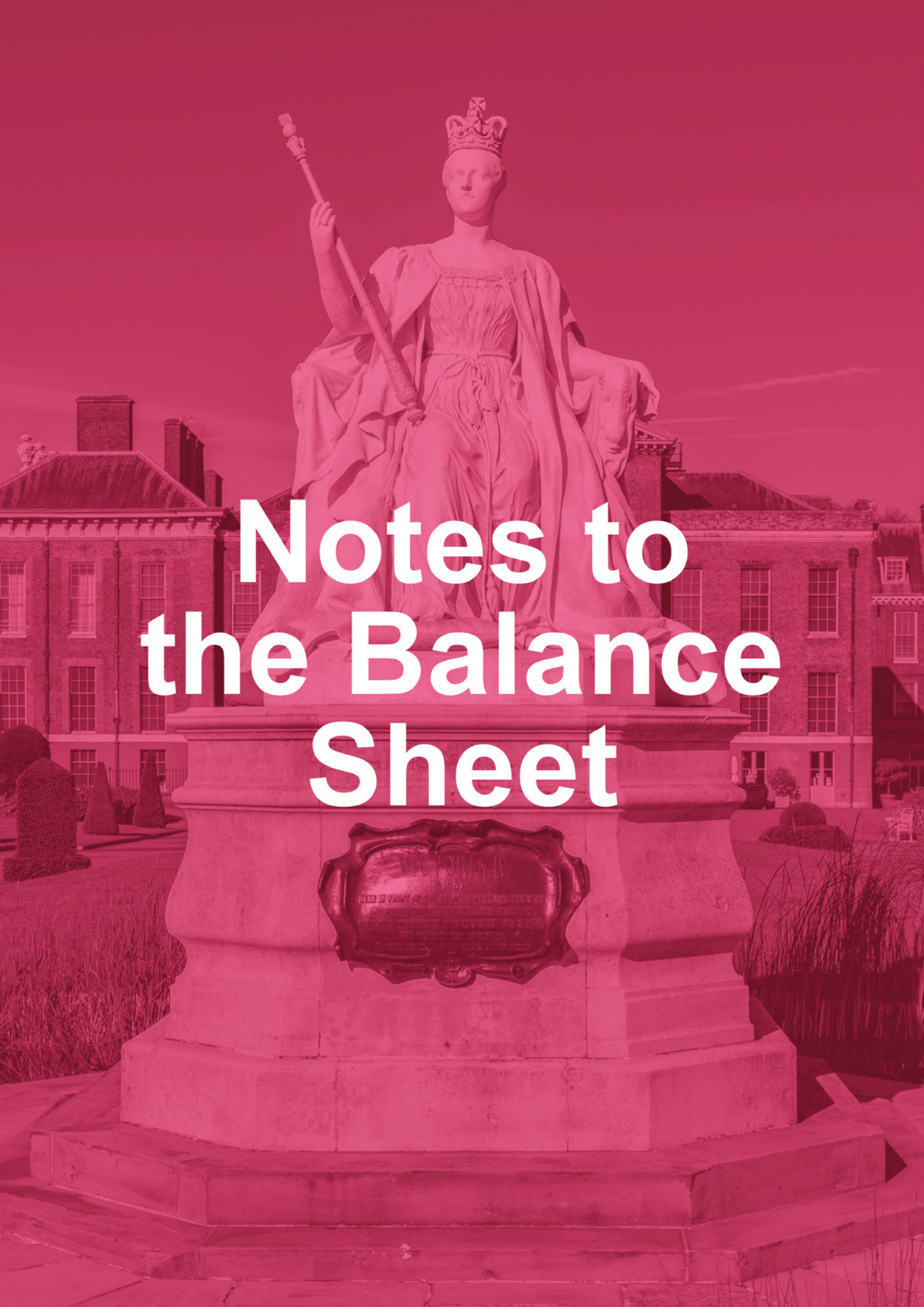


# Notes to the Comprehensive Income and Expenditure Statement

The Council, along with the London Boroughs of Hammersmith and Fulham, Wandsworth and Lambeth, is part of the Western Riverside Waste Authority (WRWA), a statutory waste disposal authority responsible for collecting the Council's waste. WRWA comprises eight Members who are appointed by its four constituent councils – each council appoints two elected Councillors annually to serve on the Authority.

The Council entered into a Tri-Borough shared services joint working arrangement with Westminster City Council (WCC) and the London Borough of Hammersmith and Fulham (LBHF) from 1 April 2012. During 2019/20, LBHF formally withdrew from the Tri-Borough arrangement. The Council and WCC continue to work together to deliver some Bi-Borough services for the benefit of local people. The nature of these arrangements means that each borough influences the others whilst maintaining its sovereignty. The net payments between the councils are not material.

During 2018/19, the Council entered a partnership arrangement with Hampshire County Council (HCC), Hampshire Constabulary, Hampshire Fire and Rescue Service, Oxfordshire County Council, WCC and LBHF. These working agreements are hosted by HCC and involve joint use of the assets and resources of each organisation, collectively delivering greater efficiency, better value, sharing costs, risks and benefits. The Council recognises the assets that it controls and the liabilities that it incurs on its Balance Sheet, and the expenditure it incurs and the share of income it earns from the activity of the operation in its CIES. The Council terminated the partnership with HCC with effect from April 2025 and brought in a new finance and HR system. A number of functions were also brought in-house as a result.

The image features a full-page background of a statue of Queen Victoria seated on a large, ornate stone pedestal. The statue is wearing a crown and holding a scepter in her right hand. The entire image is overlaid with a semi-transparent red filter. Centered over the statue is the text "Notes to the Balance Sheet" in a large, white, sans-serif font. Below the statue, on the front of the pedestal, is a small, dark, ornate plaque with inscriptions in gold lettering.

# Notes to the Balance Sheet



# Notes to the Balance Sheet

## 24. Property, plant and equipment

The Council currently carries out annual valuations on a rolling programme that ensures all operational assets required to be measured at market value are revalued at least every five years and reviewed as appropriate. The latest valuation was during 2024/25 with an effective valuation date of 31 March 2025. All valuations of dwellings and other land and buildings have been undertaken by external surveyors (Sanderson Weatherall) who are fully qualified with the Royal Institute of Chartered Surveyors (RICS) and agreed by the Council's Property Services department.

Similarly, Investment Property assets and any Assets Held for Sale are subject to a revaluation review on an annual basis to ensure that their carrying values are reflective of the latest market value conditions. The basis of the Council's valuations are set out in the Accounting Policies.

Due to historical reporting practices and unavailability of information, local authorities are unable to measure and disclose gross cost and accumulated depreciation accurately for Infrastructure Assets. This does not impact the balance sheet as this reports net book value.

In accordance with the updated Code on Infrastructure Assets therefore, disclosure of gross cost and accumulated depreciation for infrastructure assets has been removed and is shown separately below at net book value.

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

Net Book Values for total Property, Plant and Equipment including Infrastructure Assets, is shown below.

	2024/25	2023/24
	£'000	£'000
Infrastructure Assets	40,461	31,653
Other Property Plant and Equipment	1,576,871	1,531,455
<b>Total Property, Plant and Equipment</b>	<b>1,617,332</b>	<b>1,563,108</b>

Details of the movement in Infrastructure Assets are shown below.

	2024/25	2023/24
	£'000	£'000
<b>Balance at 1 April</b>	31,653	23,657
Additions	11,894	11,847
Depreciation	(3,086)	(3,851)
<b>Balance at 31 March</b>	<b>40,461</b>	<b>31,653</b>

Movements in Other Property Plant and Equipment are shown in the next table.

# Notes to the Balance Sheet

Movement in balances	Council Dwellings*	Other Land and Buildings	Plant, Furniture and Equipment	Community Assets	Assets Under Construction	Right-of-Use Assets	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Movements in cost or values</u></b>								
<b>Gross Book Value 31 March 2024</b>	<b>854,037</b>	<b>566,504</b>	<b>27,013</b>	<b>24,843</b>	<b>75,271</b>	<b>0</b>	<b>0</b>	<b>1,547,668</b>
Additions and enhancement	94,372	16,000	1,955	1,949	20,276	11,493	0	<b>146,045</b>
Revaluation increases / (decreases) recognised in Revaluation Reserve	(14,778)	8,712	0	0	0	94	266	<b>(5,706)</b>
Revaluation increases / (decreases) recognised in (Surplus) or Deficit on Provision of Services	(86,881)	(1,307)	0	0	0	(709)	(649)	<b>(89,546)</b>
Derecognition - disposals	(394)	0	(4,706)	0	0	0	0	<b>(5,100)</b>
Reclassifications and transfers	27,603	7,760	0	0	(38,951)	1,200	4,083	<b>1,695</b>
<b>Gross Book Value 31 March 2025</b>	<b>873,959</b>	<b>597,669</b>	<b>24,262</b>	<b>26,792</b>	<b>56,596</b>	<b>12,078</b>	<b>3,700</b>	<b>1,595,056</b>
<b><u>Movements in depreciation and impairment</u></b>								
<b>Accumulated Depreciation at 31 March 2024</b>	<b>0</b>	<b>0</b>	<b>(16,213)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(16,213)</b>
Depreciation charge	(4,658)	(7,000)	(2,955)	0	0	(3,919)	0	<b>(18,532)</b>
Depreciation / Impairment written out to the Revaluation Reserve	4,148	2,157	0	0	0	0	0	<b>6,305</b>
Depreciation / Impairment written out to (Surplus) or Deficit on Provision of Services	504	4,843	0	0	0	55	0	<b>5,402</b>
Derecognition - disposals	6	0	4,706	0	0	0	0	<b>4,712</b>
Reclassification and transfers	0	0	0	0	0	141	0	<b>141</b>
<b>Accumulated Depreciation at 31 March 2025</b>	<b>0</b>	<b>0</b>	<b>(14,462)</b>	<b>0</b>	<b>0</b>	<b>(3,723)</b>	<b>0</b>	<b>(18,185)</b>
<b>Net Book Value (NBV):</b>								
- At 31 March 2024	854,037	566,504	10,800	24,843	75,271	0	0	<b>1,531,455</b>
- At 31 March 2025	873,959	597,669	9,800	26,792	56,596	8,355	3,700	<b>1,576,871</b>



# Notes to the Balance Sheet

Movement in balances	Council Dwellings*	Other Land and Buildings	Plant, Furniture and Equipment	Community Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Movements in cost or values</u></b>						
<b>Gross Book Value 31 March 2023</b>	<b>869,934</b>	<b>544,483</b>	<b>24,903</b>	<b>23,331</b>	<b>72,096</b>	<b>1,534,747</b>
Additions and enhancement	79,562	22,298	3,198	1,863	31,358	<b>138,279</b>
Revaluation increases / (decreases) recognised in Revaluation Reserve	(15,099)	7,189	0	0	0	<b>(7,910)</b>
Revaluation increases / (decreases) recognised in (Surplus) or Deficit on Provision of Services	(80,045)	(13,339)	0	0	0	<b>(93,384)</b>
Derecognition - disposals	(315)	(3,800)	(1,088)	(351)	0	<b>(5,554)</b>
Reclassifications and transfers	0	9,673	0	0	(28,183)	<b>(18,510)</b>
<b>Gross Book Value 31 March 2024</b>	<b>854,037</b>	<b>566,504</b>	<b>27,013</b>	<b>24,843</b>	<b>75,271</b>	<b>1,547,668</b>
<b><u>Movements in depreciation and impairment</u></b>						
<b>Accumulated Depreciation at 31 March 2023</b>	<b>0</b>	<b>0</b>	<b>(14,892)</b>	<b>0</b>	<b>0</b>	<b>(14,892)</b>
Depreciation charge	(3,396)	(4,365)	(2,410)	0	0	<b>(10,171)</b>
Depreciation / Impairment written out to the Revaluation Reserve	2,988	1,540	0	0	0	<b>4,528</b>
Depreciation / Impairment written out to (Surplus) or Deficit on Provision of Services	404	2,825	0	0	0	<b>3,229</b>
Derecognition - disposals	4	0	1,089	0	0	<b>1,093</b>
Reclassification and transfers	0	0	0	0	0	<b>0</b>
<b>Accumulated Depreciation at 31 March 2024</b>	<b>0</b>	<b>0</b>	<b>(16,213)</b>	<b>0</b>	<b>0</b>	<b>(16,213)</b>
<b>Net Book Value (NBV):</b>						
- At 31 March 2023	869,934	544,483	10,011	23,331	72,096	<b>1,519,855</b>
- At 31 March 2024	854,037	566,504	10,800	24,843	75,271	<b>1,531,455</b>

\*Council dwellings at 31 March 2025 include 253 properties held within the GF with a NBV of £42.377 million (246 properties held within the GF with a NBV of £41.733 million at 31 March 2024).



# Notes to the Balance Sheet

## Disposals

The Council sold nine Right To Buy (RTB) properties with a NBV of £0.394 million.

The Council disposed of Intangible Assets (£11.219 million) and Equipment (£4.706 million) that were no longer in use.

## Capital Commitments

As at 31 March 2025 the Council had outstanding capital commitments of £30.860 million GF (£52.498 million at 31 March 2024) and £84.991 million HRA (£76.586 million at 31 March 2024) in respect of contracted schemes.

The major commitments as at 31 March 2025 were:

- New Homes Delivery Programme Barlby Road - £23.452 million (£36.679 million as at 31 March 2024)
- Silchester Estate Remedial Works - £32.967 million (£37.814 million as at 31 March 2024)
- Kitchen & Bathrooms Refurbishment Works - £22.578 million (£0.0 million as at 31 March 2024)
- Notting Dale Heat Network - £7.348 million (£0.0 million as at 31 March 2024)
- Street Scene Improvements: Sloane Street - £3.716 million (£12.751 million as at 31 March 2024)
- The Walkways – Major Refurbishment - £9.552 million (£12.696 million as at 31 March 2024)
- Fire Door Phase 3 - £4.093 million (£5.761 million as at 31 March 2024)
- Treadgold House - £3.792 million (£6.385 million as at 31 March 2024)

## **25. Investment properties**

The fair value of investment properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the levels of observable inputs are significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

The values at 31 March are analysed as follows:

	<b>2024/25</b>	<b>2023/24</b>
	£'000	£'000
Office units	11,420	11,490
Commercial units	207,747	203,809
Land	17,124	16,770
Other investment property	15,635	18,157
<b>Total fair value</b>	<b>251,926</b>	<b>250,226</b>

There were no transfers between any of the three levels of the fair value hierarchy during 2024/25 or the preceding year. During 2024/25, two investment sites transferred from investment properties to Operational Other Land and Building assets.

# Notes to the Balance Sheet

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use. There has been no change in the valuation techniques used during the year for investment properties.

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

	2024/25	2023/24
	£'000	£'000
Rental income from investment property	(18,965)	(16,926)
Direct operating expenses arising from investment property	3,614	3,701
<b>Net (gain) / loss</b>	<b>(15,351)</b>	<b>(13,225)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on its right to the remittance of income and the proceeds of disposal.

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

	2024/25	2023/24
	£'000	£'000
<b>Balance at 1 April</b>	250,226	230,677
Additions		
- Construction	0	12,494
- Subsequent Expenditure	469	266
- Disposal	0	(350)
Net gains / (losses) from fair value adjustments	5,763	1,124
Transfers (to) / from Property, Plant and Equipment	(4,532)	6,015
<b>Balance at 31 March</b>	<b>251,926</b>	<b>250,226</b>

## 26. Intangible assets

<b>Software Licences</b>	2024/25	2023/24
	£'000	£'000
Gross carrying amount at 1 April	20,225	20,722
- Purchases	1,401	1,106
- Disposals	(11,220)	(1,603)
<b>Gross carrying amount at 31 March</b>	<b>10,406</b>	<b>20,225</b>
Accumulated amortisation at 1 April	(15,465)	(13,895)
- Amortisation for the period	(1,920)	(2,526)
- Disposals	11,075	956
<b>Accumulated amortisation at 31 March</b>	<b>(6,310)</b>	<b>(15,465)</b>
<b>Net carrying amount at 1 April</b>	<b>4,760</b>	<b>6,827</b>
<b>Net carrying amount at 31 March</b>	<b>4,096</b>	<b>4,760</b>

# Notes to the Balance Sheet

## 27. Heritage assets

### Heritage Properties

Heritage property assets are valued and accounted for in accordance with the Council's accounting policies on property. Valuations have been undertaken by external surveyors (Sanderson Weatherall) who are fully qualified with the Royal Institute of Chartered Surveyors (RICS) and agreed by the Council's Property Services department.

The Council operates two museums;

- Leighton House was the former home and studio of the leading Victorian artist, Frederic, Lord Leighton (1830-1896). Built to designs by George Aitchison, it was extended and embellished over a period of thirty years to create a private palace of art.
- 18 Stafford Terrace, once the residence of Punch cartoonist Edward Linley Sambourne, is recognised as the best surviving example of a late Victorian middle-class home in the UK. It is remarkably well preserved and complete with its original interior decoration and contents.

### Museum Collections and Art in Parks

Within the two museums are the related collections of art works and other relevant artefacts. The Council also displays artworks in a range of settings around the borough, mainly in Holland Park. Details of these items can be found on the Council's website.

The museum collections and the art in parks are reported in the Balance Sheet at insurance valuation (based on market values) and historical information from curators. These valuations are reviewed periodically as deemed appropriate for insurance purposes. In 2024/25, all Council assets were subject to a deductible of £1 million per claim event, reflecting the self-insurance component. The potential total self-insurance expenditure for asset claims was capped at £4.100 million in that policy year. Acquisitions are recognised at cost. The museum collections and art are deemed to have indeterminate lives and high residual value. Hence the Council does not deem it appropriate to charge depreciation for these assets.

The local regalia and the local studies and archive collection are not disclosed on the Balance Sheet because the collections are of low Balance Sheet value due to individual items either having nil or low market value, being worth less than the Council's de minimis threshold of £10,000 or having no up-to-date valuation that is reliable.

The table below shows the annual changes to the net book values of the museums within Heritage Assets that are held at current cost.

	2024/25				2023/24			
	Heritage Properties	Museum Collections	Art in Parks	Total	Heritage Properties	Museum Collections	Art in Parks	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost/Valuation at 1 April</b>	<b>19,280</b>	<b>24,905</b>	<b>2,446</b>	<b>46,631</b>	<b>19,483</b>	<b>24,361</b>	<b>2,219</b>	<b>46,063</b>
Adjustment to opening balance	(1,467)	1,467	0	0	(43)	(64)	107	0
Additions	288	2,874	1,847	5,009	1,033	608	120	1,761
Revaluations	669	0	0	669	(1,193)	0	0	(1,193)
<b>Cost/Valuation at 31 March</b>	<b>18,770</b>	<b>29,246</b>	<b>4,293</b>	<b>52,309</b>	<b>19,280</b>	<b>24,905</b>	<b>2,446</b>	<b>46,631</b>

# Notes to the Balance Sheet

The figures above include the following net nil depreciation movement on heritage properties.

	2024/25	2023/24
	£'000	£'000
Depreciation and impairment charge	137	146
Depreciation written out on revaluations recognised in the Revaluation Reserve	(71)	(76)
Depreciation written out on revaluations recognised in the Surplus / Deficit on Provision of Services	(66)	(70)
<b>Total</b>	<b>0</b>	<b>0</b>

## 28. Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. The net movement in the Capital Financing Requirement illustrates the change in the underlying need for the Council to borrow during the year to fund capital investment which has not been funded immediately from resources such as grants, capital receipts and direct funding from revenue.

	2024/25	2023/24
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>681,451</b>	<b>556,464</b>
<u>Capital investment</u>		
Property, Plant and Equipment	137,351	150,125
Heritage Assets	392	1,153
Investment Properties	417	266
Intangible Assets	1,401	1,106
Revenue Expenditure Funded from Capital Under Statute	11,533	5,328
Grenfell settlement - capitalisation of prior year revenue costs	0	51,772
Finance leases	11,118	0
<u>Sources of finance</u>		
Capital receipts	(4,081)	(8,687)
Government grants and other contributions	(50,635)	(46,995)
Sums set aside from revenue:		
- Direct revenue contributions	(2,186)	(13,561)
- Direct Revenue Funding (Major Repairs Reserve)	(7,682)	(9,389)
- MRP / loans fund principal	(12,239)	(6,131)
<b>Closing Capital Financing Requirement</b>	<b>766,840</b>	<b>681,451</b>
	<b>2024/25</b>	<b>2023/24</b>
	£'000	£'000
Provision to reduce the underlying need to borrow (MRP)		
- Supported borrowing	(653)	(680)
- Unsupported borrowing	(8,035)	46,321
- Finance lease MRP	(3,551)	0
Increase in underlying need to borrow (supported by capital receipts)	86,510	79,346
Finance lease liability	11,118	0
<b>Increase / (decrease) in the Capital Financing Requirement</b>	<b>85,389</b>	<b>124,987</b>

# Notes to the Balance Sheet

## 29. Debtors

The table below provides a breakdown of current and long term debtors with respective Expected Credit Loss.

Category of debt (all at amortised cost)	31 March 2025			31 March 2024		
	Gross Debtor	ECL	Net Debtor	Gross Debtor	ECL	Net Debtor
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Current Debtors</b>						
Trade receivables	20,835	(4,715)	16,120	16,767	(2,724)	14,043
Other receivables	5,779	(2,330)	3,449	4,913	(2,263)	2,650
Central government - Grenfell	4,142	0	4,142	3,515	0	3,515
Central government - Other	32,273	0	32,273	14,615	0	14,615
Health Authorities	3,318	0	3,318	1,450	0	1,450
Other Local Authorities	22,170	0	22,170	16,688	0	16,688
Temporary Accommodation	4,324	(2,689)	1,635	4,614	(2,851)	1,763
Commercial Waste	86	(17)	69	97	(6)	91
Housing Benefit Overpayments	6,401	(4,116)	2,285	6,663	(4,116)	2,547
Local Taxation	27,648	(18,662)	8,986	28,372	(20,531)	7,841
HRA Rent Payers	10,758	(3,441)	7,317	7,140	(1,877)	5,263
HRA Service Charge	6,139	(1,312)	4,827	5,423	(840)	4,583
Parking	20,560	(17,919)	2,641	19,689	(18,456)	1,233
Service loans	150	0	150	202	0	202
Grenfell Settlement	450	0	450	1,020	0	1,020
Payments in advance and deposits	6,537	0	6,537	3,419	0	3,419
<b>Total Current Debtors</b>	<b>171,570</b>	<b>(55,201)</b>	<b>116,369</b>	<b>134,587</b>	<b>(53,664)</b>	<b>80,923</b>
<b>Long Term Debtors</b>						
Service loans	3,022	(404)	2,618	2,818	0	2,818
Advances and deposits	310	0	310	310	0	310
<b>Total Long Term Debtors</b>	<b>3,332</b>	<b>(404)</b>	<b>2,928</b>	<b>3,128</b>	<b>0</b>	<b>3,128</b>
<b>Total Debtors</b>	<b>174,902</b>	<b>(55,605)</b>	<b>119,297</b>	<b>137,715</b>	<b>(53,664)</b>	<b>84,051</b>

A lifetime expected credit loss approach has been applied and the credit loss rates used in calculating the ECL vary widely due to the different type of debts that were reviewed by each service. For local taxation arrears the loss rates applied range from 50% to 100%; the average loss rate for parking is 87%; trade receivables include ECL for commercial rents with a loss rate ranging from 5% to 100%.



# Notes to the Balance Sheet

## 30. Creditors

The following table provides a breakdown of current and long term creditors.

	31 March 2025		31 March 2024	
	Current	Long Term	Current	Long Term
	£'000	£'000	£'000	£'000
Trade payables	(41,074)	(5,156)	(50,034)	(1,201)
Receipts in advance	(10,119)	0	(27,728)	0
Central government bodies	(35,283)	0	(12,051)	0
Other local authorities	(48,347)	0	(35,372)	0
NHS bodies	(1,428)	0	(2,721)	0
Other payables	(40,095)	0	(10,106)	0
<b>Total creditors</b>	<b>(176,346)</b>	<b>(5,156)</b>	<b>(138,012)</b>	<b>(1,201)</b>

Increases of £15.483 million within 'Central government bodies' and £14.723 million within 'Other Local Authorities' relates to Collection Fund non-domestic rates due to MHCLG and the GLA respectively.

## 31. Provisions

Provisions are amounts set aside by the Council for an obligation which are likely to lead to a payment, but where the exact amount and timing of the payment is uncertain.

2024/25	Insurance	NNDR Appeals	Grenfell Settlement	Disputed Invoices	Other	Total
	£'000	£'000		£'000	£'000	£'000
<b>Balance at 1 April</b>	(2,365)	(17,027)	(42,251)	(1,409)	(228)	<b>(63,280)</b>
Additional provisions made	(417)	(3,804)	(4,957)	(1,107)	(49)	<b>(10,334)</b>
Amounts used	901	4,369	28,225	1,154	38	<b>34,687</b>
Unused amounts reversed	0	4,902	0	0	0	<b>4,902</b>
<b>Balance at 31 March</b>	<b>(1,881)</b>	<b>(11,560)</b>	<b>(18,983)</b>	<b>(1,362)</b>	<b>(239)</b>	<b>(34,025)</b>
Of which:						
<b>Long Term</b>	<b>(1,439)</b>	0	<b>(7,289)</b>	0	<b>(53)</b>	<b>(8,781)</b>

### Insurance

The insurance provision provides for self-insurance in respect of motor, fire and other liabilities. The balance represents the amount of self-insurance held to cover known claims arising.

### NNDR Appeals

Following the introduction of the new Business Rates Retention Scheme on 1 April 2013, the Council must account for its estimated share of Non-Domestic Rates assets and liabilities. Under the scheme, the Council is exposed to the outcome of outstanding ratings appeals.

The Valuation Office Agency continues to process appeals to the 2010, 2017 and 2023 lists. The Council's share of NDR assets and liabilities was 30% in 2023/24 and this share remains the same in 2024/25.

# Notes to the Balance Sheet

## Grenfell Settlement

A The provision was set aside to meet estimated costs relating to the settlement of the Grenfell civil claim arising from the tragic fire at Grenfell Tower on 14 June 2017. A settlement was announced in May 2023 for claims brought forward for claimants affected by the Grenfell tragedy. A number of claims and associated legal fees have been settled in 2024/25 and the provision is an estimate of remaining claims and any other potential liability that can be reasonably quantified.

## Disputed Invoices

The balance comprises disputed invoices and payments that a supplier has not charged during the contract period.

## Other Provisions

Other provisions include savings set aside by the Council for looked after children and a legal tribunal.

## **32. Contingent liabilities**

Contingent liabilities are not recognised in the Balance Sheet but disclosed in notes to the accounts when an outflow is possible.

## Grenfell

The Council has a contingent liability in respect of the fire at Grenfell Tower on 14 June 2017 for potential criminal charges arising from the tragedy.

A provision is shown in note 31 for the civil claim and associated costs.

## **33. Financial instruments**

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of the financial instrument.

No financial instruments have been reclassified in the preceding year. There has been no change in the valuation technique used during the year for financial instruments.

## Financial Assets

The financial assets disclosed in the Council's Balance Sheet are made up of the following:

# Notes to the Balance Sheet

Financial Assets	31 March 2025		31 March 2024	
	Long-term	Current	Long-term	Current
	£'000	£'000	£'000	£'000
<b><u>Investments</u></b>				
At Fair Value through Profit and Loss - principal amount	23,452	0	23,272	0
At amortised cost - principal amount	0	0	0	0
At amortised cost - accrued interest	0	0	0	0
<b>Total investments</b>	<b>23,452</b>	<b>0</b>	<b>23,272</b>	<b>0</b>
<b><u>Debtors</u></b>				
Loans at amortised cost	2,610	150	2,808	82
Other receivables at amortised cost	310	28,917	310	25,223
<b>Total included in debtors</b>	<b>2,920</b>	<b>29,067</b>	<b>3,118</b>	<b>25,305</b>
<b><u>Cash and Cash Equivalents (CCE)</u></b>				
At amortised cost - principal amount	0	28,690	0	6,121
At Fair Value through Profit and Loss - principal amount	0	41,400	0	15,950
At Fair Value through Profit and Loss - accrued interest	0	100	0	96
<b>Total included in CCE</b>	<b>0</b>	<b>70,190</b>	<b>0</b>	<b>22,167</b>
<b>Total financial assets</b>	<b>26,372</b>	<b>99,257</b>	<b>26,390</b>	<b>47,472</b>
Other Assets*	1,965,461	87,519	2,261,239	55,833
<b>Total Assets per Balance Sheet</b>	<b>1,991,833</b>	<b>186,776</b>	<b>2,287,629</b>	<b>103,305</b>

## Financial Liabilities

The financial liabilities disclosed in the Balance Sheet are made up of the following:

Financial Liabilities	31 March 2025		31 March 2024	
	Long-term	Current	Long-term	Current
	£'000	£'000	£'000	£'000
<b><u>Borrowings</u></b>				
Amortised cost - principal amount	(433,755)	(69,783)	(321,146)	(20,891)
Amortised cost - accrued interest	0	(4,533)	0	(3,926)
<b>Total borrowings</b>	<b>(433,755)</b>	<b>(74,316)</b>	<b>(321,146)</b>	<b>(24,817)</b>
<b><u>Creditors</u></b>				
Financial liabilities carried at contract amounts	(5,156)	(47,443)	(1,202)	(50,034)
<b>Total included in creditors</b>	<b>(5,156)</b>	<b>(47,443)</b>	<b>(1,202)</b>	<b>(50,034)</b>
<b>Total financial liabilities</b>	<b>(438,911)</b>	<b>(121,759)</b>	<b>(322,348)</b>	<b>(74,851)</b>
Other liabilities	(54,222)	(190,144)	(68,455)	(184,195)
<b>Total Liabilities per Balance Sheet</b>	<b>(493,133)</b>	<b>(311,903)</b>	<b>(390,803)</b>	<b>(259,046)</b>

\*Included in the current figure is the Council's obligation in respect of its defined benefit pension plans, which does not meet the definition of a financial asset or liability. The net pension asset is

# Notes to the Balance Sheet

shown on the Balance Sheet under Other Long Term Assets at 31 March 2025 and at 31 March 2024. Further information can be found in note 36.

## Income, Expenses, Gains and Losses

The income, expenditure, gains and losses recognised in the CIES in relation to financial instruments at amortised cost comprises the following:

	2024/25				2023/24			
	Assets at Amortised Cost	Assets held at FV	Liabilities	Total	Assets at Amortised Cost	Assets held at FV	Liabilities	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense in CIES	0	0	15,229	<b>15,229</b>	0	0	10,421	<b>10,421</b>
Interest and investment income in CIES	0	(2,202)	0	<b>(2,202)</b>	(290)	(2,180)	0	<b>(2,470)</b>
Losses on revaluation	0	(180)	0	<b>(180)</b>	0	(731)	0	<b>(731)</b>
<b>Net (gain) / loss for the year</b>	<b>0</b>	<b>(2,382)</b>	<b>15,229</b>	<b>12,847</b>	<b>(290)</b>	<b>(2,911)</b>	<b>10,421</b>	<b>7,220</b>

## Fair values

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried on the Balance Sheet at amortised cost, with the exception of Money Market Funds and an Investment Grade Short Dated Credit Fund (financial assets) which are carried at Fair Value through Profit and Loss.

The financial assets measured at Fair Value through Profit and Loss are level 2 assets which are based on the market prices of the underlying instruments that are all readily traded in active markets. Measurement of these assets are outlined in section 9 of the Accounting Policies note within these accounts.

Where assets and liabilities are held at amortised cost, their fair values have been estimated by calculating the net present value of the remaining contractual cash flows as at 31 March 2025, using the following methods and assumptions:

- Loans taken by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans
- No early repayment or impairment is recognised for any financial instrument
- The fair value of short-term instruments, including trade payables and receivables, is deemed to be not materially different to the carrying amount.

The fair values of liabilities are calculated as follows:

# Notes to the Balance Sheet

		31 March 2025		31 March 2024	
	Level	Fair Value	Carrying Amount	Fair Value	Carrying Amount
		£'000	£'000	£'000	£'000
PWLB loans	2	(411,561)	(473,038)	(298,018)	(345,963)
Other Long Term Loans	2	(8,914)	(10,500)	0	0
ST Loans	2	(20,043)	(20,000)	0	0
Fair value deemed equivalent to carrying amount			(54,762)		(51,236)
		(440,518)	(558,300)	(298,018)	(397,199)

The Council has short-term financial assets which are held at amortised cost. For these, the fair value is assumed to approximate to carrying value. In January 2024 and May 2024, the Council received capitalisation directions for £23.228 million and £51.772 million respectively. Initially, there was a condition that any increase in borrowing to meet costs relating to the Grenfell settlement claims will incur the PWLB interest rate with a 1% surcharge. The Ministry of Housing Communities and Local Government subsequently removed this surcharge. Therefore, the loan of £23.228 million includes the 1% surcharge in the interest rate applied to it, but the remaining £51.772 million does not.

## 34. Nature and extent of risks arising from financial instruments

The Council's treasury management activities expose it to a number of risks. The key risks are:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potentially adverse effects on the resources available to fund services.

The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and the associated regulations. These require the Council to comply with CIPFA's Prudential Code and Code of Practice on Treasury Management in the Public Services together with investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the Code of Practice on Treasury Management in the Public Services
- By the adoption of a Treasury Policy Statement and treasury management clauses within its constitution
- By approving annually in advance prudential and treasury indicators for the following three years limiting the Council's:
  - Overall borrowing



# Notes to the Balance Sheet

- Maximum and minimum exposures to fixed and variable rates
- Maximum and minimum exposures for the maturity structure of its debt
- Maximum annual exposures to investments maturing beyond a year
- By approving an investment strategy for the forthcoming year that sets criteria for both investing and selecting investment counterparties in compliance with Central Government guidance.

These are required to be reported and approved at the meeting which sets the Council's budget for the forthcoming year. These items are reported with the Annual Treasury Management Strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual Treasury Management performance is also reported in the outturn report after each year end and in the mid-year performance report.

These policies are implemented by the Treasury Management team, in line with the policies and principles to manage overall risk. Treasury management policies and procedures are reviewed annually.

The Council's Annual Treasury Management Strategy Statement 2024/25 can be accessed on the Council's website by clicking on the heading 'Council, Councillors and Democracy', followed by selecting 'Councillors and Committee meetings', and then proceeding to 'Council Committee meetings, agendas and reports. See Full Council committee meeting documents for 28 February March 2024.

## Credit risk

Credit risk is the possibility that other parties might fail to pay amounts due to the Council. It arises from deposits with banks and financial institutions, as well as credit exposure to the Council's customers.

Credit risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Annual Investment Strategy also considers maximum amounts in respect of each financial institution, in order to spread risk. Outside of the UK, the Sovereign credit rating of individual countries is taken into account prior to considering the ratings of individual institutions. Only institutions from countries with a minimum sovereign rating of AA+ or equivalent will be considered. When lending to other local authorities, the Treasury Management team independently assess the financial health of that authority before investing.

No credit limits were exceeded during the reporting period.

The table below summarises the credit rating of the Council's investments as at 31 March:

	<b>Fitch Rating</b>	<b>2024/25</b>	<b>2023/24</b>
		£'000	£'000
Money Market Funds	AAA	41,400	15,950
Investment Grade Bond Fund	UNRATED	23,452	23,272
<b>Total</b>		<b>64,852</b>	<b>39,222</b>

All investments as at 31 March 2025 are with UK domiciliary institutions.

# Notes to the Balance Sheet

Loss allowances are calculated on the Council's investments based on externally assessed risk of default by individual counterparties. In 2024/25 and the preceding year, the risk of loss on the Council's investments was considered immaterial.

The Council does not generally allow extended credit for its customers. Risk of default by customers is assessed based on historic collection rates and forward-looking assessments and, where appropriate, expected credit loss impairments are charged to the CIES. Receivables are written off to the Surplus or Deficit on Provision of Services where recovery action indicates there is no realistic chance of recovery. Details of expected credit losses for receivables can be found in note 29.

Loans issued by the Council are recognised on the Balance Sheet at amortised cost. The Council's ECL and its total exposure to credit risk in respect of significant loans is shown in the following table:

Exposure Type	Loan	ECL	Risk	Loan	ECL	Risk
	2024/25	2023/24		2024/25	2023/24	
	£'000	£'000	£'000	£'000	£'000	£'000
Loans at zero rate	3,014	(404)	0	2,808	0	0
<b>Total</b>	<b>3,014</b>	<b>(404)</b>	<b>0</b>	<b>2,808</b>	<b>0</b>	<b>0</b>

## Liquidity risk

Liquidity risk is the possibility that the Council might not have sufficient funds available to meet its contractual commitments. The Council manages its liquidity position through the risk management procedures detailed above and through cash flow management procedures, which ensures that cash is available when required.

The Council has ready access to borrowings from the money market to cover any day-to-day cash flow needs, while the Public Works Loans Board (PWLb) provides access to long term funding to finance its capital programme. In order to meet current and future revenue expenditure commitments, the Council is required to set an annual balanced budget (Local Government Act 1992) and to maintain a sufficient level of revenue reserves.

The Council's cash reserves are either invested externally, or used to fund its capital programme in place of external borrowing. Since the Council is financing some of its capital programme from cash reserves, this means there is additional headroom in how much funding it can borrow from the PWLB.

At 31 March 2025, the Council had £64.852 million (£39.222 million in 2023/24) invested externally and could borrow a further £255.735 million (£335.487 million in 2023/24) from the PWLB to finance its capital programme.

There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it may need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and maturities and ensuring that no more than 30% of the Council's borrowing matures in any one financial year.

The following table shows the maturity analysis of the Council's financial liabilities:

# Notes to the Balance Sheet

Maturity Period	2024/25		2023/24	
	Principal	Interest	Principal	Interest
	£'000	£'000	£'000	£'000
Maturing in under one year	69,783	18,777	20,891	13,155
Maturing between one and two years	56,848	16,210	18,191	11,862
Maturing between two and five years	127,720	37,714	27,568	31,903
Maturing between five and ten years	60,070	32,545	92,206	33,544
Maturing between ten and 20 years	88,213	45,248	57,274	46,456
Maturing between 20 and 30 years	90,047	19,979	90,047	22,492
Maturing after 30 years	10,856	2,041	35,861	2,919
<b>Total</b>	<b>503,537</b>	<b>172,514</b>	<b>342,038</b>	<b>162,331</b>

## Market Risk

Market risk is the possibility that financial loss might arise for the Council as a result of change in such measures as interest, price and foreign exchange rates.

The Council is exposed to interest rate risk on both its borrowings and investments. Movement in interest rates have a complex impact on the Council, depending on how variable or fixed the interest rates are over the Council's financial assets and liabilities. For example, a rise in interest rates would have the following effect for the Council:

- Borrowing at variable rates of interest – the interest cost charged to the CIES will increase;
- Borrowing at fixed rates of interest – the fair value of the liability will fall and there will be no impact on the CIES;
- Investments at variable rates – interest income credited to the CIES will rise;
- Investments at fixed rates of interest – the fair value of the Investment will fall, with no impact on the CIES.

None of the Council's investments or borrowings are carried at fair value in the Council's Balance Sheet, with the exception of Money Market Funds, so nominal gains and losses on these do not significantly impact on the Surplus or Deficit on Provision of Services in the CIES.

The Council does not have any variable rate borrowing. The Council has several strategies for managing interest rate risk. The Prudential indicators include a maximum and minimum indicator for fixed and variable interest rate exposure and monitors the actual levels periodically.

If all interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest receivable on variable rate investments	(586)
Impact on CIES	(586)
Share of overall impact debited to the HRA	1,017
Decrease in fair value of fixed rate borrowing liabilities	(23,819)

The approximate impact of a 1% fall in interest rates would be as above, but with the movements being reversed. These assumptions are based on the same methodology as used in the Financial Instruments disclosure note.

## 35. Pension schemes accounted for as defined contribution schemes

Although the Teachers Pension Scheme is a defined benefit scheme, the Department for Education (DfE) uses a notional fund as the basis for calculating the employer's contributions rate paid by the education authorities. It is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. The scheme is therefore accounted for on the same basis as a defined contributions scheme.

In 2024/25, the Council paid £6.729 million (£5.654 million in 2023/24) to Teachers' Pensions in respect of teachers' retirement benefits, representing 28.68% of pensionable pay.

The Children's Services and Education line in the CIES is charged with the employer's contributions payable to the Teachers' Pension Scheme for the year.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers' scheme.

## 36. Defined benefit pension schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of retirement benefits. Although these benefits will not become payable until the employees retire, the Council has a commitment to make the payments that need to be accounted for at the time that employees earn their future entitlement.

Most employees of the Council are members of the Local Government Pension Scheme (LGPS), which for most staff is administered by the Council and for a relatively small number, by the Local Pensions Partnership (previously London Pension Fund Authority). This is a funded defined benefit final salary scheme meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The following transactions have been made in the CIES and the GF Balance via the MIRS during the year.

# Notes to the Balance Sheet

Transactions made in the CIES	2024/25	2023/24	2024/25	2023/24
	RBKC Pension		LPFA Pension	
	£'000	£'000	£'000	£'000
<u>Service cost comprising:</u>				
- Current service cost	24,858	26,162	22	24
- Past service costs	465	755	0	0
- (Gain) / loss on settlements	0	0	0	0
<u>Financing and Investment Income and Expenditure:</u>				
- Net interest expense / (gain)	(18,882)	(20,767)	41	(536)
- Administration expenses	1,143	1,057	10	10
<b>Post Employment Benefits charged to the (Surplus)/Deficit on Services in the CIES</b>	<b>7,584</b>	<b>7,207</b>	<b>73</b>	<b>(502)</b>
<u>Remeasurement of the net defined benefit liability / asset comprising:</u>				
- Return on plan assets	44,691	(172,038)	586	(958)
- Actuarial gains and losses arising on changes in demographic assumptions	(1,890)	(5,647)	(54)	(302)
- Actuarial gains and losses arising on change in financial assumptions	(166,512)	(61,600)	(1,569)	(14)
- Experience (gain) / loss	(10,156)	34,880	(63)	73
- Changes in effect of asset ceiling / Other (gains) / losses	494,052	256,085	1,051	3,961
<b>Total Post Employment Benefits charged to Other Income and Expenditure in the CIES</b>	<b>360,185</b>	<b>51,680</b>	<b>(49)</b>	<b>2,760</b>
<b>Total Post Employment Benefits charged to the CIES</b>	<b>367,769</b>	<b>58,887</b>	<b>24</b>	<b>2,258</b>

Transactions made in the MIRS	2024/25	2023/24	2024/25	2023/24
	RBKC Pension Scheme		LPFA Pension Scheme	
	£'000	£'000	£'000	£'000
Reversal of net IAS 19 charges	(7,584)	(7,207)	(73)	502
Actual amount charged to GF/HRA	10,715	10,638	122	123

The total net liability included in the Balance Sheet in respect of its defined benefit schemes is as follows:

Pension Assets and Liabilities recognised in the Balance Sheet	31 March 2025	31 March 2024	31 March 2025	31 March 2024
	RBKC Pension Scheme		LPFA Pension Scheme	
	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(940,979)	(1,071,363)	(18,461)	(20,677)
Fair value of plan assets	1,746,309	1,727,312	34,035	34,522
<b>Sub-total</b>	<b>805,330</b>	<b>655,949</b>	<b>15,574</b>	<b>13,845</b>
Present value of unfunded obligation	(1,924)	(2,214)	(832)	(923)
Impact of asset ceiling	(762,801)	(256,318)	(15,557)	(13,835)
<b>Net (liability)/asset arising from defined benefit obligation</b>	<b>40,605</b>	<b>397,417</b>	<b>(815)</b>	<b>(913)</b>



# Notes to the Balance Sheet

In accordance with IAS 19 paragraph 64 and IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction', where the Council's assets are greater than its funded obligations, the amount of surplus that can be disclosed is restricted to the asset ceiling as calculated by the actuary.

As LGPS Funds are usually invested in a range of asset classes, the performance of the assets may be quite different from that of the accounting liabilities (which are linked to corporate bonds) and so the results can be very volatile from year to year.

Reconciliation of Present Value of Scheme Liabilities	31 March	31 March	31 March	31 March
	2025	2024	2025	2024
	RBKC Pension Scheme	LPFA Pension Scheme	LPFA Pension Scheme	LPFA Pension Scheme
	£'000	£'000	£'000	£'000
<b>Opening balance at 1 April</b>	<b>(1,073,577)</b>	<b>(1,056,535)</b>	<b>(21,600)</b>	<b>(22,372)</b>
Current service cost	(24,858)	(26,162)	(22)	(24)
Administration expenses*	(1,143)	(1,057)		
Interest cost	(51,935)	(50,168)	(1,008)	(1,036)
Change in financial assumptions	166,512	61,600	1,569	14
Change in demographic assumptions	1,890	5,647	54	302
Experience (loss) / gain	10,156	(34,880)	63	(73)
Liabilities assumed / (extinguished) on settlements	0	0	0	0
Estimated benefits paid net of transfers in	40,396	37,880	1,546	1,485
Past service costs and curtailments	(465)	(755)	0	0
Contributions - scheme participants	(10,121)	(9,380)	(5)	(6)
Unfunded pension payments	242	233	110	110
<b>Closing balance at 31 March</b>	<b>(942,903)</b>	<b>(1,073,577)</b>	<b>(19,293)</b>	<b>(21,600)</b>

Reconciliation of Movement in the Fair Value of Scheme Assets	31 March	31 March	31 March	31 March
	2025	2024	2025	2024
	RBKC Pension Scheme	LPFA Pension Scheme	LPFA Pension Scheme	LPFA Pension Scheme
	£'000	£'000	£'000	£'000
<b>Opening balance at 1 April</b>	<b>1,727,312</b>	<b>1,502,201</b>	<b>34,522</b>	<b>33,468</b>
Interest on assets	83,248	70,935	1,638	1,572
Return on assets less interest	(44,691)	172,038	(586)	958
Administration expenses*			(10)	(10)
Contributions - employer	10,715	10,638	122	123
Contributions - scheme participants	10,121	9,380	5	6
Estimated benefits paid plus unfunded net of transfers in	(40,396)	(37,880)	(1,656)	(1,595)
Other experience gains / (losses)	0	0	0	0
Settlement prices received / (paid)	0	0	0	0
<b>Closing balance at 31 March</b>	<b>1,746,309</b>	<b>1,727,312</b>	<b>34,035</b>	<b>34,522</b>

\*The approach used to recognise administration expenses differs between actuaries. The LGPS actuaries have included this within the scheme liabilities alongside current service costs whereas LPFA administration expenses are included in the reconciliation of scheme assets. There is no impact of the different approaches on the net liability.

# Notes to the Balance Sheet

The below table shows the fair value of scheme assets. The LGPS scheme includes UK assets of £362.340 million (£297.555 million at 31 March 2024) that do not have a quoted market price in an active market.

	31 March 2025		31 March 2024		31 March 2025		31 March 2024	
	RBKC Pension Scheme				LPFA Pension Scheme			
	£'000	%	£'000	%	£'000	%	£'000	%
Equities	1,420,986	81	1,384,997	80	20,074	59	20,902	61
Property	235,128	14	173,887	10	3,102	9	3,158	9
Cash and equivalents	22,403	1	88,182	5	796	2	541	2
Bonds	-	0	80,246	5	-	0	-	0
Debt securities	67,792	4	-	0	-	0	-	0
Target return portfolio	-	0	-	0	6,181	18	5,955	17
Infrastructure	-	0	-	0	3,882	12	3,966	11
<b>Total</b>	<b>1,746,309</b>	<b>100</b>	<b>1,727,312</b>	<b>100</b>	<b>34,035</b>	<b>100</b>	<b>34,522</b>	<b>100</b>

## Basis for estimating assets and liabilities

The Council has engaged the services of Hymans Robertson LLP to assess the Local Government Pension Scheme assets and liabilities as at 31 March 2025. The LPFA Pension Scheme continues to use Barnett Waddingham LLP.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by Regulations. The actuarial valuation of the Fund carried out during 2022, as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026.

The aim of the funding valuation which determines employer contribution rates is to ensure sufficiency to meet future benefit payments from the Pension Fund. The purpose of the annual accounting valuation under IAS 19 is to facilitate consistent comparison of pension positions between employers and uses different methods and assumptions. This can result in significantly different results from the funding valuations.

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

The liabilities are discounted to their value at current prices, using a discount rate determined by the actuary that is based on the indicative rate of return on high quality corporate bonds at the reporting date. The increase in the discount rate used in the financial assumptions, compared to the previous year, has contributed to an increase in the net pension asset.

## Demographic / statistical assumptions

Life expectancy data is based on the Continuous Mortality Investigation's model, CMI 2023.

The average life expectations from age 65 for LGPS are:

# Notes to the Balance Sheet

	31 March 2025	31 March 2024	31 March 2023
Life expectancy in years	(after CMI_2023 update)	(after CMI_2022 update)	(after CMI_2021 update)
<b>Retiring today</b>			
- Males	21.9	21.9	22.1
- Females	24.5	24.5	24.7
<b>Retiring in 20 years</b>			
- Males	22.7	22.8	23.0
- Females	25.7	25.7	25.9

The assumed life expectations from age 65 for LPFA are:

	31 March 2025	31 March 2024	31 March 2023
Life expectancy in years	(after CMI_2023 update)	(after CMI_2022 update)	(after CMI_2021 update)
<b>Retiring today</b>			
- Males	20.9	20.9	21.1
- Females	23.5	23.4	23.6
<b>Retiring in 20 years</b>			
- Males	22.0	22.0	22.1
- Females	25.3	25.3	25.5

## Financial assumptions

The financial assumptions used are set with reference to market conditions at 31 March 2025.

	31 March 2025	31 March 2024	31 March 2025	31 March 2024
	RBKC Pension Scheme		LPFA Pension Scheme	
Discount rate (% p.a.)	5.80	4.85	5.65	4.85
Pension increases (% p.a.)	2.75	2.75	2.90	2.95
Salary increases (% p.a.)	3.75	3.75	3.90	3.95

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analysis below has been based on realistic changes of the major assumptions occurring at 31 March 2025 and assumes for each change that the assumption varied while all the other assumptions remain constant.

RBKC Pension Scheme	Approximate % increase in liability	Approximate monetary amount
	%	£'000
0.1% decrease in real discount rate	2	16,273
1 year increase in member life expectancy	4	37,716
0.1% increase in the salary increase rate	0	675
0.1% increase in the pension increase rate (CPI)	2	16,051

# Notes to the Balance Sheet

LPFA Pension Scheme	Increase £'000	No change £'000	Decrease £'000
<b>Life expectancy (increase or decrease of 1 year):</b>			
- Present value of total obligation	20,431	19,293	18,224
- Projected service cost	20	20	19
<b>Long term increase in salaries (increase or decrease of 0.1%)</b>			
- Present value of total obligation	19,294	19,293	19,292
- Projected service cost	20	20	20
<b>Increase in pensions (increase or decrease of 0.1%)</b>			
- Present value of total obligation	19,475	19,293	19,115
- Projected service cost	20	20	19
<b>Adjustment to discount rate (increase or decrease of 0.1%)</b>			
- Present value of total obligation	19,119	19,293	19,471
- Projected service cost	19	20	20

The last triennial actuarial valuation, as at 31 March 2022, indicated that the RBKC Pension Fund was 154% funded, with a whole fund primary employer contribution rate of 15.0%. The funding level was estimated at 210 % as at 31 March 2025.

Based on the strong funding position, in February 2025, the Council's Investment Committee took the decision to reduce its contributions to nil for 2025/26.

One of the objectives of the scheme is to keep employers' contributions at a reasonably constant rate and the improvement in funding means that contributions have remained stable as there is no longer a deficit to fund.

This is reflected in the table below which shows the projected pension expenses at each reporting date, anticipated to be payable in the following year.

Projected as at:	31 March 2026 RBKC Pension Scheme £'000	31 March 2025 £'000	31 March 2026 LPFA Pension Scheme £'000	31 March 2025 £'000
Projected current service cost	17,696	23,026	20	24
Net interest (gain)/cost	(1,824)	(31,373)	43	41
Administration expenses	1,143	1,057	10	11
<b>Total loss / (profit)</b>	<b>17,015</b>	<b>(7,290)</b>	<b>73</b>	<b>76</b>
<b>Projected employer contributions</b>	<b>0</b>	<b>9,910</b>	<b>12</b>	<b>13</b>

The average age of active members, based on the March 2022 valuation, is 54 years for the Council's Pension Fund and 64 years for the London Pension Fund Authority. The same based on the March 2019 valuation was 46 years and 61 years respectively.

## Impact of the McCloud and Sargeant transitional protection pensions ruling

The above disclosures include an allowance to reflect the Court of Appeal judgement in respect of the McCloud and Sargeant cases which relate to age discrimination within the Judicial and Fire Pension schemes.

## Guaranteed Minimum Pension (GMP) Equalisation

As a result of the High Court's Lloyds ruling on the equalisation of GMP between genders, an allowance has been made to reflect the effect this ruling has on the value of pension liabilities. The

# Notes to the Balance Sheet

actuary has determined that no allowance is required on a further ruling for historical transfers as it would not have a significant impact.

## Goodwin case

Following a case involving the Teachers' Pension scheme, differences between survivor benefits payable to members with same-sex or opposite-sex survivors have been identified within some public sector pension schemes. As a result, the Government has confirmed that a remedy is required in all affected public sector pension schemes, which includes the LGPS. The remedy is still uncertain but the estimated potential impact of this is very small. No allowance has therefore been made for this decision in the disclosures within this note.

## Section 37 confirmations (Virgin Media vs NTL Pension Trustees II Limited ruling)

No allowance has been included in relation to this case as the impact on the LGPS, if any, is yet unknown or not significant.

## Risks

Participating in a defined benefit pension scheme means that the Council is exposed to the following risks.

- Investment risk: The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges
- Interest rate risk: The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way
- Inflation risk: All the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation
- Longevity risk: If the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Council's Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers. All the risks above may also benefit the Council e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

## **37. Leases**

### Transition to IFRS 16 Lease Accounting

In 2024/25 the Council applied IFRS 16 Leases as required by the Code of Practice for Local Authority Accounting in the United Kingdom. This introduces a single accounting model for lessees, removing the distinction between operating and finance leases.

The main impact of the new requirements is that for arrangements previously accounted for as operating leases (i.e., without recognising the leased property as an asset and future rents as a liability) a right-of-use asset and a lease liability are to be brought into the balance sheet at 1 April



# Notes to the Balance Sheet

2024 and no prior year adjustments are required. Leases for items of low value and leases that expire on or before 31 March 2025 are exempt from the new arrangement.

As part of the transition, all lease arrangements have been reviewed, and adjustments have been made to align with the new lease recognition requirements under IFRS 16. Lease liabilities were measured at the present value of the remaining lease payments at 1 April 2024, discounted by the Council's incremental borrowing rate at that date.

Rolling monthly leases for temporary accommodation are typically rolled forward each year. Therefore, the interest, lease liability and right of use asset values have been calculated on the assumption that the lease will continue for a further two years.

ROU (Right-Of-Use) assets were revalued by our external valuers on an investment basis with reference to RICS Practice Information providing guidance on IFRS 16. This is undertaken by calculating the valuer's estimate of market rent over the remaining cancellable lease term. Market evidence is used to assess the market rent and appropriate rate of return that is used to assess the value of the lessee's right. The valuation date is 31 March 2025.

This has resulted in the following additions to the balance sheet:

- £11.118 million Property, plant and equipment (Right Of Use Assets)
- £7.383 million Non-current creditors (Lease Liabilities)
- £3.735 million Current creditors (Lease Liabilities)

When the newly recognised lease liabilities of £11.118 million, at 1 April 2024, are compared to the operating lease commitments of £0.076 million at 31 March 2024 discounted to their present value of £0.053 million, there is a difference of £11.065 million. This is due to:

- vehicle and property leases not being classified as operating leases under IAS 17 before 31 March 2024, (vehicle £2.696 million and property leases £1.232 million), and
- temporary accommodation leases with a total lease liability of £7.132 million

## The Council as Lessee

This table shows the change in the value of right-of-use assets held under leases by the authority.

	<b>Land and buildings</b>	<b>Vehicles, plant and equipment</b>	<b>Total</b>
	£'000	£'000	£'000
<b>Balance at 1 April 2024</b>	<b>9,959</b>	<b>727</b>	<b>10,686</b>
Additions	118	2,030	2,148
Revaluations	(561)	0	(561)
Depreciation and amortisation	(3,537)	(380)	(3,917)
Disposal	0	0	0
<b>Balance at 31 March 2025</b>	<b>5,979</b>	<b>2,377</b>	<b>8,356</b>

The Council incurred the following expenses and cash flows in relation to leases:

# Notes to the Balance Sheet

	2024/25
	£000
Interest expense on lease liabilities	486
Expense relating to short-term leases	211
Expense relating to exempt leases of low-value items	347
<b>Total cash outflow for leases</b>	<b>1,044</b>

The lease liabilities are due to be settled over the time bands shown in the following table (measured at the undiscounted amounts of expected cash payments):

Maturity analysis of lease liabilities	2024/25
	£'000
Less than one year	3,581
One to five years	2,935
More than five years	868
<b>Total undiscounted liabilities</b>	<b>7,384</b>

## The Council as Lessor

The Council leases out property and equipment under operating leases for the following purposes:

- For the provision of community services, such as sports facilities, tourism services and community centres
- For economic development purposes to provide suitable affordable accommodation for local businesses

The future minimum operating lease payments receivable under non-cancellable leases for non-operational assets in future years are as follows.

	31 March 2025	31 March 2024
	£'000	£'000
Not later than one year	14,969	13,644
Later than one year and not later than five year	48,149	46,354
Later than five years	105,048	105,904
<b>Total future minimum lease payments</b>	<b>168,166</b>	<b>165,902</b>

A green-tinted photograph of a poodle standing next to a bicycle on a sidewalk. In the background, there is a utility pole with some equipment attached to it. The text "Notes to the Cash Flow Statement" is overlaid in white.

# Notes to the Cash Flow Statement

# Notes to the Cash Flow Statement

## 38. Cash Flow Statement - Operating Activities

	2024/25	2023/24
	£'000	£'000
<b>Net Surplus / (Deficit) on the Provision of Services</b>	<b>(7,579)</b>	<b>(82,950)</b>
<b>Remove non-cash movements</b>		
Depreciation and amortisation	23,675	16,694
Impairment and downward revaluations	82,942	91,140
Increase / (decrease) in creditors	(37,428)	(25,705)
(Increase) / decrease in debtors	(23,403)	(6,706)
Increase / (decrease) in provisions	(17,855)	23,651
Movement in pension liability	(3,422)	(4,056)
Carrying amount of non-current assets and assets held for sale, sold or derecognised	3,367	4,811
Amounts relating to donated assets	(14,277)	0
Other non-cash items	(5,947)	(1,402)
<b>Sub-total</b>	<b>7,652</b>	<b>98,427</b>
<b>Adjust for items that are investing and financing activities</b>		
Proceeds from the sale of non-current assets	(3,406)	(4,218)
Grants for the financing of capital expenditure	(22,843)	(21,927)
<b>Sub-total</b>	<b>(26,249)</b>	<b>(26,145)</b>
<b>Net cash flows from revenue activities</b>	<b>(26,176)</b>	<b>(10,668)</b>

## 39. Cash Flow Statement - Investing Activities

	2024/25	2023/24
	£'000	£'000
Purchase of non-current assets	(141,202)	(151,771)
Disposal of short-term and long-term investments	0	10,000
Other (payments) / receipts for investing activities	0	0
Proceeds from the sale of non-current assets	3,406	4,218
Capital grants and contributions received	25,117	33,006
<b>Net cash flows from investing activities</b>	<b>(112,679)</b>	<b>(104,547)</b>

## 40. Cash Flow Statement - Financing Activities

	2024/25	2023/24
	£'000	£'000
Cash receipts of borrowing	188,358	113,228
Repayments of borrowing	(27,581)	(418)
Cash paid for the reduction of outstanding finance lease	(3,734)	0
Collection Fund adjustments	29,757	554
Other receipts from financing activities	346	4,710
Other payments from financing activities	(268)	(5,900)
<b>Net cash flows from financing activities</b>	<b>186,878</b>	<b>112,174</b>

# Notes to the Cash Flow Statement

## 41. Cash and cash equivalents

The Council held the following cash and cash equivalent balances at 31 March 2025.

	31 March 2025	31 March 2024
	£'000	£'000
Cash held by the Council	1,528	1,219
Bank current accounts	27,162	4,902
Short-term deposits	41,500	16,046
<b>Total cash and cash equivalents</b>	<b>70,190</b>	<b>22,167</b>



## 1. General Principles

The Statement of Accounts summarises the Council's financial transactions for the 2024/25 financial year and its position at 31 March 2025. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. Proper practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a 'going concern' basis. The Council's significant accounting policies are detailed below.

## 2. Accruals

The Council accounts for income and expenditure in the year that the effects of the transactions are experienced, not simply when the cash payments are made or received, subject to a de minimis of £10,000 for both capital and revenue, although manager's discretion may be used.

Where income or expenditure streams are stable and 12 months of receipts or charges appear in a financial year, accruals may be processed at manager's discretion.

## 3. Cash and cash equivalents

Cash is represented by cash in hand and at bank. Cash equivalents are call accounts with financial institutions repayable on notice of not more than 24 hours, having originally been invested for a period no longer than three months. Fixed deposits are not considered to be readily convertible since they are only repayable at the point of maturity and cannot be traded or redeemed without penalty.

## 4. Charges to revenue for non-current assets

Services, support services and trading accounts are charged with the following amounts to record the cost of holding property, plant, and equipment during the year:

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund balance through a Minimum Revenue Provision (MRP), by way of an adjusting transaction with the CAA in the Movement in Reserves Statement for the difference between the two.

The Council's MRP policy on GF assets is as follows:

- for capital expenditure prior to 1st April 2008, the Council adopts 'the regulatory method' (Option 1) under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. Option 1 leads to a lower level of MRP than Option 2 and avoids the Council having to make complex calculations for all its assets which it would have to do if Options 3 or 4 were adopted for supported borrowing.
- for subsequent prudential borrowing incurred post 1 April 2008, the Council adopts Option 3 under Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, 'the asset life method', and the 'annuity' approach is used for calculating repayments. This means that payments are spread over the life of the asset, with smaller payments in the initial years increasing over the life which matches more closely the value the Council gets from the asset and makes borrowing more affordable until the use of the asset is fully established, rather than a set charge over the asset life as would happen under the equal instalment method. It is also considered that this option is more cost effective as provision is not required until the year following actual capital expenditure.
- for assets acquired to rehouse families affected by the Grenfell Tower fire, a direction has been given by the Secretary of State to hold these properties within the GF, rather than the HRA. In line with the treatment of HRA assets, nil MRP will be made for those properties that are transferred to the HRA. Any properties retained within the General Fund will be subject to MRP provision up to the time of transfer to the HRA.

## 5. Community Infrastructure Levy (CIL)

The Council has elected to charge CIL on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund several infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the CIES in accordance with the accounting policy for government grants and contributions set out further in this document. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges may be used to fund revenue expenditure.

## 6. Collection Fund – council tax and business rates

The Council acts as agent in relation to the Collection Fund (Billing Authority), collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including central government for NDR) and, as principal, collecting council tax and NDR for itself. The Council is required by statute to maintain a separate Collection Fund for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, the Council, major preceptors, and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

The council tax and NDR income included in the CIES is the Council's share of accrued income for the year. However, regulations determine the amounts of council tax and NDR that must be included in the GF in year. Therefore, the difference between the accrued income included in the CIES and the amount required by regulation to be credited to the GF is taken to the Collection Fund Adjustment Account and included as a reconciling item in the MIRS. The Balance Sheet includes

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## **7. Employee benefits**

### Benefits payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements or time off in lieu, earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the MIRS so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

The Council has concluded that there is no material benefit in carrying out a full data gathering exercise annually of all actual untaken leave balances. The Council policy is to undertake a full review of the accrual every three to five years unless, in the intervening period, there is evidence of a change in circumstances which would materially affect the amount to be disclosed. The annual accrual is therefore adjusted in line with trends in FTE number of employees in the intervening years.

### Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

### Post-Employment Benefits

Employees of the Council are usually members of one of two separate pension schemes:

# Accounting Policies

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE); or
- The Local Government Pension Scheme (LGPS), which is administered by RBKC for most staff, and for a relatively small number, by the London Pension Fund Authority.

Both schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees of the Council. However, the arrangements for the Teachers' Pension Scheme mean that liabilities for these benefits cannot ordinarily be identified and specifically allocated to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's Services line in the CIES is charged with the employer's contributions payable to the Teachers' Pension Scheme for the year.

## The Local Government Pension Scheme

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

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

- Quoted securities: current bid price
- Unquoted securities: professional estimate
- Unitised securities: current bid price
- Property: market value.

The change in the net pension asset/liability is analysed into the following:

## Service cost, comprising:

- Current service cost: the increase in liabilities as a result of years of service earned by employees in the financial year, allocated in the CIES to the services for which the employees worked
- Past service cost: the increase in liabilities arising from fund performance relating to years of service earned in earlier years; debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs
- Net Interest on the net defined liability (asset): the change in the net defined benefit liability due to the passage of time, which is charged to Financing and Investment Income and Expenditure in the CIES. It is calculated by applying the same discount rate used to measure the defined benefit obligation, to the net defined benefit liability (asset), taking into account any changes due to contributions and benefit payments.

## Re-measurements, comprising:

- Return on plan assets: investment returns, excluding amounts included in net interest on the net defined benefit liability (asset); debited to the Pensions Reserve
- Actuarial gains and losses: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions; debited to the Pensions Reserve

- Contributions paid to the Kensington and Chelsea Pension Fund: cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

## Discretionary Benefits

The Council does not award discretionary post-retirement benefits upon early retirement and has not done so for many years. All such discretionary awards that were made in the past are now funded as part of the employers' contributions. When early retirements occur, an amount is paid directly to the Fund to cover the capital costs arising.

## **8. Events after the Balance Sheet date**

Events after the Balance Sheet date are those material events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified as either:

- Adjusting Events: those that provide evidence of conditions that existed at the end of the reporting period; the Statement of Accounts is adjusted to reflect such events; or
- Non-adjusting Events: those that are indicative of conditions that arose after the reporting period; the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## **9. Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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



# Accounting Policies

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

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

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

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

## 10. Financial instruments

### Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the Council's borrowings, this means that the amount on the Balance Sheet comprises the principal repayable plus accrued interest.

Financial liabilities are de-recognised when the obligation is discharged, cancelled, or expires.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CIES in the year of repurchase / settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

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

### Financial assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics.

# Accounting Policies

The financial assets which the Council holds are accounted for under the following classifications:

- Amortised cost
  - cash in hand
  - current and deposit accounts with the Council's bankers
  - loans to other local authorities and commercial banks
  - loans to other organisations
  - trade receivables
- Fair value through profit or loss (FVPL)
  - money market funds.

The Council's business model for holding most of its financial assets is to collect contractual cash flows, so they are initially measured at fair value and subsequently measured at amortised cost. The only exception is money market funds, which are measured only at fair value.

For most of the financial assets held by the Council, this means that:

- The amount included in the Balance Sheet is the outstanding principal receivable, plus accrued interest, less loss allowance; and
- Interest credited to the CIES is the amount receivable for the year according to the contract agreement.

The Council may sometimes make loans at less than market rates (soft loans), e.g. to employees, voluntary organisations, or other entities. When soft loans are made, and if material, a loss is recorded in the CIES for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing & Investment Income line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the soft loan debtor, with the difference increasing the amortised cost of the loan in the Balance Sheet.

## Expected Credit Loss (ECL) model

Loss allowances are calculated for financial assets held at amortised cost, based on the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council. The Council recognises expected credit losses on all its financial assets held at amortised cost, either on a 12-month or lifetime basis. The ECL model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council. Together with any gains and losses arising from the de-recognition of an asset, these are credited/debited to the Financing and Investment Income and Expenditure line in the CIES.

## **11. Government grants and contributions**

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

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

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that must be met by the

recipient as specified or the grant must be repaid. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant income (non-ringfenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the GF in the MIRS and is posted to the Capital Grants Unapplied Reserve. Amounts in the Capital Grants Unapplied reserve are transferred to the CAA once they have been applied to fund capital expenditure.

## 12. Heritage assets

Heritage Assets are accounted for at current cost except where it is not practical to obtain a valuation at a cost which is commensurate with the benefits to users of the financial statements. This is in line with the Code and in such cases, Heritage Assets are measured at historic cost using any method that is appropriate and relevant.

The Heritage Property Assets (the museums) are valued and accounted for in accordance with the Council's accounting policies on property i.e. fair value, determined as the amount that would be paid for the asset in its existing use ("Existing Use Value" or "EUUV"). The museums are depreciated over their expected useful lives.

The museum collections and the art in parks are reported in the Balance Sheet at insurance valuation (based on market values) and historical information from curators. These valuations are reviewed periodically as deemed appropriate for insurance purposes. The Council self-insures assets valued below £250,000 and it therefore does not have valuation certificates for all items worth less than this amount. Acquisitions are recognised at cost. The museum collections and art are deemed to have indeterminate lives and high residual value. Hence the Council does not deem it appropriate to charge depreciation for these assets.

The local regalia and the local studies and archive collection are not disclosed on the Balance Sheet because the collections are of low Balance Sheet value due to individual items either: having nil or low market value; being worth less than the Council's de minimis threshold of £10,000; or having no up-to-date valuation that is reliable.

## 13. Intangible assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held can be determined by reference to an active market. No intangible asset held by the Council meets this criterion and they are therefore carried at amortised cost.

From 1 April 2025, the Accounting Code will remove the requirement to measure Intangible Assets at fair value where there is an active market for the particular asset. The measurement basis for all Intangible Assets will be amortised historical cost, which the Council already uses.

# Accounting Policies

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the GF balance. The gains and losses are therefore reversed out of the GF balance in the MIRS and posted to the CAA and (for any sale proceeds greater than £10,000) the capital receipts reserve.

The Council does not have internally generated assets.

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of any IT system and accounted for as part of the hardware item of PPE.

## 14. Inventories

The Council holds low levels of inventory stock on the Balance Sheet and exercises discretion to account for some stocks through the CIES e.g. housing repairs material held in mobile repair vehicles. Where stocks are held on the Balance Sheet, this is on the basis of cost price. No allowance is usually made for obsolescence or slow-moving stock items. This approach does not materially affect the accounts for the year as the values held are low.

## 15. Investment properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for either the GF or HRA. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the GF. The gains and losses are therefore reversed out of the GF via the MIRS and posted to the CAA and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

## 16. Leases

### The Council as Lessee

In 2024/25, the Council adopted IFRS 16 for leases. IFRS 16 replaced IAS 17 for leases and introduces a single accounting model for lessees, removing the distinction between operating and finance leases.

# Accounting Policies

From 1 April 2024, the Council has treated all leases (including peppercorn leases) as finance leases except where:

- the lease term is 12 months or less with no purchase option, or
- the asset is of low value when new – since the standard does not define ‘low value’ this has been set in line with the Council’s capitalisation threshold of £10,000

Upon recognition, a lease liability is created, measured at the present value of remaining lease payments, discounted using the authority's incremental borrowing rate. A Right-of-Use asset equal to the lease liability is also reflected in the Balance Sheet.

Lease payments made during the year will be allocated between:

- the lease liability to reduce the balance
- the Comprehensive Income and Expenditure Statement as an interest charge which is debited to the Financing and Investment Income and Expenditure line

Right-of-Use assets are depreciated from the lease commencement date.

Interest rates are not always implicit in lease agreements. Therefore, the Council has applied its incremental borrowing rate to calculate the present value of the lease payments across all finance leases.

The accounting treatment for the exempt leases will continue as in previous years where lease payments will be charged as expenditure in the Comprehensive Income and Expenditure Statement. No lease liability and Right-of-Use asset will be created.

## The Council as Lessor

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether PPE or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. A gain, representing the Council’s net investment in the lease, is also credited to the same line in the CIES as part of the gain or loss on disposal i.e. netted off against the carrying value of the asset at the time of disposal, matched by a lease asset, a long-term debtor, in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property (the capital payment): applied to write down the lease debtor together with any premiums received; and
- finance income (the interest payment): credited to the Financing and Investment Income and Expenditure line in the CIES.

The gain credited to the CIES on disposal is not permitted by statute to increase the GF and is required to be treated as a capital receipt. Where a premium has been received, this is transferred from the GF to the Capital Receipts Reserve in the MIRS. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the GF to the Deferred Capital Receipts Reserve via the MIRS. When the future rentals are received, the element of the capital receipt relating to the disposal of the asset is used to write down the



lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the CAA from the GF via the MIRS.

## **17. Overheads and support services**

The costs of overheads and support services charged to the HRA are in accordance with the Council's arrangements for accountability and financial performance. Those which relate to GF departments are shown in the department in which the expenditure was originally incurred and adjusted through the EFA to reconcile management reporting with financial reporting of the accounts.

## **18. Property, plant, and equipment (PPE)**

PPE are tangible assets that have a physical substance and are held for operational reasons i.e. in the production or supply of goods and services or for administrative purposes.

### Recognition

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The Council has a capitalisation threshold of £10,000 and allows the capitalisation of staffing costs that are directly associated with delivering of the capital schemes.

### Measurement

Assets are initially measured at cost, comprising:

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

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case where an asset is acquired via an exchange the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the CIES unless the donation has been made conditionally. Until conditions are satisfied the gain is held in the Donated Assets Account. Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the CAA through the MIRS.

# Accounting Policies

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

- community assets and assets under construction – historical cost
- infrastructure, vehicles, plant and equipment – depreciated historical cost
- dwellings at fair value, determined using the basis of existing use value for social housing (EUV-SH)
- school buildings – current value but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- surplus assets at fair value estimated at highest and best use from a market participant's perspective
- all other assets at fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost is used as a proxy for fair value.

Prior to accounting rules that applied before 1 April 1994, the carrying value of Infrastructure assets was deemed to be the amount of the expenditure that had not been financed by the end of the 1993/94 financial year. The carrying amount only reliably includes expenditure of acquisition and enhancement incurred after this date. Local authorities are therefore unable to accurately identify the gross cost and accumulated depreciation of Infrastructure assets.

## Subsequent changes in value

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

Where decreases in value are identified, they are accounted for as follows:

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

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

Valuations of land, buildings and associated plant are carried out in accordance with the methodologies and bases for estimation set out by RICS, except for Council Dwellings, which are valued in accordance with Government Guidance Stock Valuation for Resource Accounting: Guidance for Valuers - 2016. Associated plant is held under the current cost model as a component of its parent building and therefore has no associated historic cost.

The significant assumptions applied in estimating the fair values are:

# Accounting Policies

- Except where specific information is available, assets are maintained in a reasonable condition
- No allowance has been made for any national or local tax whether existing or which may arise in the future
- In relation to Council dwellings, the valuation takes account of plant and machinery normally associated with valuation of land and buildings, including mains services, heating and permanent structures and other relevant installations.

Vehicles, furniture, and equipment that are not traded in an active market, have a short useful life, value that is not material or all three, are carried at depreciated historical cost as a proxy for fair value.

## Impairment

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

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

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

## Depreciation

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

The following useful lives and depreciation rates have been used in the calculation of depreciation, all on a straight-line basis:

- Council Dwellings – 50 to 100 years
- Other Land and Buildings – 5 to 75 years
- Vehicles – 4 to 7 years; Plant – 21 to 24 years; Equipment and Furniture – 2 to 38 years
- Infrastructure – 16 to 50 years (normally 25 years)

The residual value, useful life and depreciation method are reviewed on a regular basis. If expectations differ from previous estimates the changes will be accounted for as a change in accounting estimates.

# Accounting Policies

Depreciation is calculated on the current value of an asset. Where this valuation is above the historic cost, the difference between depreciation as calculated on current value and that calculated on historic cost is transferred each year from the Revaluation Reserve to the CAA.

## Componentisation of valuations

Where beneficial to the accuracy of the accounts the Council may opt to recognise each of the component parts of a material asset. This may be necessary to reflect the fact that some components may have an appreciably shorter useful life than the wider asset and will therefore need replacing sooner.

In principle, the policy for componentisation applies to items of PPE, however typically PPE items other than property assets are not of a nature that would require the policy to be applied. Therefore, only property assets are considered for componentisation.

The land and building elements of all properties are valued separately and treated as separate assets for accounting purposes.

In accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022, when expenditure is incurred on an Infrastructure asset being replaced, the carrying amount to be derecognised is nil since these assets are rarely replaced before the part has been fully consumed.

## Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether PPE or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the CAA.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital

investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the MIRS.

Further to an agreement with MHCLG in March 2025, the Council can retain 100% of RTB receipts from the sale of council housing stock indefinitely. The limit on how many homes the Council can purchase using Right To Buy receipts has been suspended for 2024/2025 and 2025/2026, and is subject to review for the years after 2025/26.

There is no change for Non-RTB sales where the agreement is to spend on provision of additional affordable housing or regeneration projects.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the CAA from the General Fund Balance in the MIRS.

## Assets under construction

Where works will result in an asset but the works are not completed by the end of the financial year and the asset is not yet in operational use, the cost is charged to Assets under Construction within Non-Current Assets in the Balance Sheet. Assets under Construction are carried in the Balance Sheet at accumulated historical cost during the period of construction and are exempt from depreciation. In exceptional cases, impairment losses might need to be charged during the construction period, should they arise. Once assets are ready for operational use, the assets are reclassified and valued in accordance with the basis relevant to that class of assets.

## Schools

The Code of Practice on Local Authority Accounting in the UK confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the Council.

In line with accounting standards and the Code on group accounts and consolidation, all maintained schools are considered to be entities controlled by the Council. Rather than produce group accounts, the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the Council's single entity accounts. The Council has the following types of maintained schools under its control:

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation Trust
- Foundation

Capital expenditure on community schools is added to the balances for those schools. Capital expenditure on voluntary aided, controlled and foundation schools not included on the Council's Balance Sheet is treated as "REFCUS" (Revenue Expenditure Funded from Capital under Statute) and written off each year to the CIES within Education and Children's services.

Schools' non-current assets (school buildings and playing fields) are recognised on the Council's Balance Sheet where the Council directly owns the assets, where the Council holds the balance of



control of the assets or where the school or the school governing body owns the assets or have had rights to use the assets transferred to them through licence arrangement.

When a maintained school converts to an Academy, the schools' non-current assets held on the Council's Balance Sheet are treated as a disposal. The carrying value of the asset is written off to 'Financing and Investment income' in the CIES. Any revaluation gains are accumulated for the asset in the revaluation reserve are transferred to the CAA.

The written off asset value is not charged against the GF, as the cost of non-current asset disposal resulting from schools transferring to an Academy is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the CAA from the GF balance in the MIRS.

## **19. Provisions, contingent liabilities and contingent assets**

### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate of the amount of the obligation can be made. For instance, the Council may be involved in a court case that could eventually result in settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation at the Balance Sheet date. They are measured at the best estimate of the expenditure required to settle the obligation, considering the relevant risks and uncertainties.

Estimated settlements are reviewed at the end of each financial year. The Council does not unwind any discount on provision balances. Where it becomes less than probable that a transfer of economic benefits will be required or a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party e.g. from an insurance claim, this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## Contingent Assets

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

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

## **20. Revenue expenditure funded from capital under statute (REFCUS)**

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

## **21. Revenue from service contracts**

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised generally at the point that the service is provided or is charged for. It is not considered that this would be materially different from recognising revenue from contracts with service recipients when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

## **22. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the GF Balance in the MIRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the GF Balance in the MIRS so that there is no net charge against council tax for the expenditure. Details of earmarked reserves are given in note 7.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation and retirement and employee benefits and do not represent usable resources for the Council. These are detailed in note 8.

## **23. Rounding**

It is not the Council's policy to adjust for immaterial cross-casting differences between the main statements and disclosure notes.

## **24. VAT**

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



# Supplementary Financial Statements



# Housing Revenue Account and Notes

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

<b>HRA Income &amp; Expenditure Statement</b>	<b>31 March 2025</b>	<b>31 March 2024</b>
	<b>£'000</b>	<b>£'000</b>
<b>Expenditure</b>		
Repairs and maintenance	18,130	16,406
Supervision and management	41,832	41,876
Rents, rates, taxes and other charges	471	462
Dwellings Depreciation	4,735	3,183
Depreciation of other non current assets	216	280
(Gains) / Losses as a result of revaluation or impairment	75,117	76,907
Debt Management Costs	35	52
<b>Total Expenditure</b>	<b>140,536</b>	<b>139,166</b>
<b>Income</b>		
Dwelling rents	(52,096)	(48,256)
Non-dwelling rents	(898)	(708)
Charges for services and facilities	(18,108)	(20,319)
Contributions towards expenditure	0	0
<b>Total Income</b>	<b>(71,102)</b>	<b>(69,283)</b>
<b>Net Cost of HRA Services as included in the CIES</b>	<b>69,434</b>	<b>69,883</b>
HRA service share of Corporate and Democratic Core	0	0
<b>Net (Income) / Cost for HRA Services</b>	<b>69,434</b>	<b>69,883</b>
<b>HRA share of operating income and expenditure included in the CIES</b>		
(Gain) or loss on sale of HRA non-current assets	(3,019)	(3,554)
Interest payable and similar charges	6,363	4,588
Movement in Expected Credit Loss (ECL) impairment provision	872	717
Interest and net investment income	(204)	(657)
Changes to fair value of investment properties	(575)	(381)
Income and expenditure relating to investment properties	(4,563)	(3,968)
Capital grants and contributions receivable	(12,003)	(13,244)
<b>HRA share of operating income and expenditure</b>	<b>(13,129)</b>	<b>(16,499)</b>
<b>(Surplus) or deficit for the year on HRA services</b>	<b>56,305</b>	<b>53,384</b>

# Housing Revenue Account and Notes

Movement on the HRA Statement	31 March 2025	31 March 2024
	£'000	£'000
<b>HRA balance at the end of the previous year</b>	<b>(4,999)</b>	<b>(4,999)</b>
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	56,305	53,384
<b>Adjustments between accounting basis and funding basis under statute</b>		
Reversal of gain or (loss) on sale of HRA non-current assets	3,019	3,554
Reversal of revaluation losses	(75,117)	(76,907)
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HR requirements	7,917	10,641
Transfer to / (from) Major Repairs Reserve	7,876	9,328
<b>Net (increase) or decrease before transfers to or from earmarked reserves</b>	<b>0</b>	<b>0</b>
<b>Transfers to / (from) reserves</b>		
HRA Controlled Repairs Reserve	0	0
<b>(Increase) or decrease in year on the HRA</b>	<b>0</b>	<b>0</b>
<b>HRA balance at the end of the year</b>	<b>(4,999)</b>	<b>(4,999)</b>
HRA general balance	(4,999)	(4,999)
HRA earmarked reserves	(988)	(988)
<b>Total HRA reserves at the end of the year</b>	<b>(5,987)</b>	<b>(5,987)</b>

## 1. Value of assets held on the Balance Sheet

	31 March 2025	31 March 2024
	£'000	£'000
Council dwellings	823,788	811,221
Intangible assets	562	278
Other land and buildings	20,166	13,932
Assets under construction	0	523
Investment properties	42,203	41,759
Plant, Furniture and Equipment	1,791	85
<b>Total</b>	<b>888,510</b>	<b>867,798</b>

The balance for 'Plant, Furniture and Equipment', as at 31 March 2025, includes right of use assets as required by the accounting standard IFRS 16, for Leases.



# Housing Revenue Account and Notes

## 2. Number and types of dwelling

Archetype description	1 April 2025	1 April 2024	Movement
Houses Semi Detached <1945	1	1	0
Houses Other <1945	54	54	0
Houses SD/Large Terraced 1945-1964	7	7	0
Houses 1965-1974	10	10	0
Houses >1974	65	65	0
Bungalows	11	11	0
Low-Rise Flats <1945	212	212	0
Low-Rise Flats >1945	185	187	(2)
Medium	3,581	3,589	(8)
High Rise	2,542	2,502	40
Multi-Occupancy	66	66	0
<b>Total</b>	<b>6,734</b>	<b>6,704</b>	<b>30</b>

## 3. Depreciation

HRA non-current assets are depreciated in line with the estimated useful lives disclosed in the note on accounting policies.

## 4. Vacant Possession Value and Valuation Basis

Council dwellings are valued in accordance with Government guidance: Stock Valuation for Resource Accounting: Guidance for Valuers - 2016, using the “beacon principle” to reach a valuation known as the “Existing Use Value-Social Housing” (EUV-SH).

As at 31 March 2025 the vacant possession value of dwellings within the HRA was £3,181.204 million (£3,244.880 million as at 31 March 2024). The difference of £2,357.416 million between vacant possession value and the Balance Sheet value of dwellings within the HRA shows the economic cost to Government of providing council housing at less than open market rents, net of the impairment to the value of the housing stock.

## 5. Capital Expenditure

	2024/25	2023/24
	£'000	£'000
<b>Capital expenditure</b>		
- dwellings	70,328	75,513
	<b>70,328</b>	<b>75,513</b>
<b>Funded by:</b>		
Usable capital receipts	(4,081)	(8,495)
Capital grants and contributions	(12,121)	(14,182)
Major Repairs Reserve	(7,682)	(9,389)
Borrowing	(46,444)	(43,447)
	<b>(70,328)</b>	<b>(75,513)</b>

# Housing Revenue Account and Notes

## 6. Capital Receipts in Year

The following is a summary of capital receipts from disposals within the HRA during the financial year.

	2024/25	2023/24
	£'000	£'000
Dwellings (net of sale expenses)	(2,105)	(1,861)
Other property	(1,300)	(2,355)
<b>Total</b>	<b>(3,405)</b>	<b>(4,216)</b>

## 7. Cost of Borrowing

The HRA paid interest on borrowing of £9.275 million during 2024/25 (£7.480 million in 2023/24).

## 8. Rent Arrears and Provision for Expected Credit Loss

Tenant arrears include rent, service charges, heating and hot water charges and arrears from garage and car park rentals.

Tenant Arrears	2024/25	2023/24
	£'000	£'000
<b>Gross arrears</b>	<b>7,574</b>	<b>5,755</b>
<b>Net arrears (including credit balances)</b>		
- Former tenants	1,763	1,539
- Current tenants	1,360	1,626
<b>Net arrears at 31 March</b>	<b>3,123</b>	<b>3,165</b>

Other arrears include service charges, heating and hot water charges, and major works bills payable by leaseholders and rent arrears payable by HRA commercial property tenants.

Other Arrears	2024/25	2023/24
	£'000	£'000
<b>Gross arrears</b>	<b>5,470</b>	<b>5,733</b>
<b>Net arrears (including credit balances)</b>		
- Leaseholder charges	2,322	4,522
- Commercial properties	412	543
<b>Net arrears at 31 March</b>	<b>2,734</b>	<b>5,065</b>

The total provision included in the Balance Sheet in respect of all HRA ECL, including the above debts, is £5.166 million (£2.892 million at 31 March 2024).

# Collection Fund Account and Notes

The Collection Fund reflects the Council's statutory responsibility as a billing authority to maintain a separate fund account, which shows the transactions in relation to council tax and business rates and illustrates how these have been distributed to preceptors and the General Fund.

	2024/25				2023/24			
	BRS £'000	NNDR £'000	Council Tax £'000	Total £'000	BRS £'000	NNDR £'000	Council Tax £'000	Total £'000
<b>Income</b>								
Council Tax Receivable	0	0	(152,466)	(152,466)	0	0	(141,742)	(141,742)
Business Rates Receivable	0	(250,109)	0	(250,109)	0	(218,161)	0	(218,161)
Business Rates Supplement (BRS)	(6,602)	0	0	(6,602)	(7,760)	0	0	(7,760)
Transactional Protection Payments	0	(1,012)	0	(1,012)	0	(21,194)	0	(21,194)
	<b>(6,602)</b>	<b>(251,121)</b>	<b>(152,466)</b>	<b>(410,189)</b>	<b>(7,760)</b>	<b>(239,355)</b>	<b>(141,742)</b>	<b>(388,857)</b>
<b>Expenditure</b>								
<b>Precepts, Demands and Shares</b>								
Central Government	0	81,627	0	81,627	0	80,085	0	80,085
Greater London Authority	0	91,521	46,611	138,132	0	89,792	42,429	132,221
Billing Authority	0	74,206	104,657	178,863	0	72,804	98,529	171,333
	<b>0</b>	<b>247,354</b>	<b>151,268</b>	<b>398,622</b>	<b>0</b>	<b>242,681</b>	<b>140,958</b>	<b>383,639</b>
<b>Apportionment of Prior Year Surplus / (Deficit)</b>								
Central Government	0	(14,309)	0	(14,309)	0	(3,356)	0	(3,356)
Greater London Authority	0	(16,044)	(261)	(16,305)	0	(3,762)	189	(3,573)
Billing Authority	0	(13,008)	(605)	(13,613)	0	(3,051)	285	(2,766)
	<b>0</b>	<b>(43,361)</b>	<b>(866)</b>	<b>(44,227)</b>	<b>0</b>	<b>(10,169)</b>	<b>474</b>	<b>(9,695)</b>
<b>BRS - Payment to Levying authorities</b>	<b>7,115</b>	<b>0</b>	<b>0</b>	<b>7,115</b>	<b>7,378</b>	<b>0</b>	<b>0</b>	<b>7,378</b>
<b>Charges to Collection Fund</b>								
Increase / (Decrease) in Impairment	(529)	(2,923)	853	(2,599)	366	(1,676)	839	(471)
Increase / (Decrease) in Provision for Appeals	0	(17,546)	0	(17,546)	0	(12,964)	0	(12,964)
Cost of Collection	16	552	0	568	16	567	0	583
	<b>(513)</b>	<b>(19,917)</b>	<b>853</b>	<b>(19,577)</b>	<b>382</b>	<b>(14,073)</b>	<b>839</b>	<b>(12,852)</b>
<b>(Surplus) / Deficit arising during the year</b>	<b>0</b>	<b>(67,045)</b>	<b>(1,211)</b>	<b>(68,256)</b>	<b>0</b>	<b>(20,916)</b>	<b>529</b>	<b>(20,387)</b>
<b>(Surplus) / Deficit at start of year</b>	<b>0</b>	<b>19,613</b>	<b>(144)</b>	<b>19,469</b>	<b>0</b>	<b>40,529</b>	<b>(673)</b>	<b>39,856</b>
<b>(Surplus) / Deficit at end of year</b>	<b>0</b>	<b>(47,432)</b>	<b>(1,355)</b>	<b>(48,787)</b>	<b>0</b>	<b>19,613</b>	<b>(144)</b>	<b>19,469</b>

# Collection Fund Account and Notes

## 1. Council Tax

In 2024/25, the tax base for the Council was 98,878 properties (97,732 in 2023/24) which was used to calculate the Band D council tax of £1,508.98 (£1,422.40 in 2023/24), excluding Garden Squares. This includes the GLA Band D precept of £471.40 (£434.14 in 2023/24).

The table below shows the number of properties in each band and the number of Band D equivalent properties after allowing for non-collection (the tax base).

Band	Ranges from/to		No. Of Chargeable		Band Ratio	Band D	
	£	£	2024/25	2023/24		2024/25	2023/24
A	up to	40,000	825	783	0.67	550	522
B	40,001	52,000	1,704	1,669	0.78	1,326	1,298
C	52,001	68,000	5,570	5,477	0.89	4,951	4,868
D	68,001	88,000	9,124	8,983	1.00	9,124	8,983
E	88,001	120,000	10,026	9,883	1.22	12,254	12,079
F	120,001	160,000	9,805	9,726	1.44	14,163	14,049
G	160,001	320,000	17,499	17,363	1.67	29,166	28,938
H	320,001	and above	14,809	14,621	2.00	29,619	29,243
			<b>69,362</b>	<b>68,505</b>		<b>101,153</b>	<b>99,980</b>
Collection rate after allowance for non-collection						97.75%	97.75%
<b>Council Tax base used to calculate Band D</b>						<b>98,878</b>	<b>97,732</b>

## 2. Non-Domestic Rates (NDR)

The Council collects business rates for the local authority area that are based on commercial property rateable values set by the Valuation Office Agency multiplied by rate poundage set nationally by government. The total amount collected, less reliefs and deductions, is divided between the Council (30%), the Greater London Authority (37%) and the government (33%).

Following the 2023 Revaluation, the Non-Domestic Rateable Value was £672 million at 31 March 2025 (£679 million at 31 March 2024). The standard NDR multiplier for 2024/25 was 54.6 pence (51.2 pence in 2023/24) and the Small Business Rate Relief multiplier for 2024/25 and 2023/24 was 49.9 pence.

The Government continued its Expanded Retail Discount for retail properties with the relief at 75% and the cap maintained at £0.110 million per business. Preceptors (including the Council as a billing authority) were compensated by the Government through a S31 grant for the reduction in business rates income that was given as a discount to businesses.

## 3. Business Rate Supplement (BRS)

Under the arrangements for the Business Rate Supplement, the Council collects a supplement for its area based on local rateable values in excess of £0.075 million multiplied by the designated rate poundage. The total amount, less reliefs and deductions, is paid to the Greater London Authority on whose behalf it is collected.

# Collection Fund Account and Notes

The Business Rate Supplement Rateable Value at 31 March 2025 was £521 million (£528 million at 31 March 2024). The standard BRS multiplier for 2024/25 was 2 pence, unchanged from previous years.

## 4. Apportionment of Balance Sheet items

	2024/25				2023/24			
	RBKC	GLA	Govt.	Total	RBKC	GLA	Govt.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Council Tax</u>								
Debtors	12,676	5,760	0	<b>18,436</b>	12,858	5,727	0	<b>18,585</b>
Bad debt allowance	(8,417)	(3,824)	0	<b>(12,241)</b>	(9,237)	(4,114)	0	<b>(13,351)</b>
Prepayments and overpayments	(13,344)	(6,064)	0	<b>(19,408)</b>	(13,175)	(5,868)	0	<b>(19,043)</b>
(Surplus) / Deficit at 31 March	(934)	(421)	0	<b>(1,355)</b>	(93)	(51)	0	<b>(144)</b>
<u>Business Rates</u>								
Debtors	15,057	18,571	16,563	<b>50,191</b>	15,514	19,134	17,065	<b>51,713</b>
Bad debt allowance	(10,246)	(12,637)	(11,270)	<b>(34,153)</b>	(11,294)	(13,929)	(12,423)	<b>(37,646)</b>
Prepayments and overpayments	(6,645)	(8,196)	(7,308)	<b>(22,149)</b>	(8,764)	(10,808)	(9,640)	<b>(29,212)</b>
Provision for appeals	(11,559)	(14,256)	(12,714)	<b>(38,529)</b>	(17,027)	(20,999)	(18,729)	<b>(56,755)</b>
(Surplus) / Deficit at 31 March	(14,230)	(17,550)	(15,653)	<b>(47,433)</b>	5,884	7,258	6,471	<b>19,613</b>



# Independent Auditor's Report on the Pension Fund

**Independent auditor's report to the members of the Royal Borough of Kensington and Chelsea  
on the pension fund financial statements of Kensington and Chelsea Pension Fund**

## **Opinion on financial statements**

[TO BE INSERTED AT END OF AUDIT]

# Pension Fund Account and Notes

<b>Fund Account</b>	<b>Note</b>	<b>2024/25</b>	<b>2023/24</b>
		<b>£000</b>	<b>£000</b>
<b>Dealings with members, employers and others directly involved in the fund</b>			
Contributions	7	(24,552)	(23,020)
Individual transfer in from other pension funds		(13,988)	(11,780)
		<b>(38,540)</b>	<b>(34,800)</b>
Benefits	8	46,071	40,973
Payments to and on account of leavers			
- Refunds to members leaving service		131	23
- Individual transfers out to other pension funds		9,883	11,058
- Payments in respect of tax		9	321
Other expenditure		0	0
		<b>56,094</b>	<b>52,375</b>
<b>Net (additions)/withdrawals from dealing with members</b>		<b>17,554</b>	<b>17,575</b>
Management expenses	9	7,539	6,530
<b>Net (additions) / withdrawals including fund management expenses</b>		<b>25,093</b>	<b>24,105</b>
Returns on Investments:			
Investment income	10	(17,552)	(10,675)
Other income		(591)	(403)
Profit and losses on disposal of investments and changes in market value of investments	11	(22,434)	(239,729)
Taxes on income		0	0
<b>Net return on investments</b>		<b>(40,577)</b>	<b>(250,807)</b>
<b>Net (increase) / decrease in the net assets available for benefits during the year</b>		<b>(15,484)</b>	<b>(226,702)</b>
Opening net assets of the scheme		(1,810,568)	(1,583,866)
<b>Closing net assets of the scheme</b>		<b>(1,826,052)</b>	<b>(1,810,568)</b>

<b>Net Assets Statement</b>	<b>Note</b>	<b>31 March 2025</b>	<b>31 March 2024</b>
		<b>£'000</b>	<b>£'000</b>
Investment assets	12	1,821,561	1,803,867
Current assets	21	10,055	11,106
Current liabilities	22	(5,494)	(4,335)
Long-term liabilities		(70)	(70)
		<b>1,826,052</b>	<b>1,810,568</b>

## 1. Description of the Fund

The Royal Borough of Kensington and Chelsea (RBKC) Pension Fund (“the fund”) is part of the Local Government Pension Scheme (LGPS) and is administered by RBKC. The Council is the reporting entity for this pension fund.

### (a) General

The Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by RBKC. It is a contributory defined benefits scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of the Council and the admitted and scheduled bodies in the Fund.

The Fund is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

- The LGPS Regulations 2013 (as amended)
- The LGPS (transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
- The LGPS (Management and Investment of Funds) Regulations 2016.

### (b) Membership

Membership of the LGPS is subject to auto-enrolment but remains voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Fund include:

- Scheduled bodies, these are statutorily defined bodies listed within the LGPS Regulations, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.
- Admitted bodies, these are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable, and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

The following table summarises the membership numbers of the scheme:

	2024/25	2023/24
Active members	3,981	4,080
Pensioners receiving benefits	3,941	3,717
Deferred pensioners*	5,443	5,661
<b>Total</b>	<b>13,365</b>	<b>13,458</b>

\*In 2024/25, there were an additional 641 leavers (233 in 2023/24) who had not yet decided whether to defer their pension or to obtain a refund.

### (c) Funding

The Fund is financed by employee and employer contributions and from interest and dividends on the Fund’s investments. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of

pensionable pay. Employer contributions are set based on the triennial actuarial funding valuation (see note 20) and the current contribution rates range from 7.5% to 23.9% of pensionable pay.

## (d) Benefits

These benefits include retirement pensions, early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. The benefits payable in respect of service from 1 April 2014 are based on career average revalued earnings (CARE) and the number of years of eligible service. The benefits payable in respect of service prior to 1 April 2014 are based on an employee's final pensionable pay and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index.

## (e) Governance

### Investment Committee

The Council has delegated the investment arrangements of the scheme to the Committee, which decides on the investment policy most suitable to meet the liabilities of the Fund and has ultimate responsibility for the investment policy.

The Committee is made up of six elected representatives of the Council, including two opposition party representatives, each of whom has voting rights. In addition, there are up to six co-opted members who may attend committee meetings but have no voting rights.

The Committee reports to the Full Council and has full delegated authority to make investment decisions. The Committee obtains and considers advice from the Tri-Borough Director of Treasury and Pensions, the Executive Director of Resources, and as necessary, from the Fund's appointed investment advisers, managers and actuary.

### Local Pension Board

In line with the provisions of the Public Service Pensions Act 2013, the Council has set up a Pension Board to oversee the governance arrangements of the Pension Fund. The Board meets four times a year and has its own Terms of Reference. Board members are independent of the Committee.

## (f) Investment Policy

In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the Committee approved an Investment Strategy on 1 November 2023 (available on the Council's website). The Statement shows the Council's compliance with the Myner's principles of investment management.

The Committee has delegated the management of the Fund's investments to six professional investment managers (see note 12) appointed in accordance with the regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

Northern Trust act as the Fund's global custodian. They are responsible for safe custody and settlement of all investment transactions, collection of income and the administration of corporate actions.

## 2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for 2024/25 and its position at the year-end as at 31 March 2025. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) issued by CIPFA which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts have been prepared on an accruals basis, apart from transfer values which have been accounted for on a cash basis.

The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Assets Statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Council has opted to disclose this information in a note to the accounts (note 20).

### Going Concern

The LGPS is a statutory, state backed scheme and as at March 2025 was 210% funded on a conservative basis and backed by an administering authority with tax raising powers. As such, the Pension Fund Accounts have been prepared on a going concern basis, with the assumption that the functions of the Council will continue in operational existence for the foreseeable future.

The Royal Borough of Kensington and Chelsea Pension Fund remains a statutory open scheme, with a strong covenant from the active employers and is therefore able to take a long-term outlook when considering the general investment and funding implications of external events.

## 3. Summary of significant accounting policies

### Fund Account – revenue recognition

#### (a) Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are due under the schedule of contributions set by the actuary or on receipt if earlier than the due date.

Employer's augmentation and pension strain contributions are accounted for in the period in which the liability arises. At the Investment Committee meeting held on 4 November 2024, Members decided that for the financial years 2024/25 and 2025/26, the Council will not pay additional pension strain contributions for early retirements. This is a temporary policy change and will be reviewed during the 2025 actuarial valuation of the Pension Fund. Any contributions due within the financial year but unpaid will be recorded as a current financial asset.



## (b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in and out are accounted for when received or paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase Scheme benefits are accounted for on a receipts basis.

## (c) Investment Income

Dividends from quoted securities are accounted for when the security is declared ex-dividend.

Investment income is reported gross of withholding taxes which are accrued in line with the associated investment income. Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price.

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Rental income is recognised on a straight-line basis over the term of the lease, and any lease incentives granted are also pro-rated over the lease term. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is recognised as a current financial asset.

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits and losses during the year.

## Fund Account – expense items

## (d) Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due, but unpaid, are disclosed in the net assets statement as current liabilities.

## (e) Taxation

The Fund is an exempt approved fund under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities, including investment expenses. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

## (f) Management Expenses

The Fund discloses its management expenses in line with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs (2016)*. All items of expenditure are charged to the fund on an accruals basis.

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

The cost of obtaining investment advice from the external advisor is included in oversight and governance costs.

All investment management expenses are accounted for on an accruals basis. The Investment Committee has appointed external investment managers to manage the investments of the Fund. Managers are paid a fee on the market value of the investments they manage and/or a fee based on performance.

Where an investment manager's fee note has not been received by the Balance Sheet date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the fund account.

## Net Assets statement

### (g) Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the value of the asset are recognised in the Fund account.

The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see note 16).

### (h) Foreign Currency Transactions

Where appropriate, market values, cash deposits and purchases and sales outstanding listed in overseas currencies are converted into sterling at the rates of exchange ruling at the reporting date.

### (i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and deposits with financial institutions that are repayable on demand without penalty.

### (j) Financial Liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From

this date, any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

(k) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed by the scheme actuary in accordance with the requirements of IAS26 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits in note 20.

(l) Additional Voluntary Contributions

Members of the Fund may choose to make Additional Voluntary Contributions (AVC) into a separate scheme run by Prudential Assurance to obtain additional pensions benefits. The company is responsible for providing the investors with an annual statement showing their holding and movements in the year. AVC are not included within the accounts in accordance with Regulation 4 (2)(b) of the LGPS (Management and Investment of Funds) Regulations 2016. They are disclosed in note 23.

#### 4. Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end and the amounts reported for income and expenditure during the year. Estimates and assumptions are made considering historical experience, current trends, and other relevant factors. However, the nature of estimation means that the actual results could differ from the assumptions and estimates.

##### Uncertainties in actuarial PV of promised retirement benefits

Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rates used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.

The effects on the net pension asset/liability of changes in assumptions can be measured. For instance.

- a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £17 million.
- a one-year increase in assumed life expectancy would increase the liability by approximately £39 million.
- a 0.1% increase in assumed earnings would increase the liabilities by approximately £1 million.
- a 0.1% increase in the rate of CPI would increase the pension liability by £16 million

Present Value of Promised Retirement Benefits comprise of £984 million as at 31 March 2025, (£1,124 million for 2023/24). The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

##### Pension Fund Liability

# Pension Fund Account and Notes

The Pension Fund liability is calculated triennially by the appointed actuary with annual updates in the intervening years. The methodology used in the intervening years follows generally agreed guidelines and is in accordance with IAS19. These assumptions are summarised in note 20. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations.

## Unquoted Private Equity Investments

The fair value of private equity investments are based on forward-looking estimates and judgements involving many factors. The valuations are based on the latest information received from asset managers prior to the Fund's accounting records closing for the quarter. Unquoted private equity assets are valued by the investment managers in accordance with industry standards using methods and guidance set out by the International Private Equity and Venture Capital Association (IPEV).

The value of private equity investments at the balance sheet date was £132 million (£131 million on 31 March 2024). If these assets are under or over valued by 9.0%, this would affect the overall value of the fund by £11.9 million. Further sensitivities of level 3 assets are detailed in note 16.

Management have taken the valuations of the Fund Manager (Adams Street) which has been corroborated with the Fund's custodian, Northern Trust. Assurance on valuation is placed on the Manager's Audited annual accounts as at 31 December 2024 rolled forward to 31 March 2025 with a market value adjustment.

## Property Investments

The Fund's property acquisitions are carefully selected based on location and sector, ensuring diversification and investment in high quality commercial property. Significant changes in any of the unobservable inputs would result in a significant change in the fair value measurement for the properties. The carrying value as at 31 March 2025 of the directly held property investments was £235 million. It is estimated that a change in valuation of the order of 9.56% would be likely to be considered material to the Fund's accounts.

## **5. Events after the Balance Sheet date**

No events have occurred subsequent to the balance sheet date that require adjustment to, or disclosure in, the financial statements.

## **6. Accounting Standards issued but not yet adopted**

No events have occurred subsequent to the balance sheet date that require adjustment to, or disclosure in, the financial statements.

# Pension Fund Account and Notes

## 7. Contributions receivable

By category	2024/25	2023/24
	£000	£000
<b>Employee contributions</b>	<b>(11,300)</b>	<b>(10,484)</b>
Employer contributions		
- Normal contributions	(13,027)	(11,962)
- Deficit recovery contributions		
- Augmentation contributions	(225)	(574)
<b>Total employers' contributions</b>	<b>(13,252)</b>	<b>(12,536)</b>
<b>Total</b>	<b>(24,552)</b>	<b>(23,020)</b>

By authority	2024/25	2023/24
	£000	£000
Administering authority	(20,930)	(20,016)
Scheduled bodies	(3,525)	(2,889)
Admitted bodies	(97)	(115)
<b>Total</b>	<b>(24,552)</b>	<b>(23,020)</b>

## 8. Benefits payable

By category	2024/25	2023/24
	£000	£000
Pensions	37,953	34,288
Commutation and lump sum retirement benefits	7,012	5,826
Lump sum death benefits	1,106	859
<b>Total</b>	<b>46,071</b>	<b>40,973</b>

The Fund paid benefits to members who were previously employed by the bodies set out below.

By authority	2024/25	2023/24
	£000	£000
Administering authority	41,139	36,573
Scheduled bodies	1,289	1,212
Admitted bodies	3,643	3,188
<b>Total</b>	<b>46,071</b>	<b>40,973</b>



# Pension Fund Account and Notes

## 9. Management expenses

	2024/25	2023/24
	£000	£000
Administrative costs	1,421	1,136
Investment management expenses		
- management fees	4,553	4,333
- transaction costs	704	423
- custody fees	42	39
- performance related fees	223	54
Oversight and governance costs	596	545
<b>Total</b>	<b>7,539</b>	<b>6,530</b>

All fund managers have signed up to the LGPS Scheme Advisory Board's LGPS Code of Transparency. This ensures fee transparency and consistency across the LGPS.

## 10. Investment income

	2024/25	2023/24
	£000	£000
Index Linked Gilts	(286)	(227)
Equity dividends	5	0
Pooled property investments	(670)	(710)
Private Equity	(24)	0
Interest on cash deposits	(2,604)	(1,016)
Rental income	(13,973)	(8,722)
<b>Total</b>	<b>(17,552)</b>	<b>(10,675)</b>
Taxes on income	0	0
<b>Total</b>	<b>(17,552)</b>	<b>(10,675)</b>

# Pension Fund Account and Notes

## 11. Movements in investments

Market value (MV)	1 April 2023	Purchases	Sales	Change in MV	31 March 2024	Purchases	Sales	Change in MV	31 March 2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Equities	150	0	(0)	0	150	0	(0)	0	150
Pooled investments	1,307,872	25,013	(267,950)	249,022	1,313,957	0	(1,050)	36,610	1,349,517
Pooled property investments	18,700	0	(3,246)	(676)	14,778	0	(4,933)	41	9,886
Private equity/infrastructure	124,007	14,744	(8,747)	1,067	131,071	15,842	(17,595)	2,401	131,719
Directly managed	126,180	46,744	(0)	(5,789)	167,135	72,017	(0)	(3,777)	235,375
Index-linked gilts	0	87,371	(0)	(3,881)	83,490	0	(0)	(12,820)	70,670
<b>Sub-total</b>	<b>1,576,909</b>	<b>173,872</b>	<b>(279,943)</b>	<b>239,743</b>	<b>1,710,581</b>	<b>87,859</b>	<b>(23,578)</b>	<b>22,455</b>	<b>1,797,317</b>
Investment income due	295			0	661			0	328
Amount receivable for sales of investments	0			0	0			0	0
Spot FX contracts	0			(4)	0			1	0
Cash deposits	1,304			(10)	92,625			(23)	23,916
Amounts payable for purchases of investments	0			0	0			0	0
<b>Net investment assets</b>	<b>1,578,508</b>	<b>173,872</b>	<b>(279,943)</b>	<b>239,729</b>	<b>1,803,867</b>	<b>87,859</b>	<b>(23,578)</b>	<b>22,433</b>	<b>1,821,561</b>

# Pension Fund Account and Notes

## 12. Investments by Fund Manager

Fund manager (market value)	31 March 2025		31 March 2024	
	£'000	%	£'000	%
BlackRock	963,233	52.9%	916,002	50.8%
Baillie Gifford	386,293	21.2%	397,956	22.1%
L and G Liquidity	0	0.0%	0	0.0%
Adams Street	132,544	7.3%	131,071	7.3%
Directly managed	235,375	12.9%	167,135	9.3%
KAMES	7,958	0.4%	8,398	0.5%
CBRE	1,928	0.1%	6,380	0.4%
London CIV	150	0.0%	150	0.0%
L and G Equities	0	0.0%	0	0.0%
Index Linked Gilts	70,713	3.9%	83,490	4.6%
<b>Total Fund Managers</b>	<b>1,798,194</b>		<b>1,710,582</b>	
Cash held at custody	23,368	1.3%	93,285	5.2%
<b>Total Investments</b>	<b>1,821,562</b>	<b>100%</b>	<b>1,803,867</b>	<b>100%</b>

## 13. Investments exceeding 5% of Net Assets

Fund Manager (MV)	31 March 2025		31 March 2024	
	£'000	%	£'000	%
BlackRock	963,233	53.2%	916,002	50.6%
Baillie Gifford	386,293	21.3%	397,956	22.0%
Directly managed	235,375	13.0%	167,135	9.2%
Adams Street	132,544	7.3%	131,071	7.2%
Cash held at custody	0	0.0%	93,285	5.2%
<b>Total Fund Managers</b>	<b>1,717,445</b>	<b>94.8%</b>	<b>1,705,449</b>	<b>94.2%</b>

Although several investments by Fund Manager exceed 5% of the Fund's value, all of the allocations to pooled funds are made up of underlying investments and each of these represents substantially less than 5%.

As at 31 March 2024 cash held at custody exceeded 5% of net assets and was therefore included in last year's notes but not this year's.

## 14. Investment property

	31 March 2025	31 March 2024
	£000	£000
<b>Opening balance</b>	<b>167,135</b>	<b>126,180</b>
Purchases	72,017	46,744
Net increase / (decrease) in MV	(3,777)	(5,789)
<b>Total</b>	<b>235,375</b>	<b>167,135</b>

The future minimum lease payments are as follows:

	31 March 2025	31 March 2024
	£000	£000
Within one year	12,670	10,790
Between one and five years	46,491	42,906
Later than five years	68,475	65,926
<b>Total future lease payment due under existing contracts</b>	<b>127,636</b>	<b>119,622</b>

# Pension Fund Account and Notes

## 15. Classification of Financial Instruments

Financial liabilities (creditors) at amortised cost totalled £5.494 million (£4.405 million at 31 March 2024). There were none designated as fair value through profit and loss (FVPL) as at 31 March 2025 or 31 March 2024.

The following table shows the classification of the Fund's financial assets, split between UK and overseas. All investments are quoted unless otherwise stated. The carrying value is the same as the fair value for all financial instruments held by the Fund.

<b>31 March 2025</b>	<b>FVPL</b>	<b>Amortised Cost</b>	<b>Total</b>
	£'000	£'000	£'000
Pooled funds - Investment Vehicles			
- Pooled Global Equities	1,349,517	0	<b>1,349,517</b>
- Pooled Property investment	9,886	0	<b>9,886</b>
- Pooled Private Equity (Unquoted)	131,720	0	<b>131,720</b>
<b>Sub-total</b>	<b>1,491,123</b>	<b>0</b>	<b>1,491,123</b>
UK Quoted	70,670	0	<b>70,670</b>
UK Unquoted	150	0	<b>150</b>
L and G Multi Factor	0	0	<b>0</b>
Cash with investment managers	23,916	0	<b>23,916</b>
Cash with administrating authority	0	5,087	<b>5,087</b>
Investment income due	328	0	<b>328</b>
Debtors	0	4,967	<b>4,967</b>
<b>Total financial assets</b>	<b>1,586,187</b>	<b>10,054</b>	<b>1,596,241</b>

<b>31 March 2024</b>	<b>FVPL</b>	<b>Amortised Cost</b>	<b>Total</b>
	£'000	£'000	£'000
Pooled funds - investment vehicles			
- UK pooled liquidity fund	0	0	<b>0</b>
- Pooled global equities	1,313,957	0	<b>1,313,957</b>
- Pooled property investments	14,777	0	<b>14,777</b>
- Pooled private equity funds (unquoted)	131,071	0	<b>131,071</b>
<b>Sub-total</b>	<b>1,459,805</b>	<b>0</b>	<b>1,459,805</b>
UK quoted	83,490	0	<b>83,490</b>
UK unquoted	150	0	<b>150</b>
Overseas	0	0	<b>0</b>
Cash with investment managers	92,624	0	<b>92,624</b>
Cash with administering authority	0	6,810	<b>6,810</b>
Investment income due	661	0	<b>661</b>
Debtors	0	4,297	<b>4,297</b>
<b>Total financial assets</b>	<b>1,636,730</b>	<b>11,107</b>	<b>1,647,837</b>

## 16. Valuation of Financial Instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values. The definitions of the levels are detailed below and the table showing the analysis is overleaf.

# Pension Fund Account and Notes

## Level 1 – Quoted market price

Fair values are derived from unadjusted quoted prices in active markets for identical assets and liabilities. Examples are quoted equities, quoted index linked securities and unit trusts. All level 1 investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

## Level 2 – Using observable inputs

Quoted prices are not available for financial instruments at this level. The valuation techniques used to determine fair value use inputs that are based significantly on observable market data.

The observable inputs to the Pooled Funds that are valued in this way are the evaluated price feeds, apart from property which is in-house evaluation of market data.

## Level 3 – With significant unobservable inputs

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data, for example, private equity investments.

The values of the private equity investments are based on valuations provided by the General Partners to the private equity funds. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are undertaken annually at the end of December and cash flow adjustments are used to roll forward the valuations to 31 March as appropriate. Independent property valuers, Sanderson Weatherall, undertook the annual valuation of directly held property, in accordance with the current RICS Valuation Global Standards, (the RICS Red Book) on the basis of Fair Value.

<b>31 March 2025</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	£'000	£'000	£'000	£'000
<b>Financial assets</b>				
- at fair value through profit and loss	94,914	1,359,402	131,870	<b>1,586,186</b>
<b>Total financial assets</b>	<b>94,914</b>	<b>1,359,402</b>	<b>131,870</b>	<b>1,586,186</b>
<b>Non financial assets</b>				
- at fair value through profit and loss	0	0	235,375	<b>235,375</b>
<b>Total non financial assets</b>	<b>0</b>	<b>0</b>	<b>235,375</b>	<b>235,375</b>
<b>Total assets at FV through profit and loss</b>	<b>94,914</b>	<b>1,359,402</b>	<b>367,245</b>	<b>1,821,561</b>



# Pension Fund Account and Notes

31 March 2024	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
<b>Financial assets</b>				
- at fair value through profit and loss	176,775	1,328,734	131,221	<b>1,636,730</b>
<b>Total financial assets</b>	<b>176,775</b>	<b>1,328,734</b>	<b>131,221</b>	<b>1,636,730</b>
<b>Non financial assets</b>				
- at fair value through profit and loss	0	0	167,135	<b>167,135</b>
<b>Total non financial assets</b>	<b>0</b>	<b>0</b>	<b>167,135</b>	<b>167,135</b>
<b>Total assets at FV through profit and loss</b>	<b>176,775</b>	<b>1,328,734</b>	<b>298,356</b>	<b>1,803,865</b>

The following table provides a reconciliation of movements in Level 3:

31 March 2025	Market Value	Purchases	Sales	Change in MV	Total
	£'000	£'000	£'000	£'000	£'000
London LGPS CIV	150	0	0	0	150
Private Equity	131,071	15,842	(17,595)	2,401	131,719
Directly held property	167,135	72,017	0	(3,777)	235,375
<b>Total</b>	<b>298,356</b>	<b>87,859</b>	<b>(17,595)</b>	<b>(1,376)</b>	<b>367,244</b>

31 March 2024	Market Value	Purchases	Sales	Change in MV	Total
	£'000	£'000	£'000	£'000	£'000
London LGPS CIV	150	0	0	0	150
Private Equity	124,007	14,744	(8,747)	1,067	131,071
Directly held property	126,180	46,744	0	(5,789)	167,135
<b>Total</b>	<b>250,337</b>	<b>61,488</b>	<b>(8,747)</b>	<b>(4,722)</b>	<b>298,356</b>

## Sensitivities of Level 3 Assets

If the Valuation of the underlying companies within the private equity portfolio was out by 9.0% this would alter the value of the Fund's investment assets in this class by £11.9 million.

	Valuation Range	Value 31 March 2025	Value on increase	Value on decrease
	%	£'000	£'000	£'000
Private Equity	9.0	131,720	143,575	119,865

For the private equity movement to be considered material, the valuation would have to change by 17.0%.

# Pension Fund Account and Notes

Description of	Valuation	Basis of valuation	Observable	Key sensitivities
<b>Cash and cash</b>	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
<b>Bonds</b>	Level 1	Valued using quoted average prices + inflation indices to adjust to value of principal and interest payment in line with inflation	Market value and inflation indices	Not required
<b>Pooled Global Equity Investments</b>	Level 2	The NAV for each share class is calculated based on the market value of the underlying asset	Evaluated price feeds	Not required
<b>Pooled Property Funds</b>	Level 2	The Pension Fund's Property Funds are priced on a Single Swinging Price	In house evaluation of market data	Not required
<b>Private Equity</b>	Level 3	Comparable valuation of similar companies in accordance with International Private and Venture Capital Valuation Guidelines 2012	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple Revenue multiple	Valuations could be affected by changes to expected cashflows, cost of replacing key business assets, or by any differences between the audited and unaudited accounts
<b>Directly managed property</b>	Level 3	Independent valuations conducted by external RICS valuer	Rental values, yields and vacancy rates	Valuations can be impacted by global events outside of the property area.

## 17. Nature of Risk Arising from Financial Instruments

### Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities and will be unable to pay pensions due. The Fund's liabilities are sensitive to inflation via pension and pay increases, to interest rates and to mortality rates.

The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

Responsibility for the Fund's investment strategy rests with the Committee and is reviewed on a regular basis, along with the Pension Fund Risk Register.

The Fund had achieved fully funded status by the 2016 valuation, and this has been maintained as at the 2022 valuation.

#### (a) Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

### Price Risk

Price risk arises from the potential for the value of financial instruments to fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to price risk. This arises from investments held by the fund for which the future price is uncertain. All securities represent a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Fund's investment managers aim to mitigate this price risk through diversification and the selection of securities and other financial instruments.

All assets except for cash, unquoted equities, debtors and creditors are exposed to different levels of price risk. The value of the assets exposed to price movements along with what the value would have been if prices had been higher or lower in accordance with a single spread of variance for the relevant asset class is shown below.

# Pension Fund Account and Notes

	Value	Value on increase	Value on decrease
	£'000	£'000	£'000
At 31 March 2025	1,797,167	2,026,321	1,568,013
At 31 March 2024	1,710,430	1,937,566	1,483,294

The following is a breakdown of total assets exposed to price risk as at 31 March 2025.

	Value	Volatility	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Equity	1,349,516	13.3	1,528,968	1,170,064
Private Equity	131,720	9.0	143,575	119,865
Property	245,261	10.3	270,492	220,029
Index Linked Gilts	70,670	17.9	83,286	58,055
<b>Total</b>	<b>1,797,167</b>		<b>2,026,321</b>	<b>1,568,013</b>

## Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. Fixed interest securities and cash are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Committee recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

Elements of the pooled investment vehicles (e.g. fixed interest securities and cash) are exposed to interest rate risk. The value of the assets exposed to interest rate movements along with sensitivity analysis is presented below. The table demonstrates the movement in asset value if the interest rate increased or decreased by 2%, used as a prudent value based on historical Bank of England rate movements and inflation target.

	Value	Value on increase	Value on decrease
	£'000	£'000	£'000
At 31 March 2025	94,038	95,919	92,157
At 31 March 2024	176,775	180,311	173,240

## Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than pounds sterling.

Overseas equities, overseas index linked securities, cash in foreign currencies, and some elements of the pooled investment vehicles are exposed to currency risk. The table below shows the value of these assets at the Balance Sheet date and what the value would have been in accordance with volatility advised by an external consultant.

# Pension Fund Account and Notes

	Volatility	Value	Value on increase	Value on decrease
	%	£'000	£'000	£'000
US Dollar	8.3	706,532	765,522	647,542
North America Basket	8.2	240,660	260,298	221,023
EURO	4.2	78,850	82,198	75,502
Europe ex UK Basket	4.0	64,125	66,693	61,557
Emerging Basket	5.4	51,763	54,554	48,972
Japanese Yen	9.0	50,176	54,689	45,662
Canadian Dollar	5.0	28,982	30,439	27,526
Asia Pac Basket	5.2	23,950	25,185	22,716
Swiss Franc	5.6	23,113	24,396	21,829
Australian Dollar	6.3	15,926	16,932	14,920
Swedish Krona	7.3	7,693	8,254	7,132
Danish Krone	4.2	6,533	6,810	6,256
Hong Kong Dollar	8.2	4,342	4,696	3,988
Singapore Dollar	4.5	3,164	3,308	3,020
Norwegian Krone	9.4	1,385	1,515	1,256
Israeli Shekel	10.1	1,179	1,297	1,060
New Zealand Dollar	7.5	421	452	389
<b>At 31 March 2025</b>		<b>1,308,794</b>	<b>1,407,238</b>	<b>1,210,350</b>
<b>At 31 March 2024</b>		<b>1,396,389</b>	<b>1,500,770</b>	<b>1,292,009</b>

## (b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The Fund's entire investment portfolio is essentially exposed to some form of credit risk. However, the Fund has no direct exposure because it does not own any credit assets. The selection of high-quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur.

## (c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings and the majority of its assets are liquid assets. The only assets in the Fund which cannot be liquidated within a month are the private equity assets and directly held properties.

## 18. Contractual Commitments

As at 31 December 2024, the Fund had outstanding commitments of \$91.8m / £71.1m (31 December 2023: \$80.5m / £63.3m) to a variety of Adams Street private equity funds. It is

# Pension Fund Account and Notes

anticipated that these commitments will be spread over the next ten years and will be largely offset by cash distributions from the investments made since 2007.

## 19. Funding Arrangements

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Fund can meet its liabilities to past and present contributors and to review employer contribution rates.

The last such valuation for the Fund was carried out by Hymans Robertson as at 31 March 2022, in accordance with the Funding Strategy Statement of the Fund and Regulation 62 of the Local Government Pension Scheme Regulations 2013. The results were published in the triennial valuation report which can be found on the Council's website. This valuation set the contribution rates for the period 1 April 2023 to 31 March 2026. For the purposes of these accounts, details and assumptions relate to the 2022 valuation, which has determined the contribution rates for 2024/25.

The funding policy is set out in the Funding Strategy Statement. The key elements of the funding policy are to:

- Set levels of employer contribution that will build up a Fund of assets that will be sufficient to meet all future benefit payments from the Fund, and
- Build up the required assets in such a way that employer contribution rates are kept as low and stable as possible.

During 2024/25 the common contribution rate was 15.0% of pensionable pay to be paid by each employing body participating in the Fund. In addition, each employing body must pay an individual adjustment to reflect its own circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

The actuarial valuation, done using the projected unit method, is based on financial and statistical assumptions, the main ones being:

<b>Financial assumptions</b>	<b>March 2022</b>	<b>March 2019</b>
	%	%
Consumer Price Index (CPI) increases	2.7	2.6
Salary increases	3.7	3.6
Pension increases	2.7	2.6
Discount rate	4.4	4.3

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries. Estimates for the Pension Fund are based on the full valuation of the scheme as at 31 March 2022.

Other assumptions:



# Pension Fund Account and Notes

- Commutation – An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits.
- 50/50 Scheme Allowance – It is assumed that 5% of active members will opt to pay 50% of contributions for 50% of benefits under the new scheme.
- Mortality Projection – Long term rate of improvement of 1.25% per annum.

The actuary's smoothed market value of the scheme's assets at 31 March 2022 was £1,631 million and the actuary assessed the present value of the funded obligation at £1,060 million. This indicates a net surplus of £571 million, which equates to a funding position of 154% (2019: £236m and 125%).

## 20. Actuarial Present Value of Promised Retirement Benefits

The table below shows the total net liability of the Fund as at 31 March 2025. The figures have been prepared by the Fund's actuary, only for the purposes of providing the information required by IAS 26 (Accounting and Reporting by Retirement Benefit Plans). They are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

In calculating the below net liability, the actuary adopted methods and assumptions that are consistent with IAS 19. In conducting the 2022 actuarial valuation referred to in note 19, the Actuary has taken into account the investment policy when determining the assumptions to be used.

	31 March 2025	31 March 2024
	£'m	£'m
Present value of promised retirement benefits	(984)	(1,124)
Fair value of scheme assets (bid value)	1,822	1,804
<b>Net liability</b>	<b>838</b>	<b>680</b>

### Financial assumptions

The financial assumptions applied by the actuary are set out below:

Financial assumptions	31 March 2025	31 March 2024
	%	%
Consumer Price Index (CPI) increases	2.75	2.75
Salary increases	3.75	3.75
Pension increases	3.75	3.75
Discount rate	5.80	4.85

### Demographic Assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2023 model, with a 15% weighting of 2023 (and 2022) data, a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a. for both males and females. Based on these assumptions, the average future life expectancies at age 65 for the Employer are summarised below:

# Pension Fund Account and Notes

Life expectancy from age 65 years	31 March 2025	31 March 2024
	Years	Years
Retiring today		
- Males	21.9	21.9
- Females	24.5	24.5
Retiring in 20 years		
- Males	21.9	22.8
- Females	25.7	25.7

Other assumptions:

- Members will exchange half of their commutable pension for cash at retirement
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age
- 5% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

## 21. Current Assets

	31 March 2025	31 March 2024
	£'000	£'000
Debtors		
- Contributions due - employers	210	1,485
- Contributions due - employees	94	821
- Sundry debtors	4,663	1,912
- Prepayments	0	79
<b>Sub-total</b>	<b>4,967</b>	<b>4,297</b>
Cash balances	5,087	6,809
<b>Total</b>	<b>10,054</b>	<b>11,106</b>

Analysis of debtors	31 March 2025	31 March 2024
	£000	£000
RBKC	351	1,650
Other entities and individuals	4,616	2,647
<b>Total</b>	<b>4,967</b>	<b>4,297</b>

## 22. Current Liabilities

	31 March 2025	31 March 2024
	£'000	£'000
Creditors		
- Sundry creditors	(4,745)	(4,284)
- Benefits payable	(749)	(51)
<b>Total</b>	<b>(5,494)</b>	<b>(4,335)</b>

# Pension Fund Account and Notes

Analysis of creditors	31 March 2025	31 March 2024
	£'000	£'000
Central government bodies	(679)	(542)
RBKC	(4,048)	(3,043)
Other entities and individuals	(767)	(750)
<b>Total</b>	<b>(5,494)</b>	<b>(4,335)</b>

## 23. Additional Voluntary Contributions (AVC)

The Council has arranged for current members to make additional payments through its payroll into a variety of funds operated by Prudential Assurance according to individuals' preferences. These funds are invested in equities, bonds, property and cash. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, as amended, do not permit AVC to be paid into the Fund, so they are not included in these accounts.

During 2024/25 AVCs of £0.614 million were paid to the provider, Prudential, (£0.410 million in 2023/24). The market value of these funds at 31 March 2025 was £4.468 million (£4.296 million at 31 March 2024).

## 24. Related Party Transactions

The Fund is administered by RBKC who also provide the pension administration services. The Council also has a shared service arrangement with Westminster City Council for oversight and governance services. Costs incurred and reimbursed for RBKC Council and Westminster City Council totalled £1.420 million and £0.105 million respectively in the financial year 2024/25 (£1.130 million and £0.104 million respectively in 2023/24).

In year, and in total, the Council contributed £9.345 million to the Fund compared to £8.623 million in 2023/24. As at 31 March 2025 the Council owed the Pension Fund £0.351 million (£1.650 million at 31 March 2024).

The key management personnel of the Fund are the Members of the Committee, the Executive Director of Resources and the Tri-Borough Director of Pensions and Treasury. During the year, £0.041 million (£0.046 million in 2023/24) was payable to key management personnel in respect of short-term benefits. Total remuneration payable to key management personnel from the Pension Fund is set out below):

	31 March 2025	31 March 2024
	£'000	£'000
Short term benefits	41	46
Post employment benefits	(13)	9
<b>Total</b>	<b>28</b>	<b>55</b>

## 25. Agency Services

The Fund pays discretionary awards to the former employees of the Council. The amounts are not included within the Fund Account as they are not expenses or income related to the Pension Fund

but are provided as a service and fully reclaimed from the Council. During 2024/25, the Fund paid the gross sum of £0.233 million (£0.228 million in 2023/24) on behalf of RBKC.

## **26. External Audit Costs**

The proposed external audit fee payable to the Fund's external auditors, Grant Thornton UK LLP, is 101,962 for 2024/25.

## **27. Contingent liabilities**

The Pension Fund had no contingent liabilities for 2024/25.

## 1. Executive Summary

### 1.1. Scope of responsibility

This Annual Governance Statement explains how the Council has complied with the CIPFA / SOLACE Delivering Good Governance in Local Government Framework (2016) which requires local authorities to put in place proper governance arrangements. It also meets the requirements of Regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of the statement of internal control. In May 2025, CIPFA published an Addendum to the Framework, which is due to come into effect for the 2025/26 Annual Governance Statement. Key elements of the Addendum have been incorporated into the preparation of the statement for 2024/25.

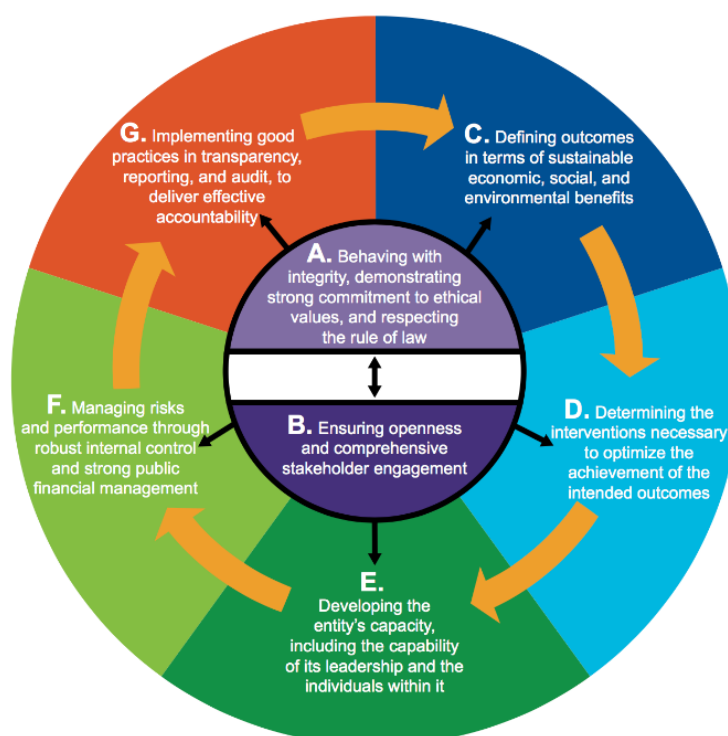
This Statement provides a review of the effectiveness of the Council's governance arrangements for 2024/25.

The Council's Audit and Transparency Committee reviews governance arrangements, risk registers through regular reports.

The Council is responsible for ensuring that:

- its business is conducted in accordance with the law and proper standards
- public money is safeguarded, properly accounted for and used economically, efficiently and effectively
- it maintains a sound system of governance, which includes its system of internal controls and arrangements for the management of risk.

The Council is committed to improving governance on a continuing basis through a process of evaluation and review and delivering the seven principles of good governance as identified in Delivering Good Governance in Local Government Framework 2016. These principles are:



## 1.2. Overall opinion on level of assurance

The Grenfell Inquiry report published on 4 September 2024 contains findings relevant to assurance and governance. The Council has carefully considered these findings and published a detailed report on the implications of the report in September 2024. The Council's formal response to the Inquiry was agreed in November 2024 and sets out 45 commitments.

The Council receives a substantial amount of assurance from the work that is undertaken by its Internal Audit team and external auditors, Grant Thornton UK LLP. In terms of the finance, HR and payroll managed service provided by Hampshire County Council, the partnership receives independent assurance over the controls in place which is provided by Hampshire's external auditor. No issues were identified in respect of testing undertaken during the 2024/25 audit. The Council is also overseen by regulators and inspectors including the Social Housing Regulator, the Building Safety regulator, the Care Quality Commission and Ofsted.

The Grenfell tragedy has led the Council to review its strategic focus, leadership and ways of working and it continues to strive to embed the learning from the tragedy in its work and organisational culture. The 45 commitments the Council made in response to the findings of the Grenfell Tower Inquiry have added further structure and focus to this work. These are regularly monitored by a dedicated group of officers, the Executive Management Team, the Leadership Team and the Overview and Scrutiny Committee.

Following the Grenfell tragedy the Council reviewed governance arrangements. In 2018/19 the Council commissioned the Centre for Governance & Scrutiny to undertake an independent review of its governance arrangements. This led to a series of changes and initiatives including a full Borough and Area Governance Review, the establishment of Listening Forums, a refreshed Citizens' Panel, the adoption of the 12 principles of good governance and a 'Charter for Public Participation' (both now part of the Council Constitution) and a thorough overhaul of the Council's scrutiny arrangements. In its commitments following the Grenfell Inquiry Phase 2 report, the Council undertook a further review to ensure that previous actions had been embedded and committed to a thorough review of the Charter for Public Participation, which has commenced in 2025.

The Council's participation in the LGA Peer Review highlighted recommendations which were included in our Equality, Diversity and Inclusion strategy for 2021-2023. This included consulting with staff and our communities to develop a new Equality Strategy – our Fairer Action Plan. Following extensive consultation and taking account of the Council's commitments in response to the Grenfell Inquiry Phase 2 report, the Leadership Team (April 2025) approved 'A Fairer Kensington and Chelsea: An Action Plan to tackle inequality, celebrate diversity and promote inclusion 2025-2029.

One of the key assurance statements the Council receives is the annual report and the opinion of the Head of Internal Audit. The opinion of the Head of Internal Audit in respect of audit work completed in 2024/25 was that the Council's internal control systems in the areas audited were adequate, with 85% of the audits undertaken receiving a positive assurance opinion (86% in 2023/24). The annual report on internal audit and control for 2024/25 will be presented to the Audit and Transparency Committee on 21 July 2025 when it will be published on the Council's website.



The Chief Financial Officer (CFO) has been involved in reviewing the Corporate Governance arrangements of the Council and the preparation of this Statement. They are satisfied with the arrangements in place for managing finances and manager compliance with the Financial Procedure Rules and Code of Procurement. The CFO considers the arrangements are working effectively and that all matters of significance have been identified and included within this statement.

The Council has implemented a range of actions to strengthen governance, scrutiny and oversight arrangements. Under the leadership of the Chief Executive, the Council has put in place appropriate strategies and plans, including the Council Plan, which set a clear vision, direction and approach for how the Council plans to meet the needs of its residents. The Council Plan for the period 2023 to 2027 was published in March 2023, with regular reporting on delivery of the plan and broader performance presented to the Councils Executive Management Team, Leadership Team and Overview and Scrutiny Committee and published on the website. The existing Council Plan Action Plan came to an end in March 2025 and a refreshed Council Plan Action Plan was agreed by the Leadership Team in April 2025. This sets out a more focused set up priorities for delivery over the next two years (2025-27) and distinguishes these more clearly from business-as-usual activity.

The Council made further commitments (November 2024) in respect of governance in its response to the Grenfell Inquiry Phase 2 report. The Council's Medium Term Financial Strategy for 2024/25 to 2027/28 was presented in July 2024 and is updated annually. This together with the details of the review set out in this statement demonstrate that the Council has appropriate arrangements in place, in accordance with the governance framework. Progress continues to be made on the significant issue identified in the previous year as set out in section 4.1 below. As a result, a satisfactory level of assurance has been achieved following the conclusion of the Review.

## **2. Identification of key governance arrangements**

### **2.1. Governance arrangements**

The governance framework enables the Council to monitor the achievement of its strategic objectives. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable but not absolute assurance of effectiveness. The system includes processes to identify:

- the risks to the achievement of the Council's aims and objectives
- the likelihood of the risks crystallising
- how to manage the risks appropriately, given the agreed objectives.

A key focus of the Council's governance processes and structures is attainment of sustainable economic, societal, and environmental outcomes. The Council has a duty to improve outcomes for communities and citizens and make the most of opportunities that add value locally. In a rapidly changing world, we need to think about what the main threats and opportunities to citizens' outcomes are, what impact they will have and the role the Council can play i.e. helping communities develop resilience to social and economic changes. Our experiences from Grenfell have heightened our commitment to this, particularly in areas such as health and safety and resident involvement. This requires us to look both inward (to ensure we have effective governance and controls) but also more importantly outward at risk (e.g. to the risk to citizens, to protect

# Annual Governance Statement

citizens and build resilience). One of the commitments we made in response to the Grenfell Inquiry Phase 2 reports was to introduce Safety Impact Assessments which are now completed for all key decisions taken by the Council, encompassing all aspects of resident safety. The assessment is published alongside the decision report.

An independent review of the shared functions and services with Westminster City Council concluded that there were numerous benefits to the shared arrangements. The shared service agreements are reviewed periodically.

Governance arrangements for the Hampshire Partnership are subject to a partnership agreement which sets out how partners will proportionately share costs, benefits and liabilities of the joint services. In February 2023, the Leadership Team agreed a business case for a replacement Enterprise Resource Management system and agreed that the Council would leave the Hampshire Partnership once the new system was implemented. This took place in April 2025, when the new Finance, HR and Payroll solution was implemented and in-house teams to provide transactional and support services previously provided by Hampshire had been established.

A Capital Programme project and programme management office (PMO) was established in Summer 2023, which set out the strategic framework that underpins the capital programme, and the operational governance that informs the decision-making process and ensures best practice. The approval process clearly sets out delegated limits and requirements for executive and key decision reports, and the capital handbook provides clear guidance for officers on options appraisal requirements for capital investment decisions. Effectiveness is monitored through the Capital Programme Board and the Capital Programme performance is reported to Leadership Team quarterly as part of the financial performance report.

In December 2024, the Committee considered a report setting out proposals to undertake a Review of Effectiveness of the Committee, taking into account the CIPFA Toolkit for Effective Audit Committees and the CIPFA Skills and Knowledge Framework for Audit Committee members. Overall, the Committee's assessment was that it scored favourably against each of the areas in the Toolkit, and the Committee had a number of areas of strength, both in terms of the Toolkit and the Skills and Knowledge Framework. Nine actions to further enhance the Committee's effectiveness were reported to the Committee in June 2025 and the Committee will be tracking each of the actions agreed to completion.

The Council's Local Code of Corporate Governance is incorporated into the Council's Constitution and is available on its website at: Part 8 Section 1 Code of Corporate Governance.

The Annual Governance Statement is based on more detailed reports presented to the Audit and Transparency Committee throughout 2024/25, copies of which can be found on the Council's website at [Council Committees > Audit and Transparency Committee \(rbkc.gov.uk\)](https://www.rbkc.gov.uk/council-committees-audit-and-transparency-committee).

The CIPFA Financial Management (FM) Code sets out the standards of financial management for local authorities. It is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The CIPFA FM Code Compliance Statement was presented to Audit and Transparency Committee in December 2024. This was the fourth review undertaken to ascertain the Council's level of compliance since the introduction of The Code in October 2019 as the first professional code for general financial management in local authorities. The Code sets out the principles by which local authorities should be guided in managing their finances and the specific standards that they should, as a minimum, seek to

achieve. [The 2023/24 Compliance Statement](#), which was reported to the Audit and Transparency Committee in December 2024, also contained an update on progress against those actions identified as part of the 2022/23 review that was reported to the Committee in November 2023.

The review of 2023/24 demonstrated that the Council was fully compliant with the code. It also provided assurance that good financial management and financial sustainability are embedded within the Council's overall governance arrangements. Of the seventeen standards set out in The Code, all were demonstrated to have been fully achieved in 2023/24.

Good work is taking place overall, however there are some areas where further work may provide opportunities to enhance good practice still further. These are also set out in the 2023/24 Compliance Statement. There is an ongoing focus on embedding this work in order to improve corporate and cross-departmental processes.

### **3. Evaluation of the effectiveness of governance**

#### **3.1. Outline of assurance process**

To monitor the effectiveness of the Council's key corporate governance systems, a review is undertaken each year of the governance framework, the sources of assurance from this review are shown in Annex 2.

#### **3.2. Assessment of effectiveness of governance arrangements**

The governance framework described in section 2 has been in place throughout 2024/25 and maintained up to the date of the approval of the Statement of Accounts. Key governance boards and processes which were in place during 2024/25 is set out in Annex 1.

In line with the CIPFA Addendum which comes into effect from next year, officers undertook a self-assessment of the effectiveness of the Council's governance arrangements against the 7 Principles and 41 supporting core arrangements statements set out in the Good Governance Framework. The self-assessment did not identify any areas of concerns, although some actions to further improve the arrangements were identified and are being progressed, a number of which are aligned with the Council's Commitments in response to the Grenfell Inquiry Phase 2 report.

#### **3.3. Securing Value for Money (VFM) in use of resources**

The Council has in place various arrangements for securing Value for Money (VFM) from its use of resources and these are subject to external audit review annually.

Grant Thornton consider VFM in their annual report which covers arrangements for financial sustainability, governance and economy, efficiency and effectiveness in the Council's use of resources. The 2023/24 review is now complete, and the recommendations and management responses were presented to the Audit and Transparency Committee in December 2024.

The Council uses an outcomes-based approach to align budget commitments more closely to corporate priorities, and this is reflected in the Medium-Term Financial Strategy. Achieving value for money is an integral part of this strategy – looking at small scale efficiencies in services through to transforming and re-designing services to achieve the same or improved outcomes for less.

Officers use benchmarking data to facilitate discussions around balancing the books whilst still retaining outcomes.

The Council has put in place robust arrangements to ensure that risks and uncertainties are given due consideration in short and medium-term financial planning and the impact is effectively modelled. The Council's understanding of the key drivers for income and expenditure relating to core services and ability to understand the impact of decisions taken is strong. The Council remains responsive to emerging circumstances, whilst keeping sight of longer-term strategic goals and transformation which underpin future investment decisions from use of reserves.

A key part of providing VFM is ensuring appropriate governance procedures under collaborative arrangements and demonstrating transparent, consistent ways of working. The Council has reflected this approach in its continued response to supporting refugees from Afghanistan and Ukraine by working collaboratively with other London boroughs and wider stakeholders, openly sharing information, and adopting best practice in respect of monitoring and reporting on risks and response.

The Council continues to work to change its organisational culture by embedding the principles of good governance as recommended by the Centre for Governance and Scrutiny. The Council Plan's central commitment to learn the lessons from Grenfell and to become the best Council by delivering safer, fairer and greener services further drives this broader culture change across the Council. The Council has also committed to making further specific changes to improve our organisational culture and strengthen our connection to communities in response to the findings of the Grenfell Tower Inquiry. This includes commissioning an external review of culture and establishing an Independent Advisory Panel made up of bereaved, survivors and residents.

### **3.4. Identification of significant governance issues**

A prime purpose of the governance framework is to ensure that any significant risks which do arise are highlighted so that appropriate mitigating action can be taken. Key risks identified in 2024/25 are set out below together with the Council's response:

#### Grenfell

The Council's initial five-year Grenfell Recovery Strategy (April 2019 to March 2024) was due to come to an end in April. We worked with teams across the Council and partners to bring most elements of the programme to an end in 2024/25, with some specific projects continuing beyond the end of this financial year. The final report on the delivery, reach and impact of the programme will be published in Autumn 2025.

This year, the Council has launched a new four-year programme of direct support for bereaved, survivors and the immediate community. This formed part of the Restorative Justice programme (2024-2028) which was negotiated as part of the settling of the majority of the civil claims that were filed by the bereaved, survivors and local residents against the Council and a number of other organisations. In total approximately £50 million has been pledged to the Restorative Justice programme by the defendants, of which the Council has contributed £12m.

The new programme includes a dedicated service for bereaved and survivors, a programme of support for the immediate community living within a 500m radius of the Tower, and education and

training support for both cohorts. The programme was designed with bereaved, survivors and residents through a consultation in multiple phases between Autumn 2023 and Spring 2024. This was scrutinised by an External Scrutiny Team, a consortium of two organisations appointed by the claimants' legal representatives to ensure the approach to the consultation was fair and inclusive.

More broadly, the Council has made a commitment to become the best Council in light of Grenfell. The Council is committed to working with the local community as equal partners to address this and build a long-term fitting legacy from the tragedy here at the Council. The Council's response to the specific findings of the Grenfell Tower Inquiry sets out 45 specific commitments to address the failings identified by the Phase 2 report. Progress against these commitments is being reported regularly to elected members.

Alongside this, the Council will continue to support the work of the criminal investigation into the tragedy led by the Metropolitan police, adhering to the commitments set out in the Charter for Families Bereaved through Public Tragedy.

## Oracle Implementation

The April 2025, the Council implemented the Oracle solution for finance and human resources, along with establishing in house teams to support the operation, maintenance and technical support for the solution. This has replaced the SAP system hosted by Hampshire County Council, who also provided transactional and technical support through their Integrated Business Solution. The project was undertaken by a dedicated team with support from external advisors and following good governance processes.

### **3.5. Strategic risks**

The risks that could impact on the sustainability and delivery of the Council's statutory and non-statutory services and operations are of strategic significance. At the time of preparing the Annual Governance Statement, the latest iteration of the [Council's Strategic Risk Register](#) was presented to the Audit and Transparency Committee in December 2024 (the next report is taking place on [23 June 2025](#)), setting out the current risks and planned mitigations agreed by the Executive Management Team.

Since the Grenfell fire, the Council has been reflecting on its organisational culture and governance to ensure it is fit for new purposes and outward facing and is addressed in 3.4. The risk strategy and strategic risk register, presented regularly to Audit and Transparency Committee, are key elements of the Council's decision-making approach and culture.

### **3.6. Councillor conduct**

During period covered by this Statement, the Monitoring Officer received nine complaints alleging a breach of the Councillor Code of Conduct. Seven complaints made by staff were investigated by an external investigator appointed by the Monitoring Officer. Two resident complaints were also investigated on behalf of the Monitoring Officer. All complaints related to the same Councillor. The investigating officers concluded that the complaints did involve breaches of the Councillor Code of Conduct for all complaints with the exception of one staff complaint, and the complaints were therefore reported to and heard by the Audit and Transparency Committee. The hearings were in public, and the Committee's decisions are on the Council's website. The Audit and



Transparency Committee found the councillor, the subject of the complaints, to have been in breach of the Code and imposed sanctions. The Councillor was censured at full Council.

In addition, the Monitoring Officer received a few complaints from Councillors and Residents on other matters, and these were either not pursued, were resolved informally, or remain under consideration.

## 4. Accountability and action plans

### 4.1. Update on significant issues addressed in 2023/24 AGS

Grenfell was a key risk that was identified in last year's AGS and is discussed in 3.4 above.

### 4.2. Action plan to address significant governance issues

The Council Plan and Medium-Term Financial Strategy will ensure that the Council's objectives and delivery of services are affordable and achievable within current and future budgets. Together these documents describe what the Council will focus on and how our activity will be resourced.

As set out elsewhere in the report, a number of plans have been approved and are being implemented, including:

- A new four-year programme of direct support for bereaved, survivors and the immediate community, which formed part of the Restorative Justice programme (2024-2028) agreed through the global settlement of civil claims
- Implementing the Council's Commitments in response to the Grenfell Inquiry Phase 2 report
- Reviewing the Charter for Public Participation to evolve resident involvement in decision making
- A Fairer Kensington and Chelsea: An Action Plan to tackle inequality, celebrate diversity and promote inclusion
- Undertaking a corporate assessment through a Local Government Association Peer Review

## 5. Conclusion

The Council is satisfied that appropriate governance arrangements have been maintained in 2024/25. It recognises however that these arrangements are designed only to manage risk down to a reasonable level and cannot provide absolute assurance that the Council will successfully deliver all of its policies, aims and objectives. We remain committed to maintaining and where possible improving these arrangements, by:

- Addressing issues identified by Internal Audit
- Addressing issues identified by External Review – including external inspections and the findings of the Grenfell Tower Inquiry Phase 2 Report, along with the Council's commitments and the steps being taken by Government to address the Inquiry's recommendations
- Focusing on key risks and areas for improvement
- Continuing regular, open and transparent engagement with local people

Maxine Holdsworth  
Chief Executive  
30 June 2025

Cllr Elizabeth Campbell  
Leader  
30 June 2025



# Annual Governance Statement

## Annex 1 – Governance arrangements – roles and responsibilities

Board/group/	Roles and responsibilities
Audit and Transparency Committee	Receives reports on key issues and areas requiring improvement, holds Directors and officers to account for systems, services and risks they manage, seeks assurance over implementation of risk and counter fraud policies and approves the annual accounts.
Lead Members (Leadership Team)	The Leadership Team is responsible for most of the major service, financial and policy decisions, and undertake those Council functions not reserved to Full Council or delegated to Committees or officers. The Leadership Team takes key decisions (individually or collectively) and upholds Codes of Corporate Governance following the receipt of professional officer, including financial and legal advice, as set out in the Constitution. Lead Members provide political leadership and work with Chief Officers to develop and set policy.
Overview and Scrutiny Committee and four Select Committees	<p>The Overview and Scrutiny Committee (OSC) leads on the preparation of the annual scrutiny work programme and the co-ordination of work. OSC reports annually to full Council and ensures statutory responsibilities are addressed either by OSC itself, or the relevant Select Committee. OSC and the four select committees hold the Leadership Team to account for decisions through pre-decision scrutiny and contribute to policy development and review.</p> <p>Scrutiny also has an important role in amplifying the voice and concerns of residents. The Annual Scrutiny Work Programme is developed using core corporate council documents, including the Council Plan and Strategic Risk register, and takes into account suggestions from councillors, officers and residents. Scrutiny councillors carry out their work in a number of different ways including scrutinising reports at committee meetings, setting up time limited working groups and holding evidence sessions and resident conferences.</p>
Ethics Panel	Advises the Council on best practice and provides advice on complaints where Members are alleged to have breached the Code of Conduct.
Executive Directors	Complete annual assurance statements detailing their confidence in arrangements for managing their recognised core risk areas, which have been subject to independent review. This reflects the Directors' responsibilities, including the management of strategic and operational risk, the effectiveness of controls, financial management, service delivery and continuity, information governance and compliance with other legislation relevant to their areas.
Executive Management Team	Executive and Strategic Directors providing assurance to the Chief Executive on operational and strategic matters for their areas of responsibility.
Monitoring Officer	Maintains the register of councillors' interests, deals with complaints where councillors are alleged to have breached the Councillor Code of Conduct and has a statutory duty to report breaches of the Council's legal obligations and findings of maladministration by the Local Government and Social Care Ombudsman to the Council.

# Annual Governance Statement

Board/group/	Roles and responsibilities
Chief Financial Officer (CFO)	Delivers and oversees financial management arrangements, complies with requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government and is a member of the Council's Executive Management Team.
Information Governance	<p>Information Security and Governance is the overall process of analysing, evaluating, assessing and mitigating the impact of risks to the Council's information and information systems.</p> <p>Information risk is managed by assigning roles and responsibilities and co-ordinating the implementation of mitigating controls and security based on information policies and all supporting documentation. Together these measures form the Information Security and Governance lifecycle and apply across the Council and in its dealings with all partners and third parties. The Executive Director of Resources has overall responsibility for ensuring that information risks are assessed and mitigated to an acceptable level.</p> <p>The Executive Director for Environment and Neighbourhoods fulfils the role of Senior Information Risk Owner and chairs the Information Assurance Board which provides oversight for the Council's information governance policy and strategy. The Council also has a Data Protection Officer.</p> <p>All Directors hold responsibility for their own area and designated Caldicott Guardians are responsible for ensuring that health and social care information is managed appropriately, and that the Council's annual Information Governance Toolkit submission meets the required levels of compliance.</p>
Internal Audit	The Internal Audit Strategy and Charter are approved by the Audit and Transparency Committee who also consider the Internal Audit Plan. Internal Audit's work is governed by the Global Internal Audit Standards. Regular reports are provided to the Audit and Transparency Committee on work completed by Internal Audit, along with an Annual Report and Opinion covering the Council's governance, risk and control arrangements.
Anti-Fraud work	<p>The Audit and Transparency Committee review the Anti-Fraud Strategy (in line with the national Fighting Fraud and Corruption Locally strategy) and associated policies (including Fraud Response Plan, Anti-Bribery and Corruption Policy, Whistleblowing Policy and Anti-Money Laundering Policy).</p> <p>The Corporate Anti-Fraud Service leads on the implementation of the strategy and policies and the delivery of the Annual Anti-Fraud Plan, which is reported to the Audit and Transparency Committee.</p>
Risk management	The Executive Management Team applies a strategic approach to Risk Management. The Strategic Risk Register is reported to the Audit and Transparency Committee, who select specific risks for further deep dive reports from responsible directors. Executive Directors are responsible for maintaining risk registers for their area and to escalate risks as appropriate to the Strategic Risk Register. The Risk Strategy for 2025-2028 was presented to the Audit and Transparency Committee in March 2025 and approved.

# Annual Governance Statement

Board/group/function	Roles and responsibilities
Partnerships	<p>The Council has a number of partnerships in place which are supported through their own governance and decision making, including:</p> <ul style="list-style-type: none"> <li>• Bi-Borough and Tri-Borough, through arrangement under Section 113 of the Local Government Act 1972</li> <li>• Health Partnerships, through Section 75 Agreement</li> <li>• Hampshire County Council, a partnership agreement for the provision of a managed HR, Payroll and Finance services, with the service and system operational since in December 2018. Following the Decision by Leadership Team in February 2023 to implement a new ERP system, the Council served notice to leave the IBC contract in February 2023 and left the partnership in April 2025.</li> </ul>
Performance management	<p>Performance management has a large scope. Existing business planning processes ensure consistency across the Council – from the Council Plan through to individual priorities. This is supported by a new appraisal process that has been in place from April 2021.</p> <p>The revised Council Plan was published in March 2023 and an action plan for delivery has been developed. The Council Plan Action Plan is updated quarterly, co-ordinated by the corporate strategy team. Progress is reported to the Executive Management Team and the Joint Leadership Team through a mix of full updates and highlight reports on priorities. This provides regular reporting and escalation opportunity. Public transparent reporting is also provided to the Overview and Scrutiny Committee and via the Council’s website. The Council has also strengthened its approach to performance management and has developed a comprehensive performance management framework which includes corporate business planning and regular management of our progress against key indicators and measures.</p> <p>The Council has a Corporate Performance dashboard which is updated and reviewed quarterly. Directorates and teams also monitor performance measures through dashboards and review meetings.</p>
Complaint investigations	<p>The Council has a two-stage complaints process. Quarterly reporting is presented to Directorate Management Teams and the Executive Management Team.</p>
The Charter for Public Participation	<p>The Council’s ‘Charter for Public Participation’ sets out how local people can get involved in Council meetings and gives a commitment to involving service users and local people in the development of policies, plans and services that affect them.</p>
Citizen’s Panel	<p>The Citizen’s Panel comprises a maximum of 2000 residents, broadly representing the Borough’s diverse population. During 2023/24, the Panel took part in three surveys and one large face to face event expressing their views to enable the Council to get a better insight into what residents want.</p>
Risk and Control Board	<p>The Chief Executive chairs a bi-monthly Risk and Control Board to oversee and develop the Council’s risk strategy and strategic risk register. Membership comprises Executive Management Team members along with the Director of Audit Fraud, Risk and Insurance. The Risk and Control Board sets the standards and ensures the Council has the right policies, practices</p>

# Annual Governance Statement

Board/group/	Roles and responsibilities
	<p>and behaviours in place for effective assurance and risk management. The Board is also responsible for ensuring that new and emerging risks are identified, captured and appropriate mitigations are put in place. It sets the standards and ensures the Council has the right policies, practices and behaviours in place for effective assurance and risk management.</p> <p>Risk and Control Board also receives and scrutinises minutes and matters for escalation from Corporate Safety Board, which is the main health and safety committee for the Council, discussing strategic and operational safety issues, monitoring and examining safety performance indicators such as incident data and trends, and authorising and ratifying Corporate-level safety policies.</p>
External Audit	The Council's external auditor, Grant Thornton, provides assurance on the accuracy of the annual Statement of Accounts and the overall adequacy of arrangements for securing and improving value for money.

# Annual Governance Statement

## Annex 2 – Sources of Assurance

Corporate Governance	Management Team	Services are delivered economically, efficiently & effectively
<ul style="list-style-type: none"> <li>•Constitution (incl. statutory officers, scheme of delegation, financial procedure, management and procurement rules)</li> <li>•Statutory Officers Group</li> <li>•Audit and Transparency Committee</li> <li>•Internal Audit Strategy and Charter</li> <li>•External audit (including the Audit Plan)</li> <li>•Independent external assurance sources (including inspections)</li> <li>•Overview and Scrutiny function and Select Committees</li> <li>•Council, Leadership Team and Panels</li> <li>•Shareholder Committee</li> <li>•Council Plan and People Strategy</li> <li>•Charter for Public Participation</li> <li>•Medium Term Financial Strategy, including Capital Strategy and Treasury and Investment Strategy</li> <li>•Complaints system</li> <li>•HR policies and procedures</li> <li>•Whistleblowing and other counter fraud arrangements</li> <li>•Risk Management Strategy</li> <li>•Performance management system</li> <li>•Codes of conduct</li> </ul>	<ul style="list-style-type: none"> <li>•The role of Chief Officers</li> <li>•Delivery of Council's aims and objectives</li> <li>•Corporate Planning</li> <li>•Business, Financial and Commissioning Plans</li> <li>•Officer codes of conduct</li> <li>•Performance appraisal</li> <li>•The role of the Chief Financial Officer</li> <li>•The role of the Head of Internal Audit</li> <li>•Roles and responsibilities of Members and Officers</li> <li>•Timely production of a Statement of accounts</li> <li>•External and Internal audit reports recommendations</li> <li>•Review of Corporate Governance</li> <li>•Risk and Control Board</li> <li>•Annual completion of Directors Assurance Statements</li> <li>•Strategic Risk Register</li> </ul>	<ul style="list-style-type: none"> <li>•Recording, reporting and management of risk</li> <li>•Effectiveness of internal controls</li> <li>•Implementation of internal and external audit recommendations</li> <li>•Democratic engagement and public accountability</li> <li>•Budget and financial management arrangements</li> <li>•Standards of conduct and behaviour</li> <li>•Compliance with laws and regulations, internal policies and procedures</li> <li>•Action plans dealing with significant issues are approved, actioned and reported on</li> <li>•Local Government Ombudsman reports</li> <li>•Electoral Commission report</li> <li>•Overview and Scrutiny reviews</li> <li>•Effectiveness reviews of Audit and Transparency Committee and Internal Audit</li> <li>•Performance management framework</li> <li>•Compliance with the Procurement Code</li> <li>•Stakeholder engagement</li> <li>•Evaluation of benefits gained from investments and projects</li> </ul>

# Glossary of Terms and Abbreviations

**ACCOUNTING POLICIES** are the specific principles, rules and procedures implemented by the Council to prepare its financial statements.

**ACCRUALS** are amounts included in the accounts for income or expenditure in relation to the financial year but not received or paid at year end.

**AMORTISATION** is the practice of reducing the value of certain types of assets to reflect their reduced worth over time.

**ASSET CEILING** is the limit on the amount of any net pensions asset that will be recoverable in the form of reductions in future contributions to the pension fund.

**CAPITAL EXPENDITURE** is spending on the acquisition or enhancement of non-current assets or advances and loans to other individuals or organisations.

**CAPITAL RECEIPTS** represent income received from the sale of fixed assets or the repayment of capital advances, subject to the Council's de minimis of £10,000, which may only be used to repay loan debt or to finance new capital expenditure. Certain flexibilities may be available in the Receipts, but this would only be through a Secretary of State Direction.

**CIPFA (CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY)** is the professional institute for accountants working in the public sector.

**COMMUNITY ASSETS** are a class of fixed assets that are expected to be held by the Council in perpetuity to deliver services (e.g. parks).

**COUNCIL TAX** is the local property tax on domestic dwellings within the borough.

**COUNCIL TAX BASE** converts the domestic properties in the Council's area by council tax band into an equivalent number of band D dwellings for the purpose of setting the council tax.

**CREDITORS** are owed money by the Council for goods and services it has received but not yet paid for at the end of the financial year.

**DEBTORS** owe money to the Council for goods and services they have received but not yet paid the Council for at the end of the financial year.

**DEFINED BENEFIT SCHEME** A pension scheme where the future benefits receivable by pensioners are guaranteed and sufficient contributions have to be paid into the fund to ensure that payments will be affordable.

**DEFINED CONTRIBUTION SCHEME** A pension scheme where the contributions payable into the fund are fixed and the benefits receivable by pensioners will depend on the assets that the fund has accumulated to pay them.

**MINISTRY OF HOUSING, COMMUNITIES AND LOCAL GOVERNMENT (MHCLG)** is the UK Government department for housing, communities, local government in England and the levelling up policy.

**DEPRECIATION** is a measure of the consumption of a fixed asset over its useful economic life, sometimes referred to as 'wear and tear'.



# Glossary of Terms and Abbreviations

**EXPECTED CREDIT LOSS (ECL)** is the credit loss that is estimated will arise from the amounts owed to the Council. The impact of current and future economic conditions are taken into account when estimating the loss.

**FINANCE LEASE** is a lease that transfers substantially all the risks and rewards incidental to ownership of the property, plant, or equipment to the lessee.

**HERITAGE ASSETS** have historical, artistic, scientific, technological, geophysical, or environmental qualities and are held and maintained principally for their contribution to knowledge and culture.

**IMPAIRMENT** represents a reduction in the value of a fixed asset due to obsolescence, damage, or an adverse change in the statutory environment.

**INFRASTRUCTURE ASSETS** are fundamental facilities and technical structures, such as highways and footpaths.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)** are a set of accounting standards developed by an independent, not-for-profit organisation called the International Accounting Standards Board (IASB).

**INVESTMENT PROPERTIES** are properties that are used solely to earn rental income and/or for capital appreciation. This definition does not apply if the property is used for the delivery of services or the production of goods.

**NON-DOMESTIC RATES (NDR)** is a levy on businesses, based on a national rate in the pound set by the Government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Council on behalf of itself, the Greater London Authority (GLA) and Central Government

**NON-CURRENT ASSETS** are assets that provide benefit to the Council and its services for a period of more than one year.

**OPERATING LEASE** is a lease that does not transfer substantially all the risks and rewards incidental to ownership of the leased asset.

**PROPERTY PLANT AND EQUIPMENT (PPE)** are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and are expected to be used during more than one year.

**RELATED PARTIES** are those bodies or individuals that have, through transacting with, performing services for or in any other way, the potential to control or influence the Council or be controlled or influenced by the Council.

**REVENUE EXPENDITURE** represents the Council's day-to-day spending on the provision of services including salaries, goods, and services.

**REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)** is a type of expenditure which statutory law requires to be classified as capital for funding purposes, when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. Examples include works on property owned by other parties, renovation grants and capital grants to other organisations.

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