Statement of Accounts

2023/24

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THE ROYAL BOROUGH OF
KENSINGTON
AND CHELSEA

Contents

Narrative Report

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 extremely challenging with rising and now falling inflation, the ongoing cost of living crisis 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 2024/25 to 2027/28 approved by Full Council in July 2023 sets out our approach for doing this while also providing support to our residents (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 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. The £8 million identified originally to provide support with the Covid-19 recovery was repurposed and continues to be used to support residents and businesses through the cost of living crisis. Funding is being used to provide an evolving level of support based on changing needs and almost £6 million has been committed to projects that focus on encouraging people back to the borough's high streets, business support, youth employment, and increasing physical activity. This also includes £1.700 million that has gone back into the pockets of residents by way of a £100 rebate in 2023/24 for council tax payers in bands A-D who are not in receipt of local council tax support. In 2024/25 this support will continue for eligible low income households who will receive an additional payment of £100.

The cost of living crisis also brings with it additional cost pressures for the Council and 2023/24 was the first year in many that we reported an overspend. However, we managed to contain this position at a manageable level by utilising the Budget Stabilisation Reserve. This highlights the importance of maintaining reserves at a prudent level in order to provide a buffer against both unquantifiable events and known risks. Growth pressures for demand-led services across Housing and Children's and Adult Social Care continue to increase as our most vulnerable residents come to require additional support to manage during this now seemingly normal economic climate. Higher rates of inflation also increase staffing costs and contract prices for the Council significantly and our reliance on locally generated income grows. Higher inflation has also brought with it higher interest rates that have thus far stayed in place and the Council has an ambitious capital programme, financed partly by additional borrowing. These higher rates continue to increase the revenue costs of delivering the capital programme, which risks further increasing the forecast budget gap going forward.

Since last Autumn, the Council has been working on balancing the budget for 2024/25 and beyond with options for savings proposals in future years currently being modelled. The Council is committed to challenging itself to be more cost effective by working smarter, more efficiently, and being ambitious and innovative whilst maintaining or improving outcomes for our residents, staff and businesses. Corporate Strategy will take the lead in delivering the Savings and Transformation agenda with support from Human Resources and Organisational Development (HR&OD) and Finance. In the longer term not everything may be affordable and there will need to be strategic decisions to determine how the Council spends its limited resources to have the greatest impact, in line with the priorities in the Council Plan 2023 to

2027 (available on the Council's website). This may mean spending more in some areas of priority, but this will be coupled with reductions in other areas.

The 2023/24 Local Government Finance Settlement included an inflationary increase and additional funding for social care, but with very little certainty about future provision the risk of a reduction is still very real and so the Council continues to take a prudent approach by assuming that additional one-off government funding will not continue when setting it's budgets over the medium-term. Looking further forward, the combination of a new Fair Funding Formula and a declining population is likely to mean a reduction in funding for Kensington and Chelsea, however, changes to the funding formula for Local Government continue to be delayed and any financial implications are now not expected until 2026/27 at the earliest.

The Housing Revenue Account (HRA) continues to face significant financial challenges, arising from the intensive investment needs of the housing stock, and from a range of factors in the economic operating environment including higher inflation, borrowing costs, the cost of materials, and 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 impact of the ongoing war in Ukraine, and the consequent high energy and food prices and continuing rise in homelessness. 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 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.

The Council's initial five-year Grenfell Recovery Strategy (April 2019 to March 2024) was due to come to an end in April. The programme of support has been extended as necessary to ensure services continue to run through until September 2024. Beyond this, the Council recognised publicly that support for the bereaved, survivors and immediate community will need to continue well into the future. Many of the major milestones which will facilitate recovery and justice for the community are still ahead of us. This includes: the publication of the Grenfell Tower Public Inquiry's final report and the implementation of recommendations; a decision being taken, and implemented, on the future of Grenfell Tower; memorialisation of the site; and the outcome of the criminal investigation. The Council is 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 has 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.

In January 2023 the Council applied for a capitalisation direction of up to £75 million towards meeting compensation claims and legal costs relating to the Grenfell tragedy. Its purpose is to enable the Council to pay its share of the compensation due to the bereaved, survivors and first responders of the Grenfell Tower tragedy and associated legal costs. The Secretary of State for the Department of Levelling Up, Housing & Communities (DLUHC) has now approved a capitalisation direction for the full £75 million; £51.772 million was agreed for 2023/24 and £23.228 million for 2022/23. These payments will be funded by external borrowing at a premium rate and the revenue implications associated with this borrowing will be funded initially from the Civil Claims Settlement Reserve.

In October 2019 the Council declared a climate emergency and adopted two ambitious carbon neutral targets. The first for the Council to be a net zero carbon organisation by 2030, and the second for the borough to be carbon neutral by 2040. These targets will require significant capital investment and the Council's financial position is challenging even before taking them into account. The general fund capital programme has a gap of at least £30 million when comparing what is already in the programme with current assumptions for what will be required to meet the 2030 target. The HRA financial plans do take into account its share of investment required, but the subsequent interest charges arising from external borrowing are likely be unaffordable for its revenue budgets going forward. The Council will therefore aim to maximise all possible external funding opportunities in order to minimise required borrowing and subsequent interest costs.

In March 2023, the Council launched its new Council Plan. The plan was formed through extensive conversations and consultation with residents, businesses, staff groups, and community groups across the borough. It contains an ambitious set of priorities and commitments for us to make the borough Greener, Safer and Fairer across the coming years, and the Medium Term Financial Strategy 2024/25 to 2027/28 will ensure that the financial resources are available for the delivery of these priorities.

During 2023/24, we spent £188 million on delivering services including Grenfell Recovery (but excluding Treasury interest, one-off corporate items, taxation, and non-specific grants). Families continue to receive priority support and the additional funding made available to schools enabled us to provide free school meals to children in our primary schools. The Household Support Fund continues to be used to provide financial support to children and families and those in the borough who need it most, both directly and through our voluntary and community sector partners. Funding of £2.360 million was distributed in 2023/24 and £1.180 million has now been agreed for the first half of 2024/25, however the ongoing nature of this funding stream continues to be uncertain, putting the provision of future support at risk.

The Council's financial performance against the 2023/24 budget is set out in this Statement of Accounts and in 2023/24 Final Outturn Revenue and Capital Monitoring Report. Service budgets have overspent by £1.425 million primarily due to temporary accommodation pressures in Housing, emerging costs associated with the operating the new sovereign Digital Data and Technology (DD&T) service and smaller departmental pressures elsewhere. A favourable position across commercial income streams in Environment and Neighbourhoods is helping to mitigate overall Council pressures, along with smaller underspends across Grenfell Corporate and the Chief Executive's budgets. The Council's overall revenue position is an overspend of £4.036 million after adjusting for Treasury interest, the impact of one-off corporate items, taxation and non-specific grants - this will be funded from reserves.

The overall position on the Housing Revenue Account (HRA) is a transfer of £5.865 million to the capital programme against a net budget of £3.037 million. This is a favourable position of £2.828 million when compared to the budget, driven by a combination of savings arising largely from the £1.500 million short-term reduction to the employer pension contribution, lower than budgeted expenditure across interest payable budgets and a favourable position against the original assumptions made at budget setting in relation to percentage losses from voids.

The overall position on the General Fund Capital Programme was an underspend of £10.041 million against a revised budget of £92.506 million. The HRA Capital Programme overspent by £1.458 million against a revised budget of £74.055 million.

The outturn position is tabled and detailed in full in the Financial Performance section of this report.

The identification and delivery of savings in 2024/25 and beyond remains challenging. The 2024/25 budget (report entitled ‘2024/25 Revenue Budget, Capital Programme and Council Tax’) was approved by Full Council in February 2024 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 £642 million the Council will spend on the day to day running of core services in 2024/25 includes £113.900 million on Housing Benefit, which the Council administers on behalf of Government, and the £79.400 million Dedicated Schools Grant (DSG), which is passported in large part to the borough’s maintained schools. Over the period 2023/24 to 2026/27, the Council will invest general fund capital expenditure of £225.700 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, £387.849 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 2024/25 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. Both reports were approved by Full Council in February 2024 and are available on the Council’s website.

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 31st March 2024 was: 35 Conservative councillors making up a majority, 9 Labour councillors making up the principal opposition group, 2 Liberal Democrat councillors, 2 The Independent Group councillors and 2 independent (no party group) councillors.

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 2023 were:

- Adult Social Care and Public Health
- Communities
- Community Safety, Culture and Leisure
- Economy, Employment and Innovation
- Family and Children's Services
- Finance and Customer Delivery
- Grenfell, Housing and Social Investment
- Planning, Place and Environment

In 13 September 2023 there was a minor change in the portfolios to become:

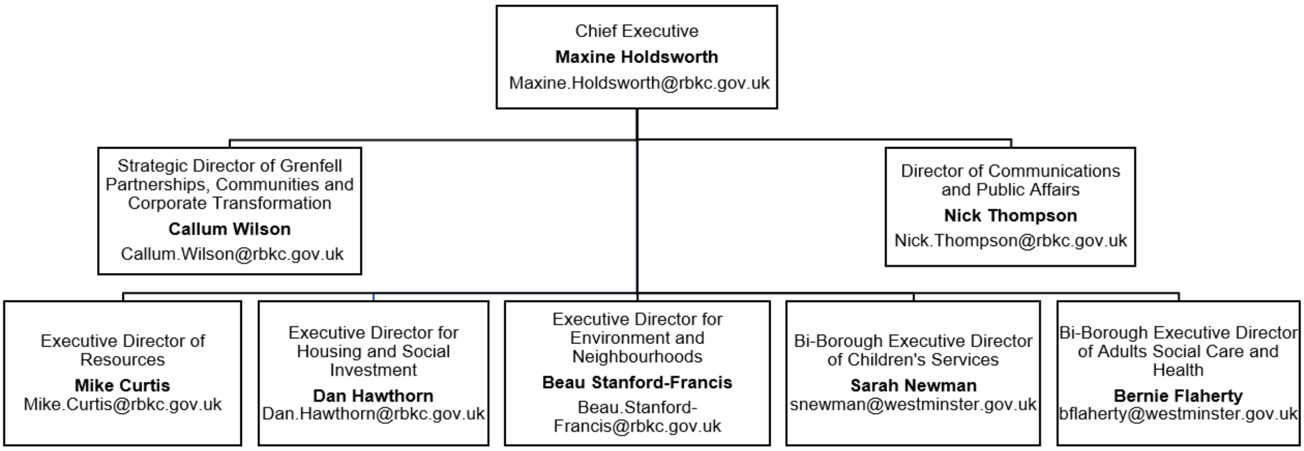
- Adult Social Care and Public Health
- Communities and Community Safety
- Employment, Culture & Economy
- Family and Children's Services
- Finance, Customer Services & Net Zero Council
- Housing Management, Housing Safety & Building New Homes
- Planning & Public Realm
- Property, Parks & Leisure

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:



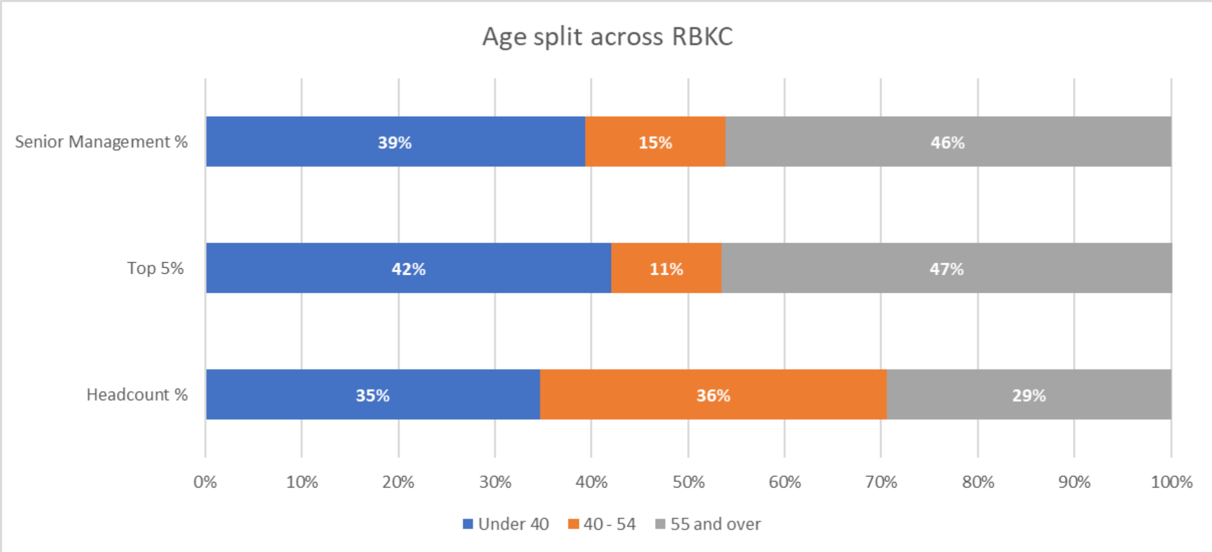
Across these five Directorates, the Council employs 2,670 staff (2549 FTE), figures that include shared services.

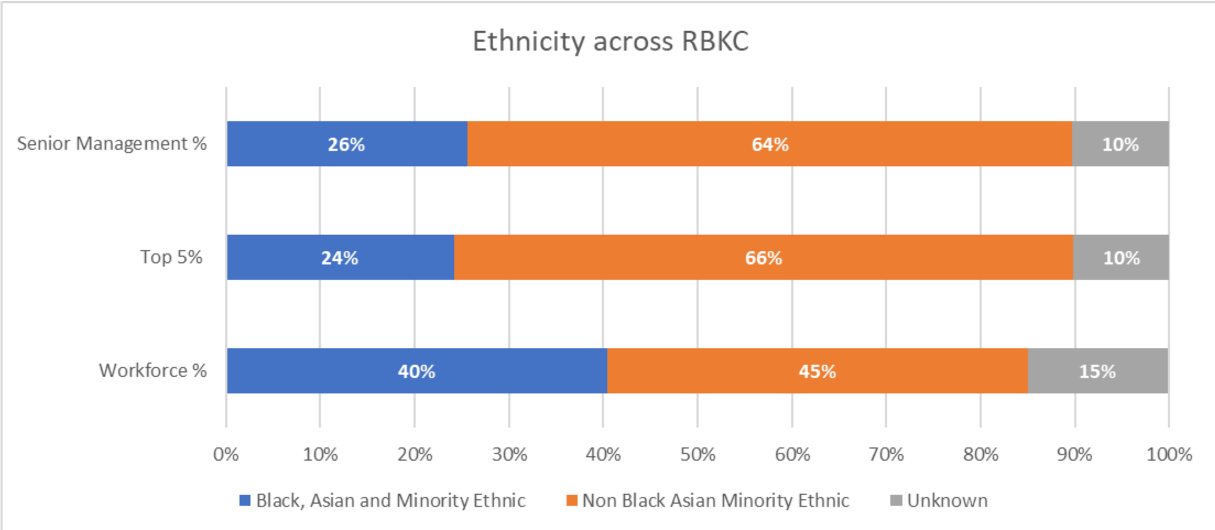
The Council operates shared services with Westminster City Council for Adult Social Care, Public Health and Children's Services. Tri-Borough arrangements for Audit, Risk, Fraud and Insurance; Fostering and Adoption; and Treasury and Pensions are also in place with Westminster City Council, and LB Hammersmith and Fulham. This is an agreement covered under Section 113 of the Local Authority Act 1972. S113 agreements make provisions for sharing resources between local authorities without the need for TUPE. Officers of each local authority are made available for the purpose of performing functions as officers for the other local authorities who are party to the respective S113 agreement. Staff are shared across directorates as per the terms of that agreement and their direct employment costs – e.g. salary, pensions and NI, are incurred at source by the employing local authority. All costs are monitored periodically, apportioned accordingly between parties, and invoices are then raised as required.

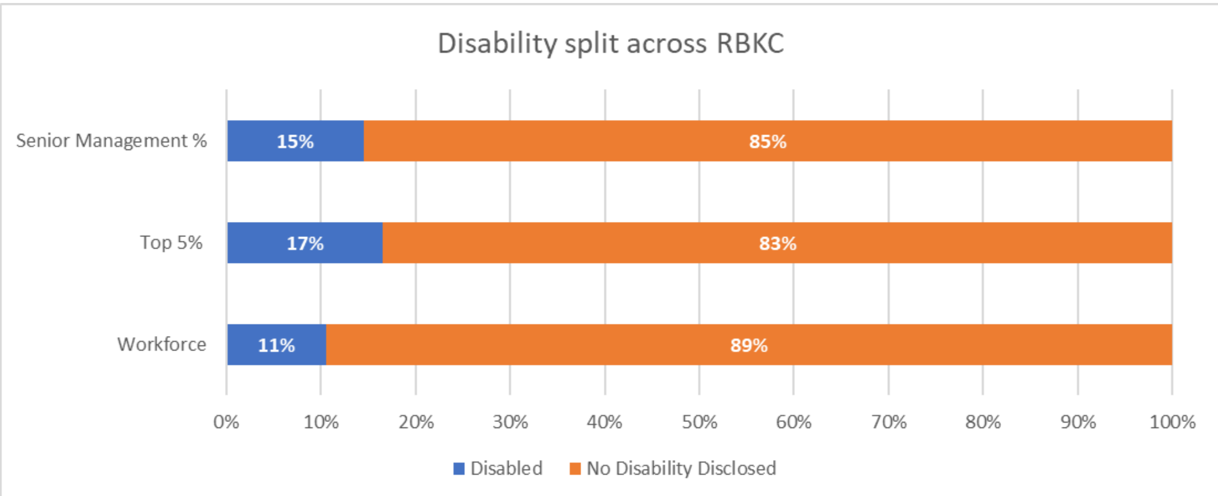
Who works for the Council?

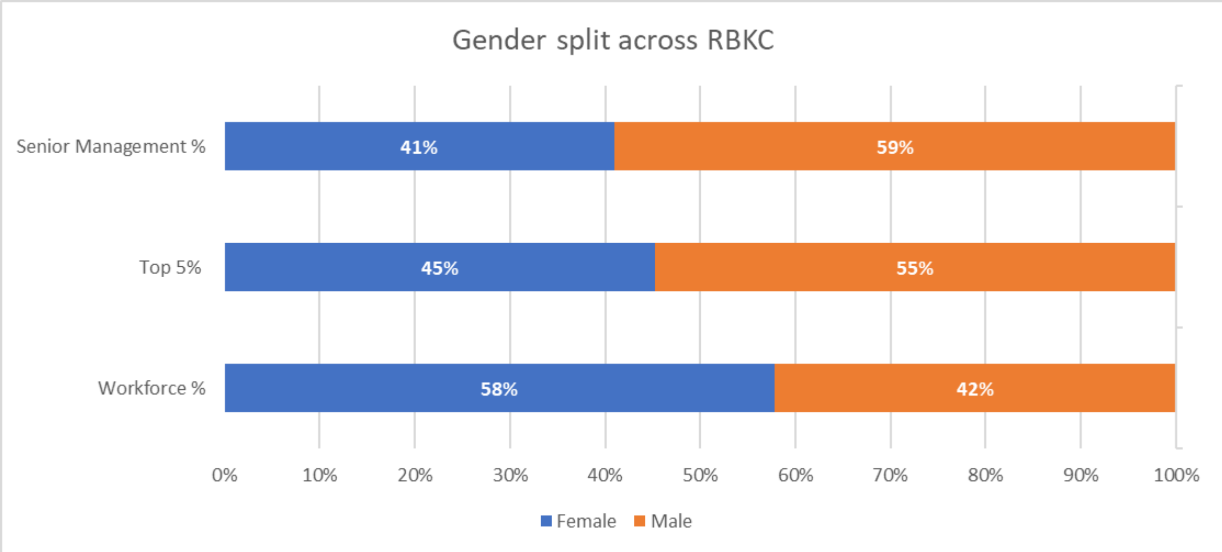
The Council's policies ensure promotion of equality and respect for diversity, both through service delivery and as an employer. Our workforce reflects the diversity of the borough. The following charts show this broken down by ethnicity, age and disability.

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.


Age split across RBKC
Senior Management %
Top 5%
Headcount %
39%
15%
46%
42%
11%
47%
35%
36%
29%
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
Under 40
40 - 54
55 and over


Ethnicity across RBKC
Senior Management %
Top 5%
Workforce %
26%
64%
10%
24%
66%
10%
40%
45%
15%
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
Black, Asian and Minority Ethnic
Non Black Asian Minority Ethnic
Unknown


Disability split across RBKC
Senior Management %
Top 5%
Workforce
15%
85%
17%
83%
11%
89%
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
Disabled
No Disability Disclosed



Council Plan 2023 to 2027

<u>Becoming the best council for a borough that is Greener, Safer, Fairer</u>

The Council Plan sets the priorities for the Council and 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.

<u>Becoming the Best Council</u>

Kensington and Chelsea will always be inextricably linked with the Grenfell tragedy, which has forever marked the borough, our communities, and the Council. Our commitment is to ensure it is never forgotten and to play our part in ensuring nothing like it happens again. We will continue to work with our partners to provide dedicated support to bereaved and survivors and those most affected in the local community, mindful of the important milestones to come, including the conclusion of the Grenfell Tower Inquiry, decisions about the site, the memorial and the ongoing fight for justice.

Bereaved families, survivors, and residents have challenged the Council to use the learning from the tragedy to change for the better, becoming the best council for all our residents, whether they were directly affected by Grenfell or not. In accepting this challenge, the Council is clear that there is a long way to go, and we will work with our communities to define what this means and check on our progress.

<u>A Greener Kensington and Chelsea</u>

We want to deliver greener neighbourhoods, cleaner air, and healthier lives for everyone who lives here. Parks and open spaces and well-maintained streets are valued by our residents and are important to everyone's quality of life. That means preserving and enhancing the borough's neighbourhoods, green spaces, and exceptionally clean streets.

Air pollution in Kensington and Chelsea has reduced by half over the last 15 years. Reducing emissions from vehicles and buildings is an important part of achieving better air quality. The

Council has supported more electric vehicle chargers than almost anywhere else in the country. Making our own buildings greener and supporting others to do so is at the forefront of our approach. We have invested £8 million into our schools and council homes to make them more energy efficient and greener. Work is underway on the Lancaster West Estate to make it carbon neutral by 2030.

We are committed to helping our community become more environmentally conscious and supporting the borough to reach the national net zero targets. To do this, we will promote and encourage environmentally friendly practices and work with local businesses and residents to support them to make sustainable decisions. By helping others take this action, we can help Kensington and Chelsea become a greener borough for everyone.

A Safer Kensington and Chelsea

For many residents, tackling crime and antisocial behaviour is important for a safer Kensington and Chelsea. While primary responsibility for crime lies with the Police, the Council works with them and partners to address and prevent crime and disorder in the borough. We are also a responder alongside other emergency services when there are emergencies in the borough that require support and care for the local and wider community.

The Council has a broader role in promoting safety and protecting people. Our Children's Services continue to be judged as outstanding by Ofsted and we work hard to ensure we offer excellent support to the borough's young people so that they have the best possible start in life and are protected from harm. We have invested more in youth services than almost anywhere in London to support that journey.

Our adult social care services provide residents with access to the right support at the right time to enable them to have lives that are as safe, fulfilling, healthy and as independent as possible. Most of our care providers are rated 'good' or 'outstanding' and we continue to work closely with our providers of care to help our older and vulnerable residents to be independent. The pandemic and the rising cost of living crisis have highlighted existing and new health and social inequalities in the borough. We will increase investment in prevention and early intervention to promote health and wellbeing in priority areas and communities.

Residents want the Council to prioritise safety and focus on keeping people safe in their homes, on their streets and in their neighbourhoods. The Grenfell tragedy shows the importance of health and safety in managing and maintaining council housing, ensuring that work is carried out to a high standard and properly checked. We are investing over £400 million in our council homes to ensure they are safe, warm and modern, but we know that people will only feel safe if they trust those who are there to keep them safe. This means that we will listen, investigate, work with other agencies and act when residents flag concerns and risks that might affect their safety and wellbeing.

A Fairer Kensington and Chelsea

The borough is home to people from a range of backgrounds and communities. It has some of the richest areas in the country and some of the poorest. We want to do what we can to make life fairer for people who face the greatest disadvantages and challenges, so that everyone, regardless of who they are or where they live, has opportunity and can make the most of what the borough has to offer. To do this, we will build on our close ties with businesses and partners and target our services to those who most need them and do more to connect people across the borough, building on the skills, expertise, and passion of our residents.

Becoming fairer as an organisation means listening to our residents and acting with care. We will continue to improve how we communicate with residents, ensuring that when people tell us something isn't working, we listen and learn. It also means making sure equality, diversity and inclusion are at the heart of what we do, so that services are designed to meet the specific needs of residents and can be accessed in different ways. We know that giving children the best start in life, from pregnancy to age five, increases their ability to fulfil their potential and ambitions and that helping people who need support early, at any stage of life, makes a difference. We will make it easier to access advice and support in the community, acknowledging the work of the voluntary and community sector and committed residents who volunteer.

To become the best council also means creating the conditions for the borough to be a thriving place where all residents can enjoy beautiful and welcoming spaces and live well. People live in and visit the borough because of our heritage, world famous places and shops and restaurants. We want to invest in our borough and its destinations, including through our own capital programme, to ensure visitors keep coming to spend time and money here. This work ranges from promoting and supporting al fresco dining to working with landowners to create new and exciting places that add to and capture the essence of Kensington and Chelsea. Investment and visitors create employment and opportunities for our residents. As a critical part of central London, we must do all we can to provide more housing, particularly for the elderly, disadvantaged and those with complex needs alongside creating more and better jobs across sectors and skills levels.

Financial Performance 2023/24: 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 overspend of £4.036 million after adjusting for Treasury interest and the impact of one-off corporate items, taxation and non-specific grants, and this will be funded from reserves. The overall position includes an overspend of £1.425 million against a revised service budget of £174.734 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 reserve.

The overall position includes pressures of £3.102 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 £0.365 million in Resources and Customer Delivery where Digital Data and Technology (DD&T) pressures are being offset by underspends across the wider directorate, and a Family Services overspend of £0.224 million in Children's Services due to increasing placement and support costs. There are also net Treasury interest and MRP budget pressures of £1.297 million owing to the use of internal borrowing to finance capital spend, which resulted in lower cash balances.

This adverse position is offset by an underspend of £1.758 million in Environment and Neighbourhoods where a favourable position owing largely to a net overachievement of income across Cleaner, Greener and Cultural Services, Planning and Place, and Transport and Regulatory Services, is mitigating the impact of Parking Services pressures. Also contributing to the position are underspends of £0.190 million against the Grenfell Corporate budget and £0.315 million in the Chief Executive's directorate.

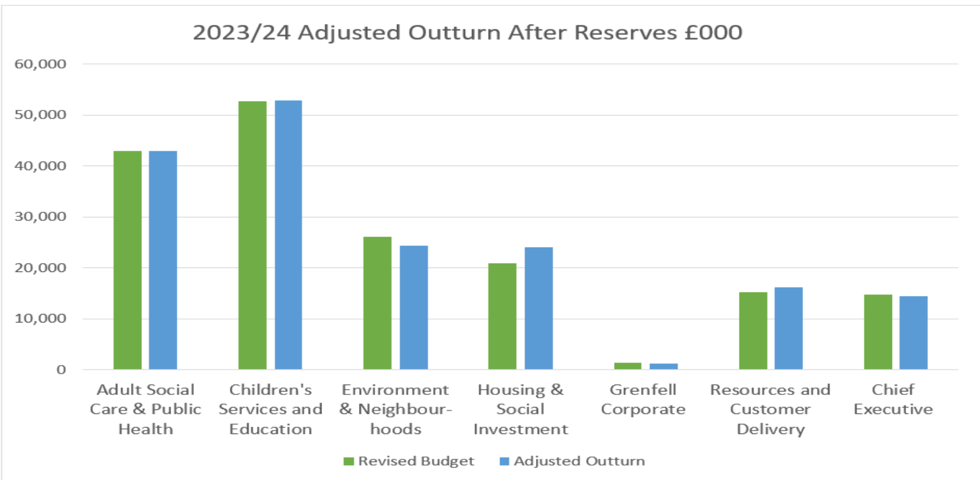
Contingency and Centrally Held Budgets are managed corporately and are held to mitigate the impact of unforeseen and/or unavoidable circumstances. Both budgets were used to manage departmental costs primarily arising from pay and contract inflation and some one-off or short-term items. These budgets overspent by £0.463 million and £2.453 million respectively.

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

Service area	2023/24 Revised Budget	Outturn 2023/24	Net Cont To/ (From) Reserves	Adjusted Outturn after reserves	Over/ (Under) Spend
	£000	£000	£000	£000	£000
Adult Social Care and Public Health	43,020	42,650	367	43,017	(3)
Children's Services	52,643	51,003	1,864	52,867	224
Environment and Neighbourhoods	26,168	25,069	(659)	24,410	(1,758)
Housing and Social Investment	20,897	26,134	(2,135)	23,999	3,102
Grenfell Corporate	1,356	913	253	1,166	(190)
Resources and Customer Delivery	15,864	19,604	(3,375)	16,229	365
Chief Executive and Communities	14,786	14,966	(495)	14,471	(315)
Future Grenfell Support *	0	355	(355)	0	0
Services Budgets Total	**174,734**	**180,694**	**(4,535)**	**176,159**	**1,425**
Grenfell Recovery	8,168	7,762	406	8,168	0
Interest and Minimum Revenue Provision (MRP)	4,392	6,081	(392)	5,689	1,297
Net Expenditure	**187,294**	**194,537**	**(4,521)**	**190,016**	**2,722**
Contingency	(463)	0	0	0	463
Centrally Held Budget	(2,453)	0	0	0	2,453
Net Cost of Services	**184,378**	**194,537**	**(4,521)**	**190,016**	**5,638**
Levies	9,825	9,194	0	9,194	(631)
Other Corporate Budgets	(13,229)	(13,216)	0	(13,216)	13
Use of Reserves - Other	1,664	(3,631)	5,884	2,253	589
Use of Reserves - Collection Fund	(3,060)	(2,055)	(1,005)	(3,060)	0
Resourcing	(179,578)	(180,234)	(358)	(180,592)	(1,014)
Eligible activity funded by Parking Reserve	0	0	(559)	(559)	(559)
Total	**0**	**4,595**	**(559)**	**4,036**	**4,036**
Final balance funded from Reserves	0	0	(4,036)	(4,036)	(4,036)
General Fund Deficit/Surplus	**0**	**4,595**	**(4,595)**	**0**	**0**

* administrative costs

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



The overall position on the Housing Revenue Account (HRA) is a transfer of £5.865 million to the capital programme against a net budget of £3.037 million. This is a favourable position of £2.828 million when compared to the budget, driven by a combination of savings arising largely from the £1.500 million short-term reduction to the employer pension contribution, lower than budgeted expenditure across interest payable budgets and a favourable position against the original assumptions made at budget setting in relation to percentage losses from voids.

	2023/24 Revised Budget	2023/24 Final Outturn	2023/24 Variance
	£000	£000	£000
Total Expenditure	70,215	67,780	(2,435)
Total Income	(73,252)	(73,645)	(393)
Net Total	**(3,037)**	**(5,865)**	**(2,828)**
Transfer to fund Capital Programme	3,037	5,865	2,828
Grand Total	**0**	**0**	**0**

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

Financial Performance 2023/24: Capital (including HRA)

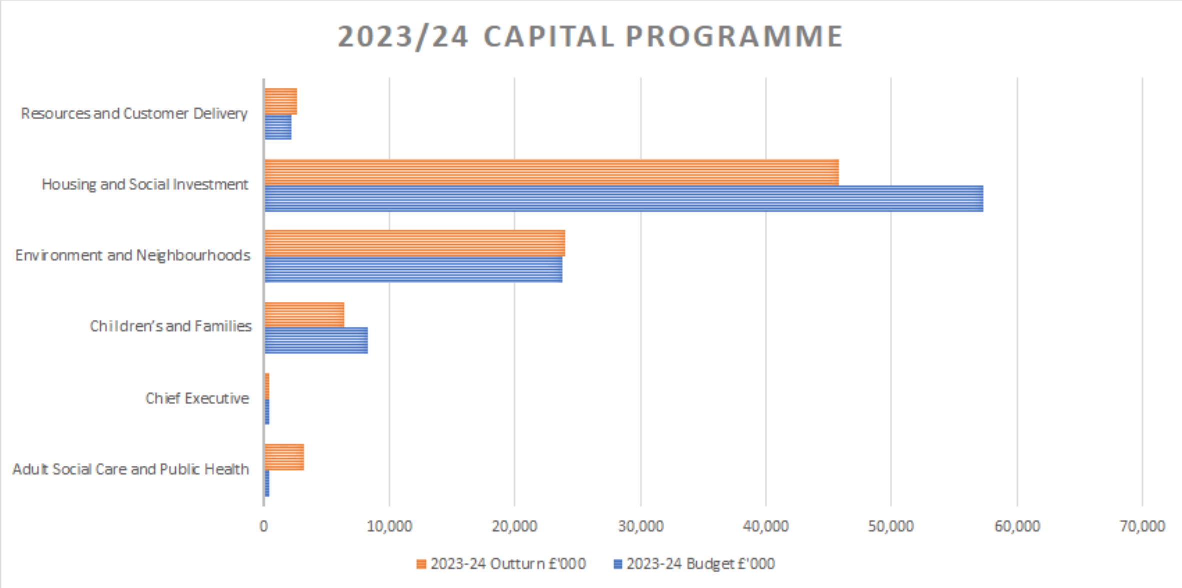
The Capital Programme was presented to Full Council for approval in February 2024 as part of the 2023/24 to 2026/27 Capital Programme. The Capital Strategy is being revised and it will be presented to Full Council in the summer along with the Medium Term Financial Strategy, providing a framework for the allocation of resources to fund capital projects.

Total General Fund capital expenditure in 2023/24 was £82.465 million against a revised budget of £92.506 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.

General Fund capital expenditure includes £1.491 million on providing additional places in secondary schools and £2.132 million on the development of Special Educational Needs provision in schools, both delivered by Children and Family Services. £9.311 million has been spent on Street Scene improvements and the Parks Strategy in Environment & Communities, and £29.166 million was spent on the New Homes Delivery Programme in Housing and Social Investment.

Total HRA capital expenditure was £75.513 million against a revised budget of £74.055 million. £51.458 million of this was spent on the main capital programme as set out in the business plan and £24.055 million was spent on the Lancaster West refurbishment. The £1.458 million overspend primarily relates to accelerated delivery on 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	2023/24 Revised Budget	2023/24 Final Outturn	2023/24 Variance
	£'000	£'000	£'000
Adult Social Care and Public Health	425	3,195	2,770
Chief Executive	370	407	37
Children's Services	8,331	6,447	(1,884)
Environment and Neighbourhoods	23,798	23,975	177
Housing and Social Investment	57,364	45,834	(11,530)
Resources and Customer Delivery	2,218	2,607	389
General Fund Capital Programme	**92,506**	**82,465**	**(10,041)**
HRA Capital Programme	**74,055**	**75,513**	**1,458**
Total Capital Programme	**166,561**	**157,978**	**(8,583)**

Funding source	2023/24 Revised Budget	2023/24 Final Outturn	2023/24 Variance
	£'000	£'000	£'000
Capital Grants Reserve	(1,841)	(1,596)	245
Capital Grants and Contributions	(26,835)	(26,700)	135
S106 / CIL Contributions	(14,031)	(11,501)	2,530
Earmarked Reserves	(5,212)	(7,198)	(1,986)
Capital Receipts Reserve	(2,104)	(8,687)	(6,583)
Car Park Account	(4,200)	(3,486)	714
Major Repairs Reserve	(3,463)	(9,389)	(5,926)
Revenue Contribution	(24,269)	(10,075)	14,194
Borrowing	(84,606)	(79,346)	5,260
Total Funding	**(166,561)**	**(157,978)**	**8,583**

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). A total of £0.418 million of PWLB debt was repaid and new PWLB loans of £113.228 million were agreed in 2023/24, which increased the Council’s borrowing from £229.228 million to £342.038 million and also increased the average total interest rate on loans to 3.88% from 3.32%. £43.939 million of existing borrowing was used to fund delivery of the General Fund capital programme in 2023/24.

The Council's capital receipts in year totalled £4.217m 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 2024/25, there are a number of inherent risks for next year and subsequent years:

- Economic factors
- Local authority funding for future years
- Grenfell
- Demographic and demand pressures
- Delivery of savings

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 2023/24 Revenue Budget Report presented to Leadership Team in February 2023. 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 2024. 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 2023/24, 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 28 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 29 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 30 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 2024 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 31 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 109 to 115 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 121 to 143 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.

The **Annual Governance Statement** on pages 145 to 156 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. 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. 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 (Interim)
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 2023/24 (set out on pages 28 to 115 and 121 to 143) gives a true and fair view of the financial position of the Council as at 31 March 2024 and its income and expenditure for the year ended 31 March 2024.

Mike Curtis

Executive Director of Resources (CFO)
30 September 2024

Cllr Gerard Hargreaves

Chair of Audit and Transparency Committee
30 September 2024

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Royal Borough of Kensington and Chelsea (the 'Authority') for the year ended 31 March 2024, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Account and notes to the financial statements, including the accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give true and fair view of the financial position of the Authority as at 31 March 2024 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Executive Director of Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Executive Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the applicatin of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Executive Director of Resources’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director of Resource’s with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon, and our auditor's report on the pension fund financial statements. The Executive Director of Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority and the Executive Director of Resources

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Resources. The Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, Local Government Act 1972, Local Government and Housing Act 1989 and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012).

We enquired of management and the Audit and Transparency Committee concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;

- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management and the Audit and Transparency committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority’s financial statements to material misstatement, including how fraud might occur, by evaluating management’s incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- journal entries posted which met a range of criteria determined during the course of the audit, in particular those posted around the reporting date which had an impact on the Comprehensive Income and Expenditure Statement, and
- accounting estimates made in respect of the valuation of assets and liabilities in the Balance Sheet.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on entries meeting the risk criteria determined by the audit team,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of valuation of land and buildings, including council dwellings and investment property, and the valuation of the defined benefit pensions asset valuations; and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to valuation of land and buildings, including council dwellings and investment property, and the valuation of the net defined pensions asset. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation

- guidance issued by CIPFA/LASAAC and SOLACE
- the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report on the above matter.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Royal Borough of Kensington and Chelsea for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our consideration of an objection brought to our attention by local authority electors under Section 27 of the Local Audit and Accountability Act 2014. We are satisfied that this matter does not have a material effect on the financial statements.

In addition, we are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2024. As the Authority has not prepared the Pension Fund Annual Report at the time of this report, we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

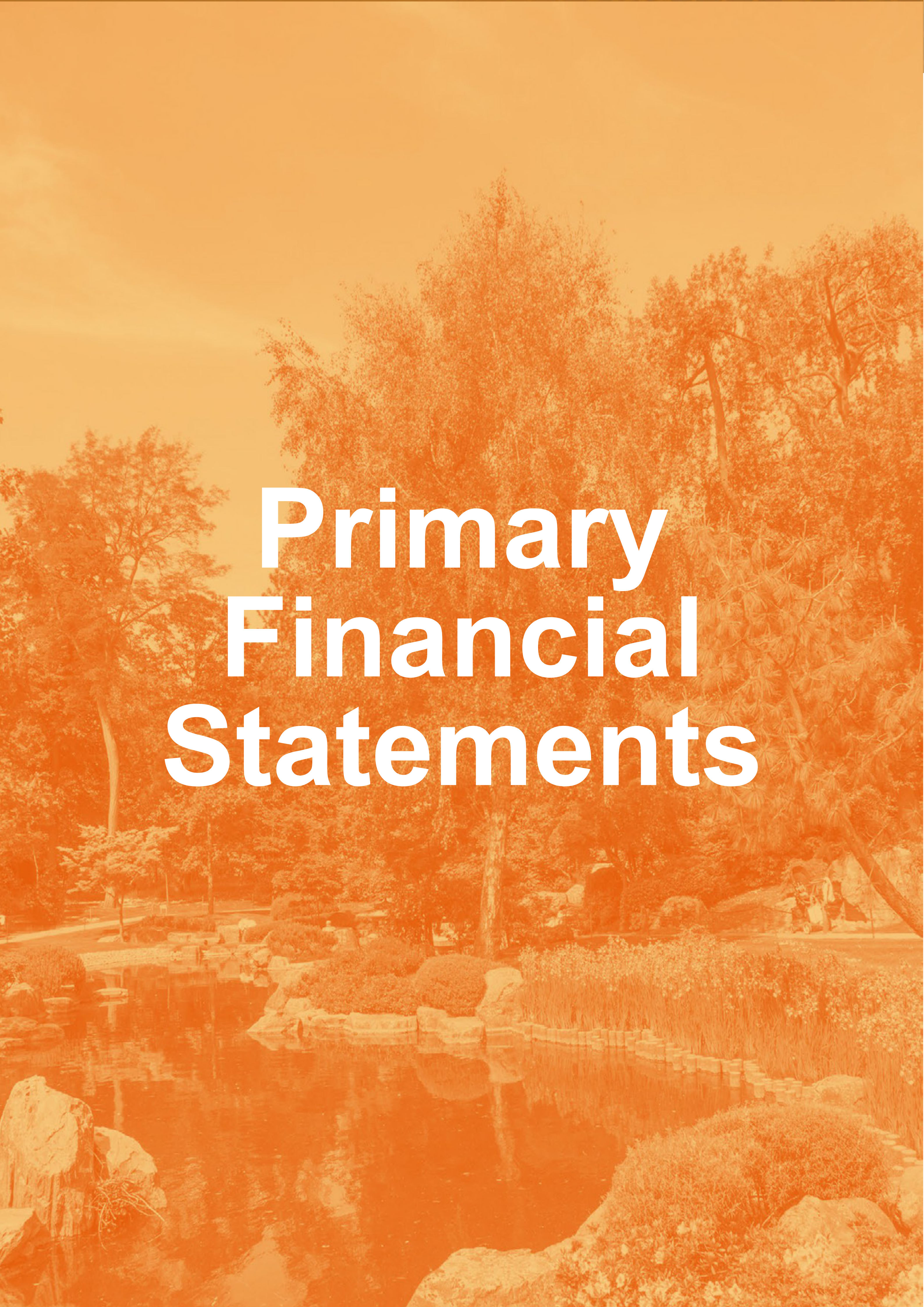
John Paul Cuttle

John Paul Cuttle, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

30 September 2024



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
Balance at 31 March 2023	**(132,386)**	**(5,987)**	**(11,299)**	**(61)**	**(37,490)**	**(187,223)**	**(1,694,695)**	**(1,881,918)**
Movement in reserves during 2023/24								
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**
Net (increase) / decrease in 2023/24	6,736	0	4,469	60	(2,674)	**8,591**	**132,242**	**140,833**
Balance at 31 March 2024	**(125,650)**	**(5,987)**	**(6,830)**	**(1)**	**(40,164)**	**(178,632)**	**(1,562,453)**	**(1,741,085)**
Balance at 31 March 2022	**(155,275)**	**(5,987)**	**(49,616)**	**0**	**(38,978)**	**(249,856)**	**(1,339,991)**	**(1,589,847)**
Movement in reserves during 2022/23								
Total Comprehensive Income and Expenditure	70,663	52,192	0	0	0	**122,855**	(414,926)	**(292,071)**
Adjustments between accounting basis and funding basis under regulations (Note 6)	(47,774)	(52,192)	38,317	(61)	1,488	**(60,222)**	60,222	**0**
Net (increase) / decrease in 2022/23	22,889	0	38,317	(61)	1,488	**62,633**	**(354,704)**	**(292,071)**
Balance at 31 March 2023	**(132,386)**	**(5,987)**	**(11,299)**	**(61)**	**(37,490)**	**(187,223)**	**(1,694,695)**	**(1,881,918)**

Comprehensive Income and Expenditure Statement

Comprehensive Income and Expenditure Statement	2023/24 Gross Expenditure	2023/24 Gross Income	2023/24 Net Expenditure	2022/23 Gross Expenditure	2022/23 Gross Income	2022/23 Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care and Public Health	93,542	(64,726)	28,816	79,772	(56,087)	23,685
Children's Services and Education	170,850	(137,159)	33,691	215,183	(121,246)	93,937
Environment and Neighbourhoods *	94,921	(79,820)	15,101	94,150	(77,904)	16,246
Housing and Social Investment	90,017	(44,533)	45,484	77,590	(42,105)	35,485
Resources and Customer Delivery	215,540	(137,407)	78,133	213,223	(136,443)	76,780
Chief Executive *	15,317	(4,003)	11,314	5,107	(1,363)	3,744
Grenfell - Recovery	7,827	(24)	7,803	10,580	(1,634)	8,946
Grenfell - Corporate	1,918	(1,232)	686	13,486	(6,316)	7,170
Future Grenfell Support **	355	0	355	0	0	0
Grenfell Settlement	33,772	0	33,772	0	0	0
Housing Revenue Account	136,270	(68,542)	67,728	117,701	(57,845)	59,856
Cost of Services	**860,329**	**(537,446)**	**322,883**	**826,792**	**(500,943)**	**325,849**
Other operating income and expenditure (Note 12)			6,069			(3,603)
Financing and investment income and expenditure (Note 13)			(23,263)			(1,782)
Taxation and non-specific grant income and expenditure (Note 14)			(222,739)			(197,608)
(Surplus) or Deficit on Provision of Services			**82,950**			**122,856**
(Surplus) / deficit on revaluation of non current assets (Note 8)			3,443			(13,099)
Remeasurement of net defined benefit liability (Note 36)			54,440			(401,827)
Other Comprehensive Income and Expenditure			**57,883**			**(414,926)**
Total Comprehensive Income and Expenditure			**140,833**			**(292,070)**

* In 2023/24, Environment and Communities was renamed 'Environment and Neighbourhoods' as the Communities department transferred to the Chief Executives service. As the change in comparators is not material, the 2022/23 comparators have not been re-stated. Had the comparators been re-stated the comparative figures for the Chief Executive service are Gross Expenditure of £14.876 million and Gross Income of £3.802 million; Environment and Neighbourhoods service are Gross Expenditure of £84.382 million and Gross Income of £75.466 million.

** administrative costs

Balance Sheet	Note	31 March 2024	31 March 2023
		£'000	£'000
Property, Plant and Equipment	24	1,563,108	1,543,512
Intangible Assets	26	4,760	6,827
Heritage Assets	27	46,631	46,063
Investment Property	25	250,226	230,677
Long Term Investments	33	23,272	22,540
Long Term Debtors	29	3,128	623
Other Long Term Assets	36	396,504	446,888
Long Term Assets		**2,287,629**	**2,297,130**
Short Term Investments	33	0	10,134
Inventories		215	22
Debtors	29	80,923	146,023
Cash and Cash Equivalents	41	22,167	25,208
Current Assets		**103,305**	**181,387**
Short Term Borrowing	33	(24,817)	(2,368)
Creditors	30	(138,012)	(173,405)
Capital Grants Receipts in Advance	15	(24,672)	(16,903)
Revenue Grants Receipts in Advance	15	(10,605)	(11,095)
Provisions	31	(60,940)	(51,466)
Current Liabilities		**(259,046)**	**(255,237)**
Provisions	31	(2,340)	(45,473)
Long Term Borrowing	33	(321,146)	(229,219)
Long Term Creditors	30	(1,201)	(914)
Revenue Grants Receipts in Advance	15	(18,180)	(10,094)
Capital Grants Receipts in Advance	15	(47,936)	(55,663)
Long Term Liabilities		**(390,803)**	**(341,363)**
Net Assets		**1,741,085**	**1,881,917**
Usable Reserves	7	(178,632)	(187,223)
Unusable Reserves	8	(1,562,453)	(1,694,694)
Total Reserves		**(1,741,085)**	**(1,881,917)**

Cash Flow Statement	Note	2023/24	2022/23
		£'000	£'000
Net Surplus or (Deficit) on Provision of Services		**(82,950)**	**(122,856)**
Adjustments to net surplus or deficit on the provision of services for non-cash movements	38	98,427	61,255
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	38	(26,145)	(18,254)
Net cash flows from Operating Activities		**(10,668)**	**(79,855)**
Investing Activities	39	(104,547)	(28,405)
Financing Activities	40	112,174	66,750
Net increase or (decrease) in cash and cash equivalents		**(3,041)**	**(41,510)**
Cash and cash equivalents at the beginning of the reporting period		25,208	66,718
Cash and cash equivalents at the end of the reporting period	41	**22,167**	**25,208**

Notes to the Accounts

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.

The net pension asset has been adjusted to reflect the valuations provided by the actuaries which incorporate the asset ceiling. This has resulted in the Council’s defined benefit liability for the LPFA scheme as at 31 March 2024 and an asset for the LGPS as disclosed in note 36.

2. 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 2023/24 could be materially different from these estimates.

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.

Property Plant and Equipment

Uncertainty

The value of the Council’s Property Plant and Equipment is determined by professional valuers who apply the appropriate valuation methodology, according to RICS regulations, to each asset on an individual basis. This involves a number of assumptions and estimates which can be affected by external factors such as economic and political changes. Asset valuations are based on Current Value and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The Council’s external valuers provided valuations as at 31 March 2024 for all of its operational portfolio. The Council’s external valuers provided valuations as at 31 March 2024 for all of its operational portfolio. The Council's valuers use a combination of methodologies to value operational assets. This includes Depreciated Replacement Cost (DRC) with carrying value of £353.746 million. DRC is based on key assumptions, including floor areas, BCIS indices and obsolescence. Existing Use Value (EUV) and comparable methods with carrying value of £212.758 million are based on key assumptions including rental income and yields. Existing Use Value - Social Housing (EUV-SH) with carrying value of £854.037 million include key assumptions of beacon methodology, market value and social housing discount factor. The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Council external valuers.

Effect if Actual Results Differ from Assumptions

A reduction in estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement (CIES). For example, a 10% reduction in the net book value of Council Dwellings would result in a reduction of £85.404 million. If the value of the Council's land and buildings were to reduce by 10%, this would result in a charge to the CIES of approximately £56.650 million. Conversely, an increase in value would result in increases to 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 £1.421 billion.

Investment Property

Uncertainty

The Council's external valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. As there is an active market, although some adjustment of market data is required, these valuation inputs are considered as level 2 (observable data). The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available. The carrying value of investment properties as at 31 March 2024 is £250.226 million.

Effect if Actual Results Differ from Assumptions

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 £25.023 million reduction. This would impact the Council's CIES Surplus/Deficit.

3. Material items of income and expenditure

There were no material items of income and expenditure.

4. Events after the reporting period

There were no significant events affecting the 2023/24 accounts that occurred between 1 April and 23 September 2024, when these financial statements were approved for audit.

5. Accounting standards issued but not yet adopted

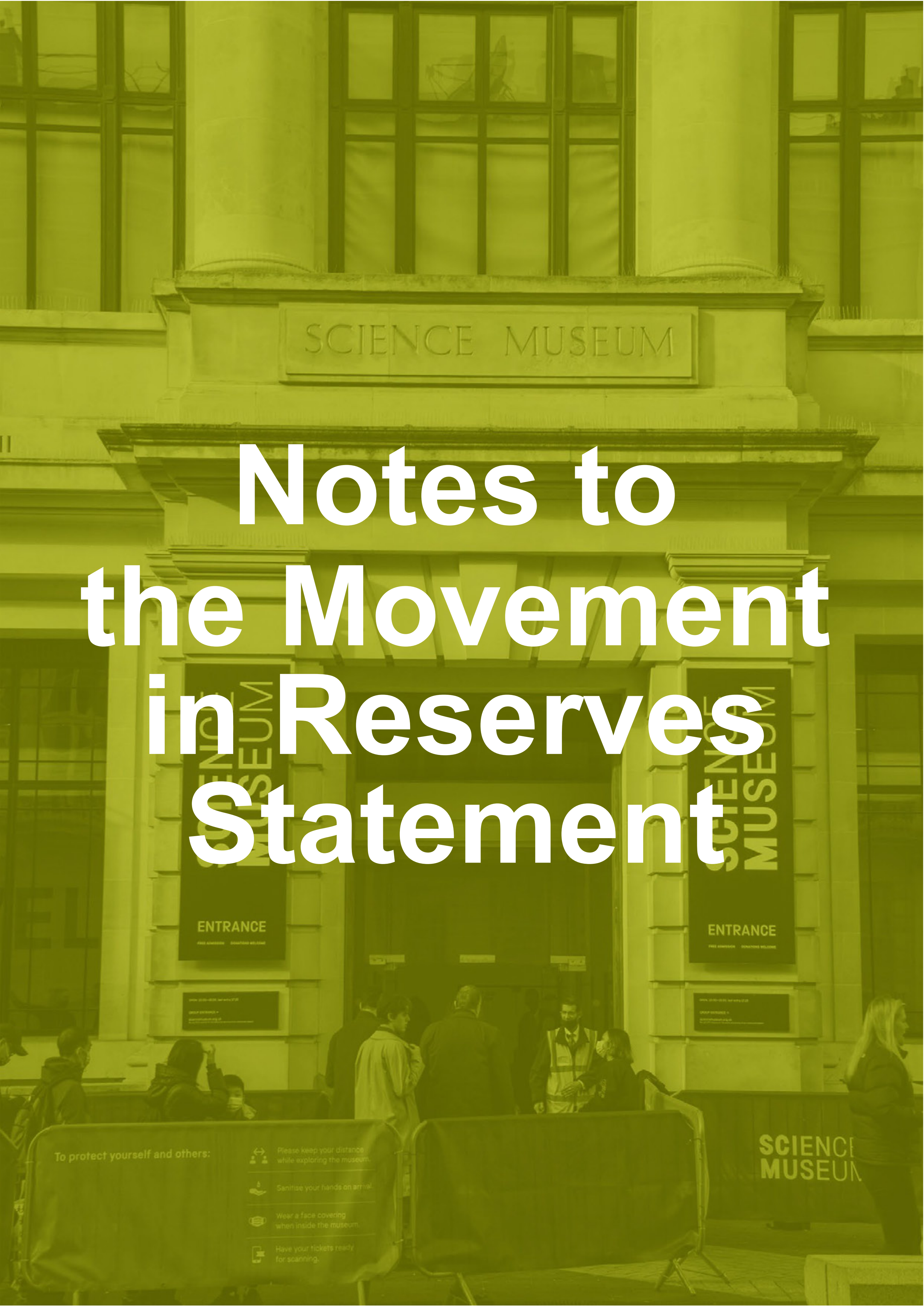
The Council has not yet adopted the IFRS 16 Lease accounting standard. Application of this accounting standard is compulsory from 2024/25 and will be implemented by the Council for the 2024/25 accounts.

The main impact of this IFRS 16 will relate to property that the Council currently holds under operating leases, for which assets and liabilities are not recognised and rents are generally charged as revenue expenditure when they are payable. Under IFRS 16, the accounting treatment for all leases (except those with a term of less than 12 months and those involving low value items) will be to recognise a right-of-use asset in the Balance Sheet, measuring the value of the Council's right to use the property over the remaining term of the lease. The Balance Sheet will also include a liability for the rents payable before the lease expires. When rents are paid, they will be applied partly to write down the liability and partly charged as interest on the outstanding liability. The cost of the right-of-use asset will be reflected in depreciation charges in the Comprehensive Income and Expenditure Statement. However, statutory arrangements in place will allow the impact on the General Fund Balance to be unchanged i.e. that the overall charge for each year will equate to the rents payable in that year.

Based on the minimum lease payments outstanding at 31 March 2024, disclosed in Note 37, it is estimated that the transition will result in the recognition of new assets and liabilities in the Balance Sheet of £9.915 million.

There are no other changes in accounting standards for 2024/25 that are anticipated to have a material impact on the Council's financial performance or financial position.

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 disposal 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.

Movement on Usable Reserves (with contra to Unusable Reserves) during 2023/24	GF	HRA	CRR	MRR	CGUR	Unusable
	£'000	£'000	£'000	£'000	£'000	
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements						
- 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
Total Adjustments to Revenue Resources	(42,524)	(66,929)	0	0	(49,668)	159,121
Adjustments between Revenue and Capital Resources						
- 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)
Total Adjustments between Revenue and Capital Resources	19,694	13,545	(4,218)	(9,329)	0	(19,692)
Adjustments to Capital Resources						
- 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
Total Adjustments between Revenue and Capital Resources	0	0	8,687	9,389	46,994	(65,070)
Total Adjustments during 2023/24	**(22,830)**	**(53,384)**	**4,469**	**60**	**(2,674)**	**74,359**

Movement on Usable Reserves (with contra to Unusable Reserves) during 2022/23	GF	HRA	CRR	MRR	CGUR	Unusable
	£'000	£'000	£'000	£'000	£'000	
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements						
- Pensions costs (transferred to / from the Pensions Reserve)	(29,835)	(4,991)	0	0	0	34,826
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	65	0	0	0	0	(65)
- Gain/losses on pooled investments (transferred to Pooled Investment Fund Adjustment Account)	(1,545)	0	0	0	0	1,545
- Council Tax and NDR (transfers to or from the Collection Fund)	41,187	0	0	0	0	(41,187)
- Holiday pay (transferred to the Accumulated Absence Reserve)	1,945	104	0	0	0	(2,049)
- 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)	(42,278)	(67,245)	0	0	(22,865)	132,388
- Grenfell settlement - capitalisation of prior year revenue costs (charged to the Capital Adjustment Account)	(23,228)	0	0	0	0	23,228
Total Adjustments to Revenue Resources	(53,689)	(72,132)	0	0	(22,865)	148,686
Adjustments between Revenue and Capital Resources						
- Transfer of non-current asset sale proceeds from revenue to the CRR	255	8,628	(8,883)	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	11,310	0	(11,310)	0	0
- Statutory provision for the repayment of debt (transfer from the CAA)	4,473	0	0	0	0	(4,473)
- Capital expenditure financed from revenue balances (transfer to the CAA)	1,188	0	0	0	0	(1,188)
Total Adjustments between Revenue and Capital Resources	5,916	19,938	(8,883)	(11,310)	0	(5,661)
Adjustments to Capital Resources						
- Use of the CRR to finance capital expenditure	0	0	47,202	0	0	(47,202)
- Use of the MRR to finance capital expenditure	0	0	0	11,250	0	(11,250)
- Application of capital grants to finance capital expenditure	0	0	0	0	24,352	(24,352)
- Cash payments in relation to deferred capital receipts	0	0	(1)	0	0	1
Total Adjustments between Revenue and Capital Resources	0	0	47,201	11,250	24,352	(82,803)
Total Adjustments during 2022/23	**(47,773)**	**(52,194)**	**38,318**	**(60)**	**1,487**	**60,222**

7. Movements in earmarked reserves

A usable reserve represents resources that the Council might use to support service delivery. 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 so that there is no net charge against council tax for the expenditure.

	Note	Balance at 31 March 2022	Transfer Out 2022/23	Transfer In 2022/23	Balance at 31 March 2023	Transfer Out 2023/24	Transfer In 2023/24	Balance at 31 March 2024
General Fund:		£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Grenfell	1	(18,839)	7,177	(1,845)	**(13,507)**	6,562	0	**(6,945)**
Special Projects	2	(6,044)	6,062	(10,054)	**(10,036)**	10,392	(5,711)	**(5,355)**
Car Parking	3	(19,893)	1,504	(3,985)	**(22,374)**	4,921	0	**(17,453)**
Budget Carry Forward	4	(14,865)	2,088	(2,025)	**(14,802)**	4,530	(2,269)	**(12,541)**
Budget Stabilisation	5	0	4,512	(14,613)	**(10,101)**	18,955	(27,260)	**(18,406)**
Reorganisation	6	(4,500)	4,368	0	**(132)**	16	0	**(116)**
Schools Reserves	7	(6,844)	1,197	(2,216)	**(7,863)**	10,205	(9,311)	**(6,969)**
Insurance	8	(2,080)	3,033	(976)	**(23)**	0	(4,136)	**(4,159)**
Public Health	9	(6,245)	50	(465)	**(6,660)**	0	(497)	**(7,157)**
Public Health - Cost of Living	10	0	0	(2,000)	**(2,000)**	0	0	**(2,000)**
Notting Hill Carnival	11	(375)	0	0	**(375)**	375	0	**0**
Street Trading	12	(92)	11	(102)	**(183)**	0	(116)	**(299)**
Affordable Housing	13	(9,900)	0	0	**(9,900)**	9,900	0	**0**
Local Projects	14	(535)	0	(175)	**(710)**	0	(221)	**(931)**
Troubled Families	15	(413)	0	(616)	**(1,029)**	0	(189)	**(1,218)**
Proceeds of Crime	16	(110)	0	(32)	**(142)**	0	(41)	**(183)**
Dedicated Schools Grant Surplus	17	0	0	(1,336)	**(1,336)**	28	(2,171)	**(3,479)**
Contingency	18	0	0	(5,359)	**(5,359)**	0	0	**(5,359)**
Council Plan Implementation	19	0	0	0	**0**	0	(1,000)	**(1,000)**
Civil Claim Settlement	20	0	0	0	**0**	2,056	(5,913)	**(3,857)**
Curve Legacy	21	0	0	0	**0**	0	(1,364)	**(1,364)**
Collection Fund	22	(54,540)	49,210	(10,522)	**(15,852)**	0	(1,005)	**(16,857)**
Usable Earmarked Reserves		**(145,275)**	**79,212**	**(56,321)**	**(122,384)**	**67,940**	**(61,204)**	**(115,648)**
GF Working Balance		(10,000)			(10,000)			(10,000)
Total GF Reserves per MIRS		**(155,275)**			**(132,384)**			**(125,648)**

	Note	Balance at 31 March 2022	Transfer Out 2022/23	Transfer In 2022/23	Balance at 31 March 2023	Transfer Out 2023/24	Transfer In 2023/24	Balance at 31 March 2024
		£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**
HRA:								
HRA Controlled Repairs	23	(988)	0	0	**(988)**	0	0	**(988)**
HRA Working Balance		(5,000)	0	0	**(5,000)**	0	0	**(5,000)**
Total HRA Reserves per MIRS		**(5,988)**	**0**	**0**	**(5,988)**	**0**	**0**	**(5,988)**

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. Funds have also been committed to supporting Covid-19 recovery and more recently the Council's response to the cost of living crisis.
5. The Budget Stabilisation Reserve was established to manage the impact of uncertainty in government funding. In 2021/22 £32.511m was temporarily used towards Grenfell settlement costs. As a result of applying the capitalisation direction, £14.511 million was transferred back to this reserve in 2022/23 and the balance of £18 million returned in 2023/24.
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 for those affected by COVID-19 and the cost of living crisis.
10. This reserve contains £2 million 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 now 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.
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.
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 was newly established in 2023/24 with an opening balance of £1 million generated from planned savings associated with the fall in travel card usage after the pandemic. Funds will be used to support delivery of the Council Plan, and our ambition to become the best Council for residents in a borough that is greener, safer, and fairer.
20. The Civil Claims Settlement Reserve was newly established in 2023/24, with an opening balance of £5.913 million from planned savings arising from the 2-year temporary reduction to the Council's employer pension contributions following the triennial actuarial valuation of the pension fund.
21. 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.
22. 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.
23. This reserve is used to fund housing repair projects in the HRA.

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 2024	31 March 2023
	£'000	£'000
Revaluation Reserve	(727,641)	(735,273)
Capital Adjustment Account	(455,633)	(535,343)
Pensions Reserve	(396,504)	(446,888)
Deferred Capital Receipts	(1)	(1)
Dedicated Schools Grant Adjustment Account	7,606	7,606
Collection Fund Adjustment Account	5,791	11,735
Pooled Investment Fund Adjustment Account	1,728	2,460
Financial Instruments Adjustment Account	1,490	296
Accumulated Absences Adjustment Account	711	714
Total unusable reserves	**(1,562,453)**	**(1,694,694)**

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.

	2023/24		2022/23	
	£'000	£'000	£'000	£'000
Balance at 1 April		(735,273)		(726,737)
Upward revaluation of assets	(11,353)		(146,788)	
Downward revaluation of assets	14,796		133,689	
Revaluation not posted to the (Surplus) or Deficit on Provision of Services		**3,443**		**(13,099)**
Difference between current and historic cost depreciation		2,390		4,317
Accumulated depreciation on assets sold or scrapped		1,799		246
Balance at 31 March		**(727,641)**		**(735,273)**

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.

	2023/24	2022/23
	£'000	£'000
Balance at 1 April	**(535,343)**	**(597,930)**
Reversal of items debited or credited to the CIES:		
Impairment / Revaluation charged to the CIES	91,141	109,376
Charges for depreciation	10,791	11,163
Reversal of depreciation charged in respect of dwellings	3,376	3,914
Amortisation of intangible assets	2,526	2,295
Revenue expenditure funded from capital under statute	57,101	27,404
Amounts written off on disposal or sale as part of the gain / loss on disposal to the CIES	5,459	515
Adjusting amounts written out of the Revaluation Reserve:		
Accumulated revaluation gains on assets sold or scrapped	(1,799)	(246)
Difference between fair value depreciation and historic cost depreciation	(2,390)	(4,317)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(8,687)	(47,202)
Use of the MRR to finance new capital expenditure	(9,389)	(11,250)
Capital grants and contributions credited to the CIES that have been applied to capital financing	(45,214)	(21,209)
Application of grants to capital financing from the Capital Grants Unapplied Account	(1,781)	(5,899)
Statutory provision for the repayment of debt - MRP	(6,131)	(4,473)
Capital expenditure charged against the General Fund and HRA balances	(13,561)	(1,188)
Other Movements:		
Movements in the market value of investment properties	(1,124)	3,704
Movement in the donated assets account credited to the Comprehensive Income and Expenditure Statement	(608)	0
Movement in year	**79,710**	**62,587**
Closing balance at 31 March	**(455,633)**	**(535,343)**

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.

	2023/24	2022/23
	£'000	£'000
Balance at 1 April	(446,888)	(79,887)
Remeasurements recognised in Other Comprehensive Income and Expenditure	54,440	(401,827)
Reversal of items relating to retirement benefits debited or credited to (Surplus) or Deficit on the Provision of Services	6,705	54,820
Employers contributions payable to scheme	(10,761)	(19,994)
Balance at 31 March	**(396,504)**	**(446,888)**

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.

	2023/24	2022/23
	£'000	£'000
Balance at 1 April	11,735	52,922
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	(5,944)	(41,187)
Balance at 31 March	**5,791**	**11,735**

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 2023/24, the bond has yielded a gain.

Financial Instruments Adjustment Account

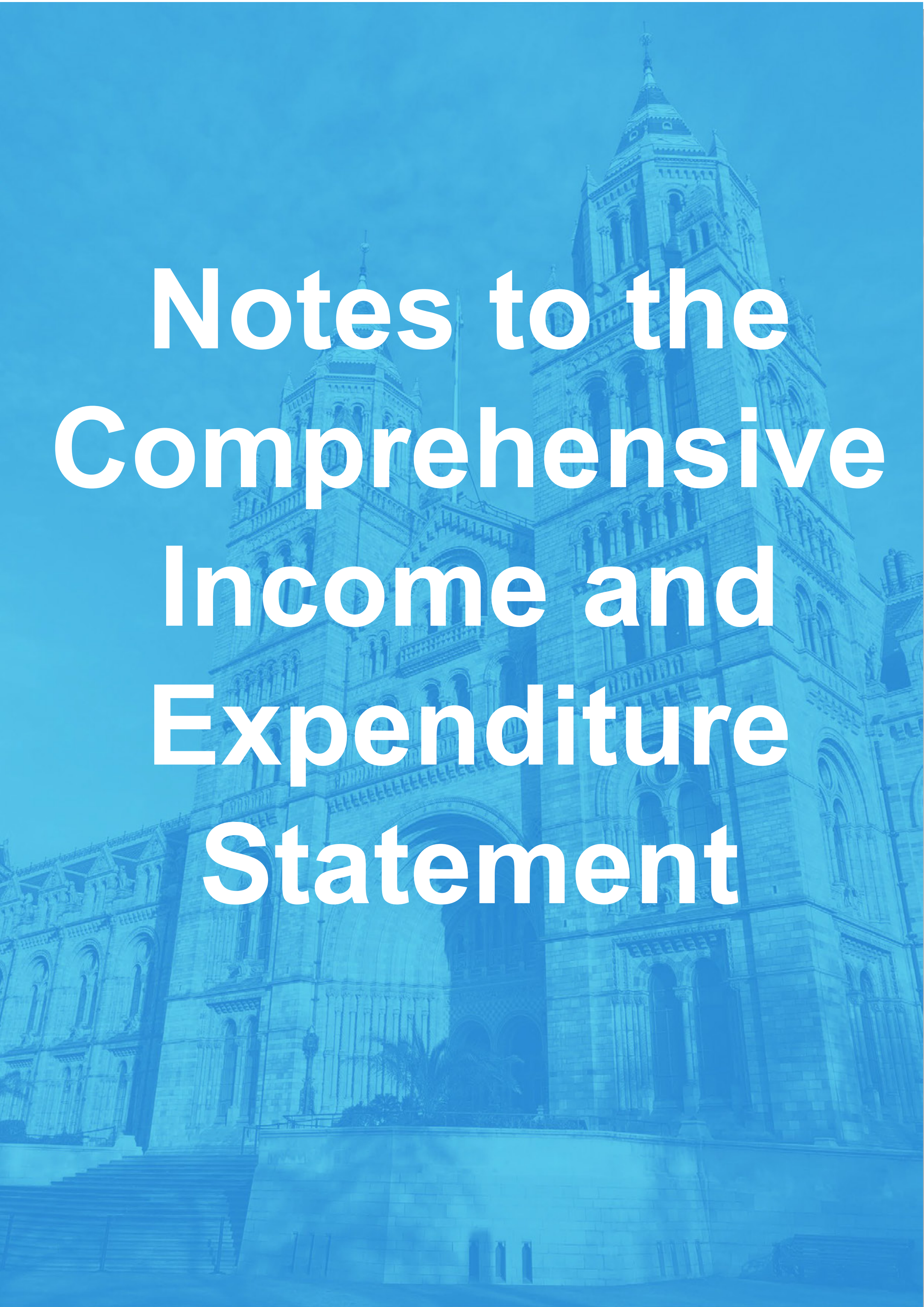
The balance on this adjustment account relates to timing differences arising from the accounting for income and expenses on premiums paid on the early redemptions of loans and the discounted effect of soft loans.

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.

	2023/24	2022/23
	£'000	£'000
Balance at 1 April	714	2,763
Settlement or cancellation of accrual made at the end of the preceding year	(714)	(2,763)
Amounts accrued at the end of the current year	711	714
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	(3)	(2,049)
Balance at 31 March	**711**	**714**

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 Chief Executive are the Communities Department (including Community Safety, Consultation and Participation, Economic Development and Registrars), Corporate Strategy, Communications and the support of the Chief Executive's Office and democratic representation.

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 2,670 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.

Expenditure and Funding Analysis	As reported in the Narrative Report	Adjustments to arrive at exp charged to GF and HRA balances	2023/24 Expenditure charged to GF and HRA balances	2023/24 Adjustments between accounting and funding (note 10)	2023/24 Net Expenditure in the CIES	2022/23 Expenditure charged to GF and HRA balances	2022/23 Adjustments between accounting and funding (note 10)	2022/23 Net Expenditure in the CIES
	£'000	£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Adult Social Care and Public Health	43,017	(9,512)	33,505	(4,688)	**28,817**	39,672	(15,987)	**23,685**
Children's Services and Education	52,867	(7,757)	45,110	(11,418)	**33,692**	48,884	45,053	**93,937**
Environment and Neighbourhoods	24,410	(6,065)	18,345	(3,244)	**15,101**	24,340	(8,094)	**16,246**
Housing and Social Investment	23,999	1,430	25,429	20,055	**45,484**	19,845	15,640	**35,485**
Resources and Customer Delivery	16,229	(1,361)	14,868	63,264	**78,132**	11,132	65,648	**76,780**
Chief Executive	14,471	396	14,867	(3,553)	**11,314**	5,168	(1,424)	**3,744**
Grenfell - Recovery	8,168	(406)	7,762	41	**7,803**	7,785	1,162	**8,947**
Grenfell - Corporate	1,166	(271)	895	(210)	**685**	5,771	1,399	**7,170**
Future Grenfell Support	0	355	355	0	**355**	0	0	**0**
Grenfell Settlement	0	0	0	33,772	**33,772**	0	0	**0**
Housing Revenue Account	0	0	0	67,728	**67,728**	0	59,855	**59,855**
Net Cost of Services	**184,327**	**(23,191)**	**161,136**	**161,747**	**322,883**	**162,597**	**163,252**	**325,849**
Other GF income and expenditure	(184,327)	29,927	(154,400)	(67,514)	**(221,914)**	(116,478)	(78,198)	**(194,676)**
Other HRA income and expenditure	0	0	0	(18,019)	**(18,019)**	0	(8,317)	**(8,317)**
(Surplus) / Deficit on Services	**0**	**6,736**	**6,736**	**76,214**	**82,950**	**46,119**	**76,737**	**122,856**

Movement on GF and HRA balances	2023/24 GF	2023/24 HRA	2023/24 Total	2022/23 GF	2022/23 HRA	2022/23 Total
	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Opening Balance:	**(132,386)**	**(5,988)**	**(138,374)**	**(155,275)**	**(5,988)**	**(161,263)**
(Surplus) / Deficit on Balance in Year	6,736	0	**6,736**	22,889	0	**22,889**
Closing Balance:	**(125,650)**	**(5,988)**	**(131,638)**	**(132,386)**	**(5,988)**	**(138,374)**

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:

	2023/24				2022/23			
	Capital	Pension	Other	Total	Capital	Pension	Other	Total
	£'000	£'000	£'000	**£'000**	£'000	£'000	£'000	**£'000**
Adult Social Care and Public Health	318	1,067	(6,073)	**(4,688)**	(10,441)	2,402	(7,948)	**(15,987)**
Children's Services and Education	(903)	4,494	(15,009)	**(11,418)**	49,063	10,874	(14,884)	**45,053**
Environment and Neighbourhoods	13,410	1,958	(18,612)	**(3,244)**	6,704	5,302	(20,100)	**(8,094)**
Housing and Social Investment	2,372	927	16,756	**20,055**	(752)	1,871	14,521	**15,640**
Resources and Customer Delivery	12,800	5,552	44,912	**63,264**	18,046	9,697	37,905	**65,648**
Chief Executive	100	595	(4,248)	**(3,553)**	0	174	(1,598)	**(1,424)**
Grenfell - Recovery	0	210	(169)	**41**	0	878	284	**1,162**
Grenfell - Corporate	17	29	(256)	**(210)**	2,288	79	(968)	**1,399**
Grenfell Settlement	33,772	0	0	**33,772**	0	0	0	**0**
Housing Revenue Account	53,862	(478)	14,344	**67,728**	47,306	4,991	7,558	**59,855**
Net Cost of Services	**115,748**	**14,354**	**31,645**	**161,747**	**112,214**	**36,268**	**14,770**	**163,252**
Other income and expenditure (GF)	(29,991)	(18,411)	(19,112)	**(67,514)**	(28,544)	(1,442)	(48,212)	**(78,198)**
Other income and expenditure (HRA)	0	0	(18,019)	**(18,019)**	0	0	(8,317)	**(8,317)**
Total Adjustments	**85,757**	**(4,057)**	**(5,486)**	**76,214**	**83,670**	**34,826**	**(41,759)**	**76,737**

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.

	2023/24	2022/23
	£'000	£'000
Expenditure		
Employee benefits expenses	232,200	246,475
Other service expenses	528,432	460,537
Depreciation, amortisation and impairment	107,835	126,747
Interest Payments	10,421	7,854
Payments to the Government Housing Capital Receipts Pool	0	0
Precepts and Levies	4,828	4,766
Total expenditure	**883,716**	**846,379**
Income		
Fees, charges and other service income	(249,788)	(236,413)
Loss / (Gain) on disposal of non-current assets	1,241	(8,369)
Government grants & contributions	(393,259)	(349,509)
Interest Income	(2,470)	(2,448)
Net interest on net defined benefit liability	(21,303)	(1,667)
Net income from Council Tax and Business Rates	(134,063)	(128,821)
Change in Fair Value of Investment Properties	(1,124)	3,704
Total income	**(800,766)**	**(723,523)**
(Surplus) or Deficit on Provision of Services	**82,950**	**122,856**

12. Other operating income and expenditure

	2023/24	2022/23
	£'000	£'000
Levies	4,828	4,766
Payments to the government Housing Capital Receipts Pool	0	0
(Gains) / losses on the disposal of non-current assets	1,241	(8,369)
Total other operating expenditure	**6,069**	**(3,603)**

13. Financing and investment income and expenditure

	2023/24	2022/23
	£'000	£'000
Interest payable and similar charges	10,421	7,854
Net interest on the net defined benefit liability	(21,303)	(1,667)
Interest receivable and similar income	(2,470)	(2,448)
Income and expenditure in relation to investment properties	(13,225)	(13,428)
Changes in fair values of investment properties	(1,124)	3,704
Changes in fair values of financial instruments	(731)	1,545
Expected Credit Loss - impairment allowance	5,169	2,658
Total financing and investment income and expenditure	**(23,263)**	**(1,782)**

14. Taxation and non-specific grant income and expenditure

	2023/24	2022/23
	£'000	£'000
Council tax income	(98,482)	(95,621)
Non domestic rates	(75,015)	(86,872)
Business rates tariff	39,435	53,672
Non-ringfenced government grants		
- Revenue Support Grant	(11,919)	(10,480)
- Social Care Support Grant	0	(8,530)
- S31 Business Rate Relief *	(24,140)	(20,456)
- Services Grant	(2,133)	(3,635)
- Market Sustainability and Improvement Fund	(3,348)	0
- Other general grants / contributions	(799)	(2,821)
Capital grants and contributions		
- Community Infrastructure Levy	(4,570)	(3,357)
- Building Council Houses for Londoners	(3,237)	(7,485)
- High Needs Provision	(1,454)	0
- Leaseholder Income **	(4,215)	(210)
- Must Be Zero Grant	(1,828)	0
- Section 278 **	(7,352)	(1,309)
- Section 106 contributions	(9,791)	(6,251)
- Social Housing Decarbonisation Fund	(5,494)	0
- Public Sector Decarbonisation Scheme	(3,723)	0
- Other capital grants and contributions **	(4,674)	(4,253)
Total taxation and non-specific grants	**(222,739)**	**(197,608)**

* 'S31 Business Rate Relief' for 2022/23 includes £3.956 million for this grant and the following COVID-19 grants related to business rate relief which were previously shown separately: £12.994 million COVID-19 Business Rate Retail/Nursery Discount, £3.231 million COVID-19 Additional Relief Fund, £0.275 million COVID-19 'Other Grants'.

** The 2022/23 figures that were part of 'Other capital grants and contributions' have been moved to the new rows since the 2023/24 amount is significant and is shown separately.

15. Grant income

The following revenue grants, contributions and donations were credited to Net Cost of Services in the CIES during 2023/24.

Net Cost of Services	2023/24	2022/23
	£'000	£'000
Housing Benefit Subsidy	(115,995)	(113,478)
Dedicated Schools Grant	(83,345)	(80,823)
Public Health Grant	(22,889)	(22,166)
Social Care Support Grant	(13,910)	0
Improved Better Care Fund	(7,662)	(7,662)
Homelessness Prevention Grant	(4,834)	(4,732)
Pupil Premium Grant	(3,624)	(3,638)
UASC and Leaving Care Fund	(3,372)	(3,080)
Household Support Fund Grant *	(2,242)	(2,643)
Other Grants (under £2 million each) *	(22,354)	(19,742)
Revenue contributions	(24,355)	(21,868)
Covid-19 Grants	0	(890)
Total	**(304,582)**	**(280,722)**

* The Household Support Fund Grant is displayed separately in 2023/24 therefore the 2022/23 figure has been moved to this new row from 'Other Grants'. Asylum Dispersal Grant of £0.943 million and Homes for Ukraine of £1.374 million grant, previously shown separately in 2022/23, have been included within the 'Other Grants' row.

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:

Capital	2023/24	2022/23
	£'000	£'000
Current Liabilities		
GLA - Building Council Homes for Londoners Programme	0	(2,896)
Notting Dale Future Neighbourhood **	(2,159)	(757)
DFE - Basic Need Grant	(7,531)	0
DFE - High Needs Provision	(8,080)	(7,268)
Health Lodged Funds **	(2,200)	(2,200)
Heat Network Investment Project **	(1,116)	(1,116)
Other Grants (under £1m) **	(3,586)	(2,666)
	(24,672)	**(16,903)**
Long Term Liabilities		
Section 106 and Private Contributions	(33,538)	(34,103)
Section 278 Contributions	(14,398)	(21,560)
Balance as at 31 March	**(72,608)**	**(72,566)**

** The 2022/23 figures that were part of 'Other Grants' have been moved to the new rows since the 2023/24 amount is significant and is shown separately.

Revenue	2023/24	2022/23
	£'000	£'000
Current Liabilities		
Afghan Hotel Wraparound Grant	(880)	(1,874)
Homes for Ukraine	(4,653)	(4,472)
Dedicated Schools Grant	(2,064)	(1,137)
Homes for Ukraine Education & Childcare	(437)	(748)
Council Tax Rebate Grant - Discretionary	0	(484)
Other Grants	(2,571)	(2,380)
	(10,605)	**(11,095)**
Long Term Liabilities		
Grenfell Restorative Justice contribution	(7,866)	0
Section 106 and Private Contributions	(10,314)	(10,094)
Balance as at 31 March	**(28,785)**	**(21,189)**

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 2023/24 are below.

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

2022/23	Central Expenditure	ISB	Total
	£'000	£'000	**£'000**
Final DSG for 2022/23 before academy and high needs recoupment			**(116,888)**
Less academy and high needs figure recouped for 2022/23			**34,977**
DSG after academy and high needs recoupment			**(81,911)**
Plus brought forward from 2021/22			**0**
Less carry forward to 2023/24 agreed in advance			**0**
Agreed initial budget distribution in 2022/23	(19,829)	(62,082)	**(81,911)**
In year adjustments	0	1,138	**1,138**
Final budget distribution for 2022/23	**(19,829)**	**(60,944)**	**(80,773)**
Less actual central expenditure	18,461		**18,461**
Less actual ISB deployed to schools		60,977	**60,977**
Carried forward to 2023/24	**(1,368)**	**33**	**(1,335)**
Balance on DSG unusable reserve brought forward at 1 April			7,606
Addition to DSG unusable reserve at the end of 2022/23			0
Balance on DSG unusable reserve carried forward at 31 March			**7,606**
Net DSG Position at the end of 2022/23 - (Surplus)/Deficit			**6,271**

The DSG deficit has reduced in 2023/24 by £2.143 million to £4.128 million at 31 March 2024 as a result of the reduction in independent school placement and out of borough costs relating to 2022/23 and the ongoing impact of the recalibration and correction of the allocated bands via the Education Banding Tool (EBT).

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 £3.478m at the end of 2023/24 is shown separately. The net deficit of £4.128m will be carried forward and recovered from future years DSG settlements, rather than from wider General Fund reserves.

The Council's last Deficit Management Plan was agreed in January 2024.

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.

	2023/24	2022/23
	£'000	£'000
Social Housing Rentals	(61,821)	(52,673)
Temporary Accommodation Rentals	(34,187)	(33,045)
Shared Services Income	(21,514)	(19,704)
On Street Parking	(23,193)	(23,726)
Commercial Property	(16,926)	(16,193)
Parking Suspensions	(9,433)	(10,006)
Commercial Waste	(7,023)	(6,536)
Residents' Parking	(6,647)	(6,171)
Other (below £5m)	(45,092)	(40,608)
Total income	**(225,836)**	**(208,662)**

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 2023/24 was £1.142 million (£1.139 million in 2022/23). For full details of individual Members' payments can be accessed on the Council's website with a search for Councillor allowances and training.

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.

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

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

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.

2022/23	**Note**	**Salary, Fees and Allowances**	**Employer Pension Contribution**	**Total Remuneration (including employer pension contribution)**
Chief Executive (Maxine Holdsworth)	1	**85,956**	13,839	99,795
Chief Executive (Barry Quirk)	2	**148,001**	0	148,001
Executive Director of Resources (Mike Curtis)	3	**186,279**	29,856	216,135
Executive Director for Environment and Communities (Sue Harris)		**178,716**	28,711	207,427
Executive Director for Housing and Social Investment (Dan Hawthorn)		**174,876**	28,155	203,031
Director of Grenfell Partnerships		**121,542**	19,568	141,110
Director of Financial Management	4	**76,484**	5,329	81,813
Director of Financial Management	5	**77,377**	12,303	89,680
Director of Corporate Strategy		**119,017**	19,225	138,242

Notes

1. The officer commenced in this post in October 2022.
2. The officer left the Council in October 2022.
3. The Council received £24,206.30 as a 10% contribution from the Pension Fund for the work carried out in this area by this officer.
4. The officer was the Interim Director of Financial Management since October 2022 before becoming the permanent post-holder in January 2023. The costs as the Interim Director of Financial Management are included in Salary, Fees and Allowances.
5. The officer left the Council in November 2022.

Senior Officer shared posts employed by other local authorities 2022/23

The following officers are formally employed by Westminster City Council but provide services for both councils. The Council paid £123,642 (£113,022 in 2021/22) for the Bi-Borough Executive Director of Adults Social Care being 50% of the total remuneration. The Council paid £85,966 (£78,002 in 2021/22) for the Bi-Borough Director of Public Health, being 44% of the total remuneration. Remuneration details for these officers can be found within WCC's Statement of Accounts, available on their Council website.

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.

	2023/24 No. of employees	2022/23 No. of employees
£50,000 - £54,999	339	244
£55,000 - £59,999	252	187
£60,000 - £64,999	139	107
£65,000 - £69,999	118	97
£70,000 - £74,999	90	55
£75,000 - £79,999	41	37
£80,000 - £84,999	19	16
£85,000 - £89,999	24	23
£90,000 - £94,999	24	11
£95,000 - £99,999	16	7
£100,000 - £104,999	5	7
£105,000 - £109,999	7	5
£110,000 - £114,999	3	3
£115,000 - £119,999	3	2
£120,000 - £124,999	1	3
£125,000 - £129,999	1	4
£130,000 - £134,999	7	0
£135,000 - £139,999	1	3
£140,000 - £144,999	4	3
£145,000 - £149,999	3	0
Total	**1,097**	**814**

The number of officers within the disclosure threshold has increased as a result of the £2,352 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.

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**
Total	**27**	**11**	**38**	**1,162,796**

2022/23				
Exit Package Cost Band	**Redundancies (all compulsory)**	**Other agreed departures**	**Total departures**	**Total cost of exit packages**
£'000	Number	Number	**Number**	**£**
0 - 20	29	2	**31**	**328,933**
21 - 40	8	1	**9**	**262,916**
41 - 60	6	1	**7**	**362,171**
61 - 80	2	0	**2**	**151,694**
81 - 100	1	0	**1**	**86,123**
101 - 150	1	0	**1**	**103,331**
Total	**47**	**4**	**51**	**1,295,168**

21. External audit costs

	2023/24	**2022/23**
	£'000	£'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	359	161
Fees payable for the certification of grant claims and returns for the year	91	78
Total audit costs	**450**	**239**

The audit fee is set by Public Sector Auditor Appointments. Following the latest procurement exercise Public Sector Audit Appointments awarded new contracts for the period 2023/24-2027/28. Due to a number of complex matters including a challenging audit market, higher regulatory requirements, increased complexity and risk in financial reporting and associated higher audit rates, the procurement process has led to fees being reset across the sector.

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). Any surplus or deficit generated will be the responsibility of the respective partner to whom it is attributed. With the exception 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 income of £20.135 million and expenditure of £20.680 million.

	2023/24	2022/23
	£'000	£'000
RBKC contributions to the pooled budget	(20,135)	(17,571)
NWLICB contributions to the pooled budget	(8,146)	(5,981)
Total contributions into the pooled budget	**(28,281)**	**(23,552)**
Costs relating to care provided in residential or community settings	18,065	15,372
Support Services and programme management relating to the BCF	1,044	1,057
iBCF Programme	7,662	7,662
Discharge Funding	2,055	0
Total expenditure met by the pooled budget	**28,826**	**24,091**
Net in-year (surplus) / deficit	**545**	**539**
Comprising shares due to:		
RBKC	154	184
NWLIBC	391	355

Net in-year deficit on the pooled budget

There is a current deficit of £0.545 million relating to the shared contribution to the Integrated Community Equipment Service. Over the last few years, the Community Equipment budget has incurred increased costs due to acute needs and high demand for services because of hospital discharges, complexity of care and an ageing population. The deficit is shared between NWLICB and RBKC based on the agreed share of the total cost of Community Equipment.

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.

Members and Officers

Elected Members have direct control of the Council's policies and strategies. The total of Members allowances paid during 2023/24 is shown in note 18.

Day-to-day responsibility lies with the Council's Leadership Team which in 2023/24 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.

Thirteen Members and one officer held positions of control or significant influence in related parties to the Council during 2023/24 (seventeen Members and one officer in 2022/23). These include charitable organisations which received funds from the Council of £2.781 million in 2023/24 (£3.241 million in 2022/23).

At the time of publication one former 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 2023/24. 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. As at 31 March 2024, the company had not started trading. There are six Directors of the limited company, being two Council employees and four independent people.

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.

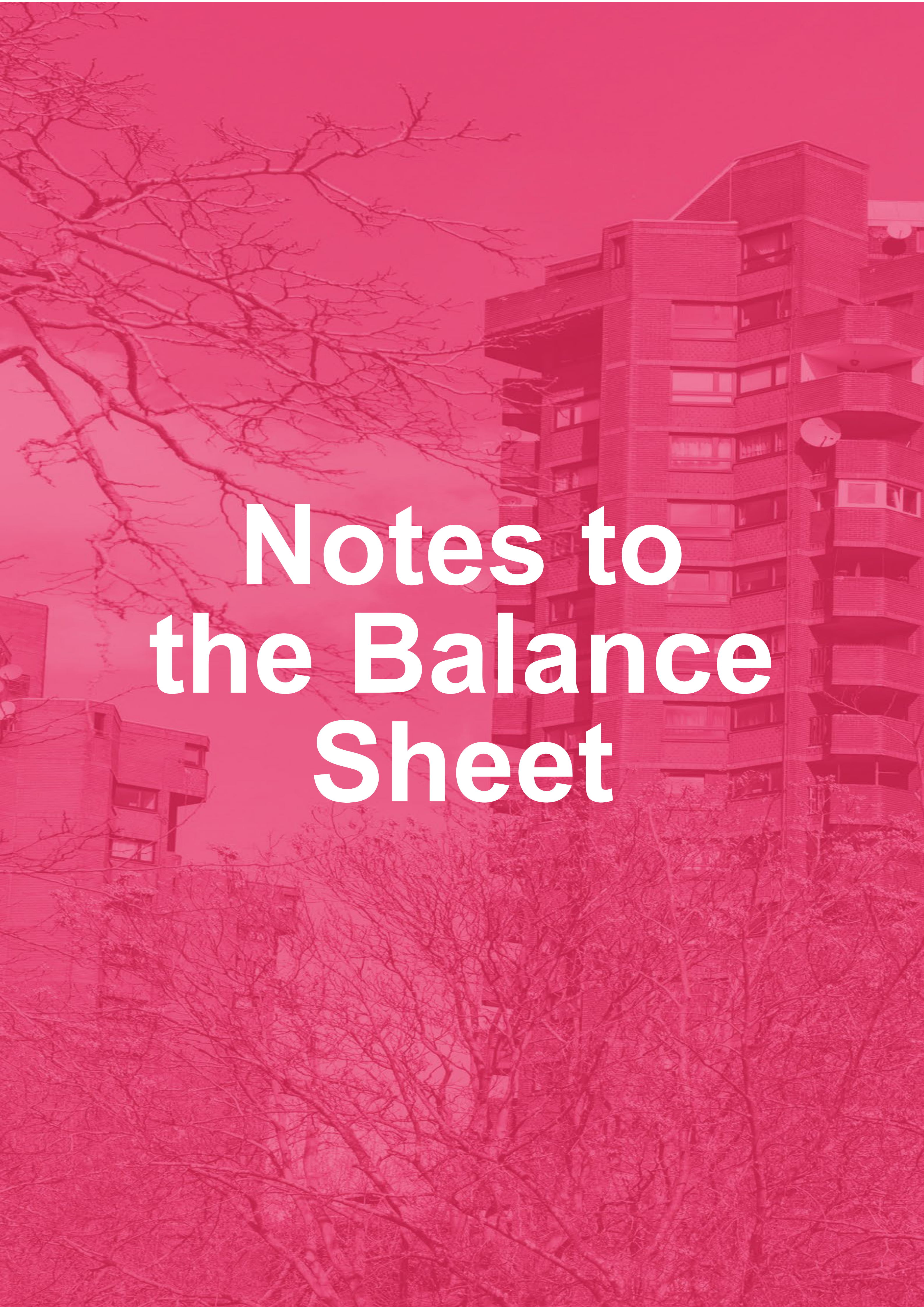
The Council, along with the London Boroughs of Hammersmith and Fulham, Wandsworth and Lambeth, is part of the Western Riverside Waste Authority (WRWA), a statutory waste disposal authority responsible for collecting the Council's waste. WRWA comprises eight Members who are appointed by its four constituent 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 intends to leave the partnership at the end of March 2025. A leadership decision was approved in February 2023 to implement Oracle as a standalone ERP system for the Council.

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 2023/24 with an effective valuation date of 31 March 2024. 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.

	2023/24	2022/23
	£'000	£'000
Infrastructure Assets	31,653	23,657
Other Property Plant and Equipment	1,531,455	1,519,855
Total Property, Plant and Equipment	**1,563,108**	**1,543,512**

Details of the movement in Infrastructure Assets are shown below.

	2023/24	2022/23
	£'000	£'000
Balance at 1 April	23,657	23,987
Additions	11,847	3,392
Depreciation	(3,851)	(3,722)
Balance at 31 March	**31,653**	**23,657**

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

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**
Movements in cost or values						
Gross Book Value at 1 April 2022	**853,928**	**565,483**	**24,411**	**20,559**	**49,176**	**1,513,557**
Additions and enhancement	60,891	33,392	693	2,772	26,996	**124,744**
Revaluation increases / (decreases) recognised in Revaluation Reserve	20,666	(12,628)	0	0	0	**8,038**
Revaluation increases / (decreases) recognised in (Surplus) or Deficit on Provision of Services	(65,056)	(46,066)	0	0	0	**(111,122)**
Derecognition - disposals	(495)	0	(201)	0	0	**(696)**
Reclassifications and transfers	0	4,302	0	0	(4,076)	**226**
Gross Book Value 31 March 2023	**869,934**	**544,483**	**24,903**	**23,331**	**72,096**	**1,534,747**
Additions and enhancement	79,562	22,298	3,198	1,863	31,358	**138,279**
Revaluation increases / (decreases) recognised in Revaluation Reserve	(15,099)	7,189	0	0	0	**(7,910)**
Revaluation increases / (decreases) recognised in (Surplus) or Deficit on Provision of Services	(80,045)	(13,339)	0	0	0	**(93,384)**
Derecognition - disposals	(315)	(3,800)	(1,088)	(351)	0	**(5,554)**
Reclassifications and transfers	0	9,673	0	0	(28,183)	**(18,510)**
Gross Book Value 31 March 2024	**854,037**	**566,504**	**27,013**	**24,843**	**75,271**	**1,547,668**
Movements in depreciation and impairment						
Accumulated Depreciation at 1 April 2022	**0**	**0**	**(12,717)**	**0**	**0**	**(12,717)**
Depreciation charge	(3,840)	(4,965)	(2,376)	0	0	**(11,181)**
Depreciation / Impairment written out to the Revaluation Reserve	3,467	1,705	0	0	0	**5,172**
Depreciation / Impairment written out to (Surplus) or Deficit on Provision of Services	367	3,260	0	0	0	**3,627**
Derecognition - disposals	6	0	201	0	0	**207**
Reclassification and transfers	0	0	0	0	0	**0**
Accumulated Depreciation at 31 March 2023	**0**	**0**	**(14,892)**	**0**	**0**	**(14,892)**
Depreciation charge	(3,396)	(4,365)	(2,410)	0	0	**(10,171)**
Depreciation / Impairment written out to the Revaluation Reserve	2,988	1,540	0	0	0	**4,528**
Depreciation / Impairment written out to (Surplus) or Deficit on Provision of Services	404	2,825	0	0	0	**3,229**
Derecognition - disposals	4	0	1,089	0	0	**1,093**
Reclassification and transfers	0	0	0	0	0	**0**
Accumulated Depreciation at 31 March 2024	**0**	**0**	**(16,213)**	**0**	**0**	**(16,213)**
Net Book Value (NBV):						
- At 31 March 2023	869,934	544,483	10,011	23,331	72,096	**1,519,855**
- At 31 March 2024	854,037	566,504	10,800	24,843	75,271	**1,531,455**

*Council dwellings at 31 March 2024 include 246 properties held within the GF with a NBV of £41.733 million (246 properties held within the GF with a NBV of £42.675 million at 31 March 2023).

Disposals

The Council sold nine Right To Buy (RTB) properties with a NBV of £0.316 million.

The Council disposed of Intangible Assets (£1.6 million) and Equipment (£1.09 million) that were no longer in use.

Capital Commitments

As at 31 March 2024 the Council had outstanding capital commitments of £52.498 million GF (£83.502 million at 31 March 2023 (restated)) and £76.586 million HRA (£23.768 million at 31 March 2023 (restated)) in respect of contracted schemes.

The major commitments as at 31 March 2024 were:

- New Homes Delivery Programme
  - Barlby Road - £36.679 million (£43.404 million as at 31 March 2023)
  - Silchester Estates Remedial Works - £37.814 million (£0 million as at 31 March 2023)
  - Silchester Arches - £3.067 million (£5.340 million as at 31 March 2023)
- Street Scene Improvements (Sloane Street) - £12.751 million (£19.759 million as at 31 March 2023)
- The Walkways Major Refurbishment - £12.696 million (£0 million as at 31 March 2023)
- Fire Door Phase 3 - £5.761 million (£6.956 million as at 31 March 2023)
- Treadgold House - £6.385 million (£0 million as at 31 March 2023)
- External Cyclical Works Swinbrook Estate - £6.071 million (£9.936 million as at 31 March 2023)

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:

	2023/24	2022/23
	£'000	£'000
Office units	11,490	9,910
Commercial units	203,809	204,107
Land	16,770	16,470
Other investment property	18,157	190
Total fair value	**250,226**	**230,677**

There were no transfers between any of the three levels of the fair value hierarchy during 2023/24 or the preceding year. During 2023/24, four investment sites transferred from investment properties to Operational Other Land and Building assets.

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:

	2023/24	2022/23
	£'000	£'000
Rental income from investment property	(16,926)	(16,193)
Direct operating expenses arising from investment property	3,701	2,765
Net (gain) / loss	**(13,225)**	**(13,428)**

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:

	2023/24	2022/23
	£'000	£'000
Balance at 1 April	**230,677**	**234,970**
Additions - Subsequent expenditure	266	180
Assets Under Construction	12,494	0
Disposals	(350)	0
Net gains / (losses) from fair value adjustments	1,124	(3,705)
Transfers (to) / from Property, Plant and Equipment	6,015	(768)
Balance at 31 March	**250,226**	**230,677**

26. Intangible assets

Software Licences	2023/24	2022/23
	£'000	£'000
Gross carrying amount at 1 April	20,722	19,378
- Purchases	1,106	1,497
- Disposals	(1,603)	(153)
Gross carrying amount at 31 March	**20,225**	**20,722**
Accumulated amortisation at 1 April	(13,895)	(11,728)
- Amortisation for the period	(2,526)	(2,295)
- Disposals	956	128
Accumulated amortisation at 31 March	**(15,465)**	**(13,895)**
Net carrying amount at 1 April	**6,827**	**7,650**
Net carrying amount at 31 March	**4,760**	**6,827**

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 2023/24, all Council assets were subject to a deductible of £0.250 million per claim event, reflecting the self-insurance component. The potential total self-insurance expenditure for asset claims was capped at £2.173 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.

	2023/24				2022/23			
	Heritage Properties	Museum Collections	Art in Parks	Total	Heritage Properties	Museum Collections	Art in Parks	Total
	£'000	£'000	£'000	**£'000**	£'000	£'000	£'000	**£'000**
Cost/Valuation at 1 April	**19,483**	**24,361**	**2,219**	**46,063**	**19,993**	**24,361**	**2,006**	**46,360**
Adjustment to opening balance	(43)	(64)	107	**0**	0	0	0	**0**
Additions	1,033	608	120	**1,761**	1,656	0	213	**1,869**
Revaluations	(1,193)	0	0	**(1,193)**	(2,166)	0	0	**(2,166)**
Cost/Valuation at 31 March	**19,280**	**24,905**	**2,446**	**46,631**	**19,483**	**24,361**	**2,219**	**46,063**

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

	2023/24	2022/23
	£'000	£'000
Depreciation and impairment charge	146	174
Depreciation written out on revaluations recognised in the Revaluation Reserve	(76)	(93)
Depreciation written out on revaluations recognised in the Surplus / Deficit on Provision of Services	(70)	(81)
Total	**0**	**0**

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.

	2023/24	2022/23
	£'000	£'000
Opening Capital Financing Requirement	**556,464**	**489,139**
Capital investment		
Property, Plant and Equipment	150,125	127,595
Heritage Assets	1,153	1,869
Investment Properties	266	180
Intangible Assets	1,106	1,497
Revenue Expenditure Funded from Capital Under Statute	5,328	4,176
Grenfell settlement - capitalisation of prior year revenue costs	51,772	23,228
Sources of finance		
Capital receipts	(8,687)	(47,202)
Government grants and other contributions	(46,995)	(27,108)
Sums set aside from revenue:		
- Direct revenue contributions	(13,561)	(1,188)
- Direct Revenue Funding (Major Repairs Reserve)	(9,389)	(11,250)
- MRP / loans fund principal	(6,131)	(4,472)
Closing Capital Financing Requirement	**681,451**	**556,464**

	2023/24	2022/23
	£'000	£'000
Provision to reduce the underlying need to borrow (MRP)		
- Supported borrowing	(680)	(708)
- Unsupported borrowing	46,321	19,464
Increase in underlying need to borrow (supported by capital receipts)	79,346	48,569
Increase / (decrease) in the Capital Financing Requirement	**124,987**	**67,325**

29. Debtors

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

	31 March 2024			31 March 2023		
Category of debt (all at amortised cost)	**Gross Debtor**	**ECL**	**Net Debtor**	**Gross Debtor**	**ECL**	**Net Debtor**
	£000	£000	£000	£000	£000	£000
Current Debtors						
Trade receivables	16,767	(2,724)	14,043	22,516	(4,650)	17,866
Other receivables	4,913	(2,263)	2,650	4,302	(2,238)	2,064
Central government - Grenfell	3,515	0	3,515	12,489	0	12,489
Central government - Other	14,615	0	14,615	26,862	0	26,862
Health Authorities	1,450	0	1,450	2,160	0	2,160
Other Local Authorities	16,688	0	16,688	9,034	0	9,034
Temporary Accommodation	4,614	(2,851)	1,763	3,149	(2,123)	1,026
Commercial Waste	97	(6)	91	132	(14)	118
Housing Benefit Overpayments	6,663	(4,116)	2,547	7,052	(4,359)	2,693
Local Taxation	28,372	(20,531)	7,841	28,227	(21,307)	6,920
HRA Rent Payers	7,140	(1,877)	5,263	4,421	(2,359)	2,062
HRA Service Charge	5,423	(840)	4,583	3,870	(1,254)	2,616
Parking	19,689	(18,456)	1,233	18,064	(16,730)	1,334
Service loans	202	0	202	75	0	75
Grenfell settlement	1,020	0	1,020	54,328	0	54,328
Payments in advance and deposits	3,419	0	3,419	4,376	0	4,376
Total Current Debtors	**134,587**	**(53,664)**	**80,923**	**201,057**	**(55,034)**	**146,023**
Long Term Debtors						
Service loans	2,818	0	2,818	12	0	12
HRA Service Charge	0	0	0	300	0	300
Advances and deposits	310	0	310	311	0	311
Total Long Term Debtors	**3,128**	**0**	**3,128**	**623**	**0**	**623**
Total Debtors	**137,715**	**(53,664)**	**84,051**	**201,680**	**(55,034)**	**146,646**

The 'Grenfell Settlement' debtor at 31 March 2023 comprised of £31.478 million due from the Council's insurer into a legal escrow account towards the settlement of the Grenfell compensation claims and £22.850 million paid in advance by the Council into the escrow account. During 2023/24 payments were made out from the escrow account leaving a balance of £1.020 million at 31 March 2024.

The reduction in 'Central government - Other' debt includes £8.060 million in 2022/23 for non-domestic rates safety net payments which is a £2.207 million creditor in 2023/24, and a £3.605 million lower housing benefit subsidy due from Department for Work and Pensions.

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 94%; trade receivables include ECL for commercial rents with a loss rate ranging from 5% to 100%.

30. Creditors

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

	31 March 2024		31 March 2023	
	Current	Long Term	Current	Long Term
	£'000	£'000	£'000	£'000
Trade payables	(50,034)	(1,201)	(43,672)	(914)
Receipts in advance	(27,728)	0	(28,029)	0
Central government bodies	(12,051)	0	(57,345)	0
Other local authorities	(35,372)	0	(30,244)	0
NHS bodies	(2,721)	0	(3,588)	0
Other payables	(10,106)	0	(10,527)	0
Total creditors	**(138,012)**	**(1,201)**	**(173,405)**	**(914)**

£19.703 million Social Housing Decarbonisation Fund included in 'Central government bodies' at 31 March 2023 was repaid to the Department for Energy, Security and Net Zero.

A further reduction in £25.501 million in Central government bodies' is in relation to Collection Fund non-domestic rates for DLUHC.

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.

2023/24	Insurance	NNDR Appeals	Grenfell Settlement	Disputed Invoices	Other	Total
	£'000	£'000	£'000	£'000	£'000	**£'000**
Balance at 1 April	(2,865)	(20,917)	(72,706)	(250)	(201)	**(96,939)**
Additional provisions made	(536)	(16,615)	(33,772)	(1,409)	(132)	**(52,464)**
Amounts used	1,036	20,505	64,227	0	105	**85,873**
Unused amounts reversed	0	0	0	250	0	**250**
Balance at 31 March	(2,365)	(17,027)	(42,251)	(1,409)	(228)	**(63,280)**
Of which:						
Long Term	(2,340)	0	0	0	0	**(2,340)**

<u>Insurance</u>

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.

<u>NNDR Appeals</u>

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 2022/23 and this share remains the same in 2023/24.

Grenfell Settlement

A provision has been 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. Although a settlement was announced in May 2023, the Council is exposed to potential liabilities for further settlements and associated legal costs. These payments are expected to be made during 2024/25.

Disputed Invoices

The balance comprises disputed invoices and payments that a supplier has not charged during the contract period and is yet to fully quantify.

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 the 14th 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:

Financial Assets	31 March 2024 Long-term	31 March 2024 Current	31 March 2023 Long-term	31 March 2023 Current
	£'000	£'000	£'000	£'000
Investments				
At Fair Value through Profit and Loss - principal amount	23,272	0	22,540	0
At amortised cost - principal amount	0	0	0	10,000
At amortised cost - accrued interest	0	0	0	134
Total investments	**23,272**	**0**	**22,540**	**10,134**
Debtors				
Loans at amortised cost	2,808	82	12	75
Other receivables at amortised cost	310	25,223	311	21,022
Total included in debtors	**3,118**	**25,305**	**323**	**21,097**
Cash and Cash Equivalents (CCE)				
At amortised cost - principal amount	0	6,121	0	12,442
At Fair Value through Profit and Loss - principal amount	0	15,950	0	12,700
At Fair Value through Profit and Loss - accrued interest	0	96	0	66
Total included in CCE	**0**	**22,167**	**0**	**25,208**
Total financial assets	**26,390**	**47,472**	**22,863**	**56,439**
Other Assets*	2,261,239	55,833	2,284,141	93,471
Total Assets per Balance Sheet	**2,287,629**	**103,305**	**2,307,004**	**149,910**

Financial Liabilities

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

Financial Liabilities	31 March 2024 Long-term	31 March 2024 Current	31 March 2023 Long-term	31 March 2023 Current
	£'000	£'000	£'000	£'000
Borrowings				
Amortised cost - principal amount	(321,146)	(20,891)	(229,219)	(9)
Amortised cost - accrued interest		(3,926)		(2,359)
Total borrowings	**(321,146)**	**(24,817)**	**(229,219)**	**(2,368)**
Creditors				
Financial liabilities carried at contract amounts	(1,202)	(50,034)	(914)	(42,653)
Total included in creditors	**(1,202)**	**(50,034)**	**(914)**	**(42,653)**
Total financial liabilities	**(322,348)**	**(74,851)**	**(230,133)**	**(45,021)**
Other liabilities	(68,455)	(184,195)	(67,752)	(180,988)
Total Liabilities per Balance Sheet	**(390,803)**	**(259,046)**	**(297,885)**	**(226,009)**

*Included in the current figure is the Council's obligation in respect of its defined benefit pension plans, which do not meet the definition of a financial asset or liability. The net pension asset is shown on the Balance Sheet under Other Long Term Assets at 31 March 2024 and at 31 March 2023. 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:

	2023/24				2022/23			
	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	10,421	**10,421**	0	0	7,854	**7,854**
Interest and investment income in CIES	(290)	(2,180)	0	**(2,470)**	(817)	(1,631)	0	**(2,448)**
Losses on revaluation	0	(731)	0	**(731)**	0	1,545	0	**1,545**
Net (gain) / loss for the year	**(290)**	**(2,911)**	**10,421**	**7,220**	**(817)**	**(86)**	**7,854**	**6,951**

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 2024, 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:

	Level	31 March 2024		31 March 2023 restated	
		Fair Value	Carrying Amount	Fair Value	Carrying Amount
		£'000	£'000	£'000	£'000
PWLB loans	2	(298,018)	(345,963)	(179,554)	(231,587)
Fair value deemed equivalent to carrying amount			(51,236)		(43,567)
		(298,018)	(397,199)	(179,554)	(275,154)

The prior year's figure for 'Liabilities for where fair value is not disclosed' has been restated to only include items that are financial instruments.

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. This comes with the 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. During 2023/24, £23.228m was borrowed from PWLB.

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
    - 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 2023/24 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 1 March 2023.

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:

	Fitch Rating	**2023/24**	**2022/23**
		£'000	£'000
Other local authorities	UNRATED	0	10,000
Money Market Funds	AAA	15,950	12,700
Banks	A+ or above	0	0
Investment Grade Bond Fund	UNRATED	23,272	22,540
Total		**39,222**	**45,240**

All investments as at 31 March 2024 are with UK domiciliary institutions.

Loss allowances are calculated on the Council's investments based on externally assessed risk of default by individual counterparties. In 2023/24 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 2023/24	Risk	Loan	ECL 2022/23	Risk
	£'000	£'000	£'000	£'000	£'000	£'000
Loans at zero rate	2,808	0	0	0	0	0
Total	**2,808**	**0**	**0**	**0**	**0**	**0**

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 2024, the Council had £39.222 million (£45.270 million in 2022/23) invested externally, and could borrow a further £335.487 million (£304.008 million in 2022/23) 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:

Maturity Period	2023/24		2022/23	
	Principal	**Interest**	**Principal**	**Interest**
	£'000	£'000	£'000	£'000
Maturing in under one year	20,891	13,155	9	7,613
Maturing between one and two years	18,191	11,862	12,709	7,613
Maturing between two and five years	27,568	31,903	13,026	19,710
Maturing between five and ten years	92,206	33,544	22,525	29,085
Maturing between ten and 20 years	57,274	46,456	55,047	47,980
Maturing between 20 and 30 years	90,047	22,492	90,047	25,016
Maturing after 30 years	35,861	2,919	35,865	4,090
Total	**342,038**	**162,331**	**229,228**	**141,107**

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.

The Council's Money Market Fund investments are carried at fair value on the Council's Balance Sheet, so nominal gains and losses on these directly impact the Surplus and Deficit on Provision of Services in the CIES.

The market prices of the Council's units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk. Nominal gains and losses on these investments are charged to the Surplus or Deficit on Provision of Services in the CIES and then transferred to the Pooled Fund Investment Adjustment Account.

All other investment are carried at amortised cost, and nominal gains and losses do not impact on the Surplus or Deficit on Provision of Services in the CIES.

The Council has several strategies for managing interest rate risk. The Council forecasts its expected interest rate movements within the Treasury Management Strategy. 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	(4,538)
Impact on CIES	(4,538)
Share of overall impact debited to the HRA	2589
Decrease in fair value of fixed rate borrowing liabilities	(23,809)

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 2023/24, the Council paid £5.654 million (£5.484 million in 2022/23) to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% 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.

Transactions made in the CIES	2023/24 RBKC Pension Scheme	2022/23 RBKC Pension Scheme	2023/24 LPFA Pension Scheme	2022/23 LPFA Pension Scheme
	£'000	£'000	£'000	£'000
Service cost comprising:				
- Current service cost	26,162	55,071	24	38
- Past service costs	755	410	0	0
- (Gain) / loss on settlements	0	0	0	0
Financing and Investment Income and Expenditure:				
- Net interest expense / (gain)	(20,767)	(1,576)	(536)	(91)
- Administration expenses	1,057	958	10	10
Post Employment Benefits charged to the (Surplus)/Deficit on Services in the CIES	**7,207**	**54,863**	**(502)**	**(43)**
Remeasurement of the net defined benefit liability / asset comprising:				
- Return on plan assets	(172,038)	86,111	(958)	(76)
- Actuarial gains and losses arising on changes in demographic assumptions	(5,647)	(23,539)	(302)	(881)
- Actuarial gains and losses arising on change in financial assumptions	(61,600)	(553,518)	(14)	(7,746)
- Experience (gain) / loss	34,880	86,971	73	1,231
- Changes in effect of asset ceiling / Other (gains) / losses	256,085	(226)	3,961	9,846
Total Post Employment Benefits charged to Other Income and Expenditure in the CIES	**51,680**	**(404,201)**	**2,760**	**2,374**
Total Post Employment Benefits charged to the CIES	**58,887**	**(349,338)**	**2,258**	**2,331**

Transactions made in the MIRS	2023/24 RBKC Pension Scheme	2022/23 RBKC Pension Scheme	2023/24 LPFA Pension Scheme	2022/23 LPFA Pension Scheme
	£'000	£'000	£'000	£'000
Reversal of net IAS 19 charges	(7,207)	(54,863)	502	43
Actual amount charged to GF/HRA	10,638	19,859	123	135

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 2024 RBKC Pension Scheme	31 March 2023 RBKC Pension Scheme	31 March 2024 LPFA Pension Scheme	31 March 2023 LPFA Pension Scheme
	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(1,071,363)	(1,054,196)	(20,677)	(21,372)
Fair value of plan assets	1,727,312	1,502,201	34,522	33,468
Sub-total	**655,949**	**448,005**	**13,845**	**12,096**
Present value of unfunded obligation	(2,214)	(2,339)	(923)	(1,000)
Impact of asset ceiling	(256,318)	0	(13,835)	(9,874)
Net (liability)/asset arising from defined benefit obligation	**397,417**	**445,666**	**(913)**	**1,222**

The net defined benefit liability as at 31 March 2023 is negative i.e. an asset. 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' the Council's actuaries have calculated an asset ceiling which restricts the amount disclosed in the Balance Sheet.

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 2024 RBKC Pension Scheme	31 March 2023 RBKC Pension Scheme	31 March 2024 LPFA Pension Scheme	31 March 2023 LPFA Pension Scheme
	£'000	£'000	£'000	£'000
Opening balance at 1 April	**(1,056,535)**	**(1,474,553)**	**(22,372)**	**(30,673)**
Current service cost	(26,162)	(55,071)	(24)	(38)
Administration expenses*	(1,057)	(958)		
Interest cost	(50,168)	(40,212)	(1,036)	(775)
Change in financial assumptions	61,600	553,518	14	7,746
Change in demographic assumptions	5,647	23,539	302	881
Experience (loss) / gain	(34,880)	(86,971)	(73)	(1,231)
Liabilities assumed / (extinguished) on settlements	0	0	0	0
Estimated benefits paid net of transfers in	37,880	33,303	1,485	1,614
Past service costs and curtailments	(755)	(410)	0	0
Contributions - scheme participants	(9,380)	(8,946)	(6)	(6)
Unfunded pension payments	233	226	110	110
Closing balance at 31 March	**(1,073,577)**	**(1,056,535)**	**(21,600)**	**(22,372)**

Reconciliation of Movement in the Fair Value of Scheme Assets	31 March 2024 RBKC Pension Scheme	31 March 2023 RBKC Pension Scheme	31 March 2024 LPFA Pension Scheme	31 March 2023 LPFA Pension Scheme
	£'000	£'000	£'000	£'000
Opening balance at 1 April	**1,502,201**	**1,551,022**	**33,468**	**34,091**
Interest on assets	70,935	41,788	1,572	866
Return on assets less interest	172,038	(86,111)	958	76
Administration expenses*			(10)	(10)
Contributions - employer	10,638	19,859	123	135
Contributions - scheme participants	9,380	8,946	6	6
Estimated benefits paid plus unfunded net of transfers in	(37,880)	(33,303)	(1,595)	(1,724)
Other experience gains / (losses)	0	0	0	28
Settlement prices received / (paid)	0	0	0	0
Closing balance at 31 March	**1,727,312**	**1,502,201**	**34,522**	**33,468**

*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.

The below table shows the fair value of scheme assets. The LGPS scheme includes UK assets of £297.555 million (£256.031 million at 31 March 2023) that do not have a quoted market price in an active market.

	31 March 2024		31 March 2023		31 March 2024		31 March 2023	
	RBKC Pension Scheme				LPFA Pension Scheme			
	£'000	%	£'000	%	£'000	%	£'000	%
Equities	1,384,997	80	1,233,684	82	20,902	61	18,940	56
Property	173,887	10	137,876	9	3,158	9	3,240	10
Cash and equivalents	88,182	5	130,641	9	541	2	643	2
Bonds	80,246	5	0	0	0	0	0	0
Target return portfolio	0	0	0	0	5,955	17	6,384	19
Infrastructure	0	0	0	0	3,966	11	4,261	13
Total	**1,727,312**	100	**1,502,201**	100	**34,522**	100	**33,468**	100

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 2023. 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 higher net discount rate used as at 31 March 2024, compared to the previous year, has contributed to an increase in the net pension asset.

There are no minimum funding requirements in the Local Government Pension Scheme but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

Demographic / statistical assumptions

Life expectancy data is based on the Continuous Mortality Investigation's model, CMI 2022.

The average life expectations from age 65 for LGPS are:

Life expectancy in years	31 March 2024 (after CMI_2022 update)	31 March 2023 (after CMI_2021 update)	31 March 2022 (after CMI_2020 update)
Retiring today			
- Males	21.9	22.1	22.4
- Females	24.5	24.7	24.9
Retiring in 20 years			
- Males	22.8	23.0	23.3
- Females	25.7	25.9	26.1

The assumed life expectations from age 65 for LPFA are:

Life expectancy in years	31 March 2024 (after CMI_2022 update)	31 March 2023 (after CMI_2021 update)	31 March 2022 (after CMI_2020 update)
Retiring today			
- Males	20.9	21.1	21.8
- Females	23.4	23.6	24.0
Retiring in 20 years			
- Males	22.0	22.1	23.2
- Females	25.3	25.5	26.0

Financial assumptions

The financial assumptions used are set with reference to market conditions at 31 March 2024.

	31 March 2024	31 March 2023	31 March 2024	31 March 2023
	RBKC Pension Scheme		LPFA Pension Scheme	
Discount rate (% p.a.)	4.85	4.75	4.85	4.80
Pension increases (% p.a.)	2.75	2.95	2.95	2.90
Salary increases (% p.a.)	3.75	3.95	3.95	3.90

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 2024 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	19,763
1 year increase in member life expectancy	4	42,943
0.1% increase in the salary increase rate	0	787
0.1% increase in the pension increase rate (CPI)	2	19,339

LPFA Pension Scheme	Increase	No change	Decrease
	£'000	£'000	£'000
Life expectancy (increase or decrease of 1 year):			
- Present value of total obligation	22,962	21,600	20,325
- Projected service cost	24	24	23
Long term increase in salaries (increase or decrease of 0.1%)			
- Present value of total obligation	21,602	21,600	21,599
- Projected service cost	24	24	24
Increase in pensions (increase or decrease of 0.1%)			
- Present value of total obligation	21,814	21,600	21,390
- Projected service cost	24	24	24
Adjustment to discount rate (increase or decrease of 0.1%)			
- Present value of total obligation	21,393	21,600	21,812
- Projected service cost	23	24	24

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 is estimated at 199% as at 31 March 2024.

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.

The following table shows the projected pension expenses at each reporting date, anticipated to be payable in the following year.

Projected as at:	31 March 2025	31 March 2024	31 March 2025	31 March 2024
	RBKC Pension Scheme		LPFA Pension Scheme	
	£'000	£'000	£'000	£'000
Projected current service cost	23,026	23,740	24	24
Net interest (gain)/cost	(31,373)	(20,806)	41	(536)
Administration expenses	1,057	958	11	10
Total loss / (profit)	**(7,290)**	**3,892**	**76**	**(502)**
Projected employer contributions	**9,910**	**8,979**	**13**	**13**

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 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.

Other court cases

No allowances have been included in relation to three other cases 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

The Council as Lessee

Assets acquired under finance leases were held as PPE (Other Land and Buildings) in the Balance Sheet at £1.200 million as at 31 March 2024 (£1.200 million 31 March 2023).

The future minimum lease payments due under non-cancellable operating leases in future years are as follows:

	31 March 2024	31 March 2023
	£'000	£'000
Not later than one year	5	19
Later than one year and not later than five years	17	16
Later than five years	67	72
Total minimum lease payments	**89**	**107**

Minimum lease payments of £0.085 million were charged to the CIES in 2023/24 (£0.110 million in 2022/23).

The Council as Lessor

The Council has let a number of properties, mostly land, on very long leases that are judged to be finance leases. Ten assets have been let on leases of 999 years and four other properties have been let on terms of either 125 or 150 years. In each case, the Council receives a peppercorn rent (if demanded) and there is no guaranteed residual value of the property. This means that the gross investment in each lease is zero and thus no financial disclosures to be made.

Properties let by the Council include five storage units leased to private individuals and companies, the land occupied by the Muslim Cultural Heritage Centre, the Tesco store in Fenelon Place, the Great Western Studios, the Manor House Estate and a property on Notting Hill Gate. A parcel of land at Henry Dickens Court and a small parcel of land at Redcliffe Square have been judged to be finance leases on the basis of substance over form. In some cases, a premium has been paid to secure a long tenancy at a peppercorn rate and in others, the Council has granted favourable terms to deliver social benefit.

Operating Leases

The Council leases out property and equipment under operating leases to generate additional income and to provide smaller premises for small businesses and charitable organisations in the Council that may otherwise not be available. The Council charges economic rents for its properties.

Some assets are leased to companies delivering services on behalf of the Council. Such assets are recorded as operational properties and the relevant service contracts normally take account of the lease rentals. Therefore, the cost of operating the properties are recorded under the relevant service line of the CIES with any lease income recorded in line with proper practices. To report such rents as income under operating leases could potentially present a misleading view of the Council's operating lease income and therefore such arrangements are not included in the table below.

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

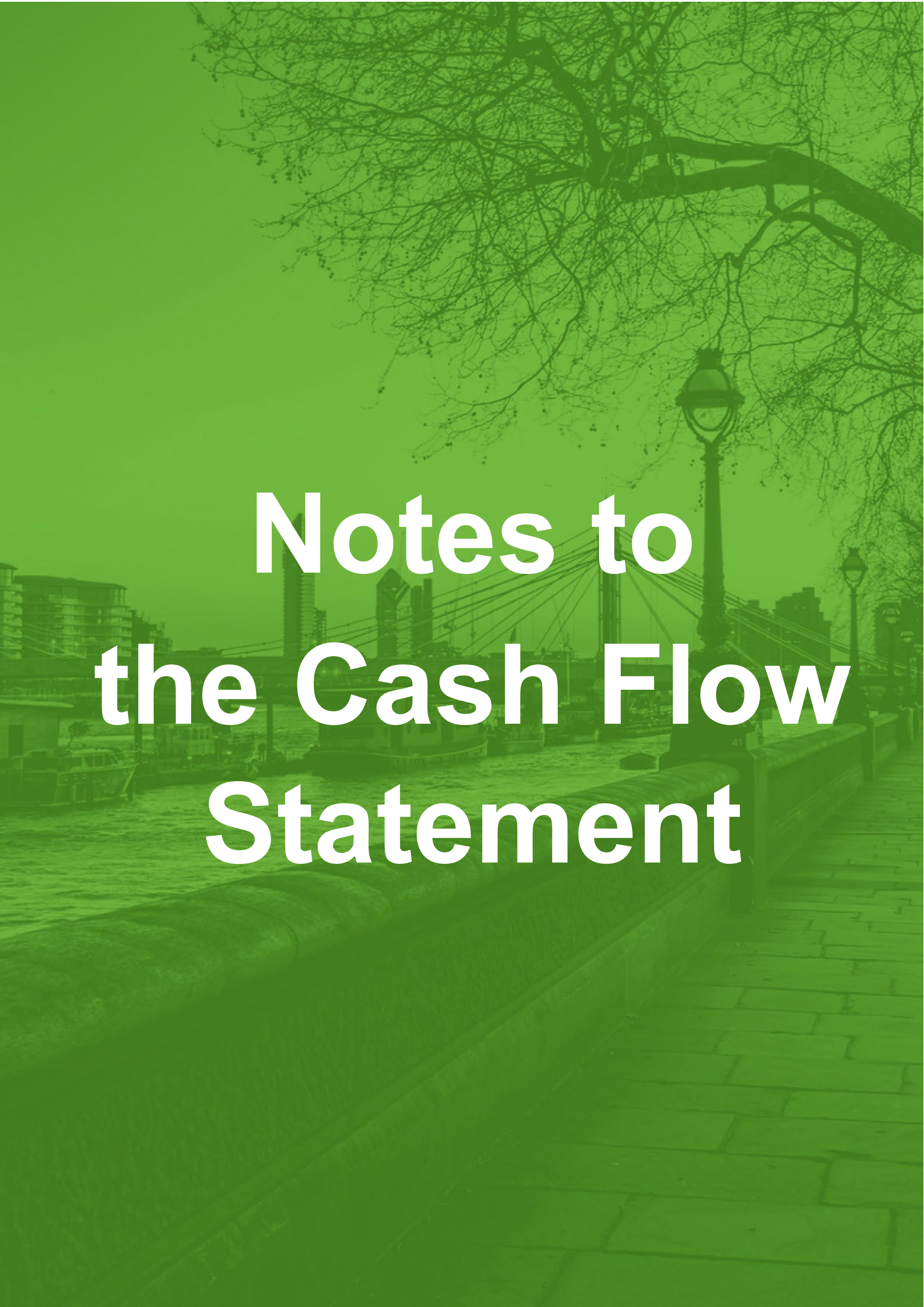
	31 March 2024	31 March 2023
	£'000	£'000
Not later than one year	13,644	12,591
Later than one year and not later than five years	46,354	45,239
Later than five years	105,904	113,503
Total future minimum lease payments	**165,902**	**171,333**

The information in the table above reflects current leases (a number of which expire in the coming years), tenancies at will, leases that have been held over and leases without a finite expiry date. The Council anticipates that expiring leases will be re-let to new or existing tenants, but income from these and vacant properties is not included in the table.

Changes to accounting standards: IFRS 16 Leases

The implementation of IFRS 16 Leases is effective from 2024/25.

The main change introduced by IFRS 16 that is likely to impact the Council is accounting as a lessee for what are currently referred to as operating leases. These are where the Council enters into contracts for services with asset implications and / or where it has benefits and use of those assets. Under IFRS 16 the Council will be required to recognise a right of use asset and a lease liability on the Balance Sheet (subject to certain exemptions); currently the Council includes these costs as operating lease payments in the CIES. The Council will update its accounting policy on leases for 2024/25 to reflect the changes, including a threshold for exempt low-value leases.



Notes to the Cash Flow Statement

38. Cash Flow Statement - Operating Activities

	2023/24	2022/23
	£'000	£'000
Net Surplus / (Deficit) on the Provision of Services	**(82,950)**	**(122,856)**
Remove non-cash movements		
Depreciation and amortisation	16,694	17,371
Impairment and downward revaluations	91,140	109,375
Increase / (decrease) in creditors	(25,705)	(81,795)
(Increase) / decrease in debtors	(6,706)	(27,575)
Increase / (decrease) in provisions	23,651	0
Movement in pension liability	(4,056)	34,826
Carrying amount of non-current assets and assets held for sale, sold or derecognised	4,811	514
Other non-cash items	(1,402)	8,539
Sub-total	**98,427**	**61,255**
Adjust for items that are investing and financing activities		
Proceeds from the sale of non-current assets	(4,218)	(8,883)
Grants for the financing of capital expenditure	(21,927)	(9,371)
Sub-total	**(26,145)**	**(18,254)**
Net cash flows from revenue activities	**(10,668)**	**(79,855)**

39. Cash Flow Statement - Investing Activities

	2023/24	2022/23
	£'000	£'000
Purchase of non-current assets	(151,771)	(128,401)
Disposal of short-term and long-term investments	10,000	35,000
Other (payments) / receipts for investing activities	0	0
Proceeds from the sale of non-current assets	4,218	8,883
Capital grants and contributions received	33,006	56,113
Net cash flows from investing activities	**(104,547)**	**(28,405)**

40. Cash Flow Statement - Financing Activities

	2023/24	2022/23
	£'000	£'000
Cash receipts of borrowing	113,228	0
Repayments of borrowing	(418)	(5,009)
Cash receipts of other liabilities	4,710	3,832
Repayments of other liabilities	(5,900)	(36,131)
Collection Fund adjustments	554	104,058
Net cash flows from financing activities	**112,174**	**66,750**

41. Cash and cash equivalents

The Council held the following cash and cash equivalent balances at 31 March 2024.

	31 March 2024	31 March 2023
	£'000	£'000
Cash held by the Council	1,219	1,121
Bank current accounts	4,902	11,321
Short-term deposits	16,046	12,766
Total cash and cash equivalents	**22,167**	**25,208**

1. General Principles

The Statement of Accounts summarises the Council's financial transactions for the 2023/24 financial year and its position at 31 March 2024. 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 2023/24 (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:

- 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.

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

<u>Financial liabilities</u>

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.

<u>Financial assets</u>

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.

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 "EUV"). 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. 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

Leases are classified as finance leases where the terms of the lease transfers substantially all the risks and rewards incidental to ownership of the property, plant, or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

<u>The Council as Lessee</u>

PPE held under a finance lease is recognised on the Balance Sheet at the commencement of the lease either at its fair value, measured at the inception date of the lease, or if lower, the present value of the minimum lease payments. The asset recognised is matched by a liability representing the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are used to write down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant, or equipment, which writes down the lease liability
- a finance charge, which is debited to the Financing and Investment Income and Expenditure line in the CIES.

PPE recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period). Capital charges arising from leased assets are substituted in the GF for a revenue contribution, by way of an adjusting transaction with the CAA via the MIRS for the difference between the two.

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased property, plant, or equipment. Charges are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments e.g. there is a rent-free period at the commencement of the lease.

<u>The Council as Lessor</u>

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.

<u>Operating Leases</u>

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments e.g. there is a premium paid at the commencement of the lease. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

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.

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.

<u>Subsequent changes in value</u>

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:

- 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.

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.

DLUHC has confirmed that council's will be allowed to retain 100% of RTB receipts from the sale of council housing stock during 2022/23 and 2023/24 with the condition that these receipts must be used within five years. Over the two-year period there will be a freeze on capping the number of existing homes authorities can purchase using Right to Buy receipts. Previously, only a proportion of receipts arising from RTB sales was retained by the Council to provide a one-for -one replacement of the housing stock. 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

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.

HRA Income & Expenditure Statement	31 March 2024	31 March 2023
	£'000	£'000
Expenditure		
Repairs and maintenance	16,406	15,064
Supervision and management	41,876	36,908
Rents, rates, taxes and other charges	462	511
Dwellings Depreciation	3,183	3,617
Depreciation of other non current assets	280	351
(Gains) / Losses as a result of revaluation or impairment	76,907	63,303
Debt Management Costs	52	52
Total Expenditure	**139,166**	**119,806**
Income		
Dwelling rents	(48,256)	(44,475)
Non-dwelling rents	(708)	(622)
Charges for services and facilities	(20,319)	(13,606)
Contributions towards expenditure	0	(15)
Total Income	**(69,283)**	**(58,718)**
Net Cost of HRA Services as included in the CIES	**69,883**	**61,088**
HRA service share of Corporate and Democratic Core	0	0
Net (Income) / Cost for HRA Services	**69,883**	**61,088**
HRA share of operating income and expenditure included in the CIES		
(Gain) or loss on sale of HRA non-current assets	(3,554)	(8,139)
Interest payable and similar charges	4,588	4,819
Movement in Expected Credit Loss (ECL) impairment provision	717	(687)
Interest and net investment income	(657)	(856)
Changes to fair value of investment properties	(381)	(306)
Income and expenditure relating to investment properties	(3,968)	(3,517)
Capital grants and contributions receivable	(13,244)	(210)
HRA share of operating income and expenditure	**(16,499)**	**(8,896)**
(Surplus) or deficit for the year on HRA services	**53,384**	**52,192**

Movement on the HRA Statement	31 March 2024	31 March 2023
	£'000	£'000
HRA balance at the end of the previous year	**(4,999)**	**(4,999)**
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	53,384	52,192
Adjustments between accounting basis and funding basis under statute		
Reversal of gain or (loss) on sale of HRA non-current assets	3,554	8,139
Reversal of revaluation losses	(76,907)	(63,303)
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HR requirements	10,641	(8,338)
Transfer to / (from) Major Repairs Reserve	9,328	11,310
Net (increase) or decrease before transfers to or from earmarked reserves	**0**	**0**
Transfers to / (from) reserves		
HRA Controlled Repairs Reserve	0	0
(Increase) or decrease in year on the HRA	**0**	**0**
HRA balance at the end of the year	**(4,999)**	**(4,999)**
HRA general balance	(4,999)	(4,999)
HRA earmarked reserves	(988)	(988)
Total HRA reserves at the end of the year	**(5,987)**	**(5,987)**

1. Value of assets held on the Balance Sheet

	31 March 2024	31 March 2023
	£'000	£'000
Council dwellings	811,221	827,260
Intangible assets	278	352
Other land and buildings	13,932	13,692
Assets under construction	523	523
Investment properties	41,759	41,996
Plant, Furniture and Equipment	85	107
Total	**867,798**	**883,930**

2. Number and types of dwelling

Archetype description	1 April 2024	1 April 2023	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	187	187	0
Medium	3,589	3,599	(10)
High Rise	2,502	2,507	(5)
Multi-Occupancy	66	47	19
Total	**6,704**	**6,700**	**4**

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 2024 the vacant possession value of dwellings within the HRA was £3,244.880 million (£3,309.040 million as at 31 March 2023). The difference of £2,433.660 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

	2023/24	2022/23
	£'000	£'000
Capital expenditure		
- dwellings	75,513	59,632
- assets under construction	0	107
	75,513	**59,739**
Funded by:		
Usable capital receipts	(8,495)	(47,202)
Capital grants and contributions	(14,182)	(1,078)
Major Repairs Reserve	(9,389)	(11,250)
Borrowing	(43,447)	0
Revenue Contribution	0	(209)
	(75,513)	**(59,739)**

6. Capital Receipts in Year

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

	2023/24	2022/23
	£'000	£'000
Dwellings (net of sale expenses)	(1,861)	(3,549)
Other property	(2,355)	(5,079)
Total	**(4,216)**	**(8,628)**

7. Cost of Borrowing

The HRA paid interest on borrowing of £7.480 million during 2023/24 (£5.043 million in 2022/23).

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	2023/24	2022/23
	£'000	£'000
Gross arrears	**5,755**	**4,421**
Net arrears (including credit balances)		
- Former tenants	1,539	1,204
- Current tenants	1,626	224
Net arrears at 31 March	**3,165**	**1,428**

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	2023/24	2022/23
	£'000	£'000
Gross arrears	**5,733**	**4,891**
Net arrears (including credit balances)		
- Leaseholder charges	4,522	3,514
- Commercial properties	543	720
Net arrears at 31 March	**5,065**	**4,234**

The total provision included in the Balance Sheet in respect of all HRA ECL, including the above debts, is £2.892 million (£3.833 million at 31 March 2023).

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.

	2023/24				2022/23			
	BRS £'000	NNDR £'000	Council Tax £'000	Total £'000	BRS £'000	NNDR £'000	Council Tax £'000	Total £'000
Income								
Council Tax Receivable	0	0	(141,742)	(141,742)	0	0	(135,691)	(135,691)
Business Rates Receivable	0	(218,161)	0	(218,161)	0	(280,239)	0	(280,239)
Business Rates Supplement (BRS)	(7,760)	0	0	(7,760)	(9,238)	0	0	(9,238)
Transactional Protection Payments	0	(21,194)	0	(21,194)	0	1,119	0	1,119
	(7,760)	**(239,355)**	**(141,742)**	**(388,857)**	**(9,238)**	**(279,120)**	**(135,691)**	**(424,049)**
Expenditure								
Precepts, Demands and Shares								
Central Government	0	80,085	0	80,085	0	97,574	0	97,574
Greater London Authority	0	89,792	42,429	132,221	0	109,401	38,483	147,884
Billing Authority	0	72,804	98,529	171,333	0	88,704	95,977	184,681
	0	**242,681**	**140,958**	**383,639**	**0**	**295,679**	**134,460**	**430,139**
Apportionment of Prior Year Surplus / (Deficit)								
Central Government	0	(3,356)		(3,356)	0	(54,062)	0	(54,062)
Greater London Authority	0	(3,762)	189	(3,573)	0	(60,615)	(990)	(61,605)
Billing Authority	0	(3,051)	285	(2,766)	0	(49,147)	(2,710)	(51,857)
	0	**(10,169)**	**474**	**(9,695)**	**0**	**(163,824)**	**(3,700)**	**(167,524)**
BRS - Payment to Levying authorities	**7,378**	**0**	**0**	**7,378**	**9,192**	**0**	**0**	**9,192**
Charges to Collection Fund								
Increase / (Decrease) in Impairment	366	(1,676)	839	(471)	27	(81)	1,725	1,671
Increase / (Decrease) in Provision for Appeals	0	(12,964)	0	(12,964)	0	17,275	0	17,275
Cost of Collection	16	567	0	583	19	626	0	645
	382	**(14,073)**	**839**	**(12,852)**	**46**	**17,820**	**1,725**	**19,591**
(Surplus) / Deficit arising during the year	**0**	**(20,916)**	**529**	**(20,387)**	**0**	**(129,445)**	**(3,206)**	**(132,651)**
(Surplus) / Deficit at start of year	**0**	**40,529**	**(673)**	**39,856**	**0**	**169,974**	**2,533**	**172,507**
(Surplus) / Deficit at end of year	**0**	**19,613**	**(144)**	**19,469**	**0**	**40,529**	**(673)**	**39,856**

1. Council Tax

In 2023/24, the tax base for the Council was 97,732 properties (97,280 in 2022/23) which was used to calculate the Band D council tax of £1,422.40 (£1,364.47 in 2022/23), excluding Garden Squares. This includes the GLA Band D precept of £434.14 (£395.59 in 2022/23).

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	
	£	£	2023/24	2022/23		2023/24	2022/23
A	up to	40,000	783	773	0.67	522	515
B	40,001	52,000	1,669	1,671	0.78	1,298	1,300
C	52,001	68,000	5,477	5,414	0.89	4,868	4,812
D	68,001	88,000	8,983	8,814	1.00	8,983	8,814
E	88,001	120,000	9,883	9,892	1.22	12,079	12,090
F	120,001	160,000	9,726	9,658	1.44	14,049	13,950
G	160,001	320,000	17,363	17,287	1.67	28,938	28,812
H	320,001	and above	14,621	14,612	2.00	29,243	29,224
			68,505	**68,121**		**99,980**	**99,518**
	Collection rate after allowance for non-collection					97.75%	97.75%
	Council Tax base used to calculate Band D					**97,732**	**97,280**

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 £679 million at 31 March 2024 (£758 million at 31 March 2023). The standard NDR multiplier for 2023/24 and 2022/23 was 51.2 pence. The Small Business Rate Relief multiplier for 2023/24 and 2022/23 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.

The Business Rate Supplement Rateable Value at 31 March 2024 was £528 million (£611 million at 31 March 2023). The standard BRS multiplier for 2023/24 was 2 pence, unchanged from previous years.

4. Debtors for Local Taxation

The following table analyses the age of council tax and business rate debtors and shows the impairment allowance in respect of those debts. The figures shown represent the Council's shares only.

	Long Term		Current	
	2023/24	2022/23	2023/24	2022/23
	£'000	£'000	£'000	£'000
Council tax arrears	8,218	7,800	4,641	5,161
Business rates arrears	11,057	9,630	4,472	5,636
Gross tax payers arrears at 31 March	**19,275**	**17,430**	**9,113**	**10,797**
Council tax prepayments	(7,036)	(6,170)	(6,139)	(7,553)
Business rates prepayments	(5,679)	(3,730)	(3,085)	(4,178)
Gross tax payers prepayments at 31 March	**(12,715)**	**(9,900)**	**(9,224)**	**(11,731)**
Net taxpayers arrears at 31 March	**6,560**	**7,530**	**(111)**	**(934)**
Allowance for bad debts				
Council tax	(6,917)	(6,710)	(2,320)	(2,735)
Business rates	(8,980)	(8,638)	(2,326)	(3,224)
Total taxpayers bad debt allowance	**(15,897)**	**(15,348)**	**(4,646)**	**(5,959)**

5. Apportionment of Balance Sheet items

	2023/24				2022/23			
	RBKC	GLA	Govt.	Total	RBKC	GLA	Govt.	Total
	£'000	£'000	£'000	**£'000**	£'000	£'000	£'000	**£'000**
Council Tax								
Debtors	12,858	5,727	0	**18,585**	12,961	5,581	0	**18,542**
Bad debt allowance	(9,237)	(4,114)	0	**(13,351)**	(9,445)	(4,067)	0	**(13,512)**
Prepayments and overpayments	(13,175)	(5,868)	0	**(19,043)**	(13,723)	(5,910)	0	**(19,633)**
(Surplus) / Deficit at 31 March	(93)	(51)	0	**(144)**	(424)	(249)	0	**(673)**
Business Rates								
Debtors	15,514	19,134	17,065	**51,713**	15,266	18,829	16,793	**50,888**
Bad debt allowance	(11,294)	(13,929)	(12,423)	**(37,646)**	(11,862)	(14,630)	(13,048)	**(39,540)**
Prepayments and overpayments	(8,764)	(10,808)	(9,640)	**(29,212)**	(7,908)	(9,753)	(8,699)	**(26,360)**
Provision for appeals	(17,027)	(20,999)	(18,729)	**(56,755)**	(20,916)	(25,796)	(23,007)	**(69,719)**
(Surplus) / Deficit at 31 March	5,884	7,258	6,471	**19,613**	12,159	14,997	13,373	**40,529**

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

We have audited the financial statements of Royal Borough of Kensington and Chelsea Pension Fund (the 'Pension Fund') administered by Royal Borough of Kensington and Chelsea (the 'Authority') for the year ended 31 March 2024, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- Give and true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and of the amount and disposition at that date of the fund's assets and liabilities;
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- Have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Executive Director of Resources's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Executive Director of Resources's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Executive Director of Resources's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director of Resources with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's financial statements. The Executive Director of Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements, the other information published together with the Pension Fund's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

- Under the Code of Audit Practice, we are required to report to you if:
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority and the Executive Director of Resources

As explained more fully in the Statement of Responsibilities the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Resources. The Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Executive Director of Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, Public Service Pensions Act 2013, Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016).

We enquired of management and the Audit and Transparency Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit and Transparency Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- journal entries posted which met a range of criteria determined during the course of the audit, in particular those posted around the reporting date which had an impact on the fund's financial position, and
- accounting estimates made in respect of the valuation of investment assets.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Executive Director of Resources has in place to prevent and detect fraud;
- journal entry testing, with a focus on entries meeting the criteria determined by the audit team;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of level 3 investments, including direct property investments, and the actuarial present value of promised retirement benefits per IAS 26;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item. evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of

Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority’s members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Dean

Matthew Dean, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

30 September 2024

Fund Account	Note	2023/24	2022/23
		£000	£000
Dealings with members, employers and others directly involved in the fund			
Contributions	7	(23,020)	(31,867)
Individual transfer in from other pension funds		(11,780)	(7,420)
		(34,800)	**(39,287)**
Benefits	8	40,973	36,464
Payments to and on account of leavers			
- Refunds to members leaving service		23	131
- Individual transfers out to other pension funds		11,058	6,558
- Payments in respect of tax		321	0
Other expenditure		0	0
		52,375	**43,153**
Net (additions)/withdrawals from dealing with members		**17,575**	**3,866**
Management expenses	9	6,530	5,928
Net (additions) / withdrawals including fund management expenses		**24,105**	**9,794**
Returns on Investments:			
Investment income	10	(10,675)	(8,650)
Other income		(403)	(37)
Profit and losses on disposal of investments and changes in market value of investments	11	(239,729)	45,871
Taxes on income		0	0
Net return on investments		**(250,807)**	**37,184**
Net (increase) / decrease in the net assets available for benefits during the year		**(226,702)**	**46,978**
Opening net assets of the scheme		(1,583,866)	(1,630,844)
Closing net assets of the scheme		**(1,810,568)**	**(1,583,866)**

Net Assets Statement	Note	31 March 2024	31 March 2023
		£'000	£'000
Investment assets	12	1,803,867	1,578,508
Current assets	21	11,106	8,815
Current liabilities	22	(4,335)	(3,387)
Long-term liabilities		(70)	(70)
		1,810,568	**1,583,866**

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:

	2023/24	2022/23
Active members	4,080	3,902
Pensioners receiving benefits	3,717	3,602
Deferred pensioners*	5,661	5,661
Total	**13,458**	**13,165**

*In 2023/24, there were an additional 233 leavers (74 in 2022/23) 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 2023/24 and its position at the year-end as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (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).

<u>Going Concern</u>

The LGPS is a statutory, state backed scheme and as at March 2024 was 199% 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

<u>Fund Account – revenue recognition</u>

(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. Any amount due in year but unpaid is classed as a current financial asset.

(b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the 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.

<u>Uncertainties in actuarial PV of promised retirement benefits</u>

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 £20 million.
- a one-year increase in assumed life expectancy would increase the liability by approximately £45 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 £19 million

Present Value of Promised Retirement Benefits comprise of £1,124 million as at 31 March 2024, (£1,303 million for 2022/23). The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

<u>Pension Fund Liability</u>

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.

<u>Unquoted Private Equity Investments</u>

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 £131 million (£124 million on 31 March 2023). If these assets are under or over valued by 15.9%, this would affect the overall value of the fund by £20.8 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 2023 rolled forward to 31 March 2024 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 2024 of the directly held property investments was £167.1 million. It is estimated that a change in valuation of the order of 7.4% would be likely to be considered material to the Fund's accounts.

5. Events after the Balance Sheet date

Following Committee approval and successful bidding, the Fund completed the acquisition of a hotel property, costing £11.900 million in April 2024.

6. Accounting Standards issued but not yet adopted

At the Balance Sheet date, there were no new standards or amendments yet to be adopted by the Code of Practice on Local Authority Accounting in the United Kingdom which affected the Pension Fund.

7. Contributions receivable

By category	2023/24	2022/23
	£000	£000
Employee contributions	**(10,484)**	**(9,814)**
Employer contributions		
- Normal contributions	(11,962)	(21,307)
- Deficit recovery contributions		(6)
- Augmentation contributions	(574)	(740)
Total employers' contributions	**(12,536)**	**(22,053)**
Total	**(23,020)**	**(31,867)**

By authority	2023/24	2022/23
	£000	£000
Administering authority	(20,016)	(29,010)
Scheduled bodies	(2,889)	(2,702)
Admitted bodies	(115)	(155)
Total	**(23,020)**	**(31,867)**

8. Benefits payable

By category	2023/24	2022/23
	£000	£000
Pensions	34,288	30,728
Commutation and lump sum retirement benefits	5,826	4,705
Lump sum death benefits	859	1,031
Total	**40,973**	**36,464**

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

By authority	2023/24	2022/23
	£000	£000
Administering authority	36,573	32,585
Scheduled bodies	1,212	590
Admitted bodies	3,188	3,289
Total	**40,973**	**36,464**

9. Management expenses

	2023/24	2022/23
	£000	£000
Administrative costs	1,136	1,101
Investment management expenses		
- management fees	4,333	4,298
- transaction costs	423	(16)
- custody fees	39	40
- performance related fees	54	119
Oversight and governance costs	545	386
Total	**6,530**	**5,928**

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

	2023/24	2022/23
	£000	£000
Index Linked Gilts	(227)	0
Equity dividends	0	(2,043)
Pooled property investments	(710)	(1,068)
Interest on cash deposits	(1,016)	(142)
Rental income	(8,722)	(5,397)
Total	**(10,675)**	**(8,650)**
Taxes on income	0	0
Total	**(10,675)**	**(8,650)**

11. Movements in investments

Market value (MV)	1 April 2022	Purchases	Sales	Change in MV	31 March 2023	Purchases	Sales	Change in MV	31 March 2024
	£'000	£'000	£'000	£'000	**£'000**	£'000	£'000	£'000	**£'000**
Equities	**746,261**	0	0	(746,111)	**150**	0	(0)	0	**150**
Pooled investments	**630,083**	164,743	(223,848)	736,894	**1,307,872**	25,013	(267,950)	249,022	**1,313,957**
Pooled property investments	**25,844**	0	(4,170)	(2,974)	**18,700**	0	(3,246)	(676)	**14,778**
Private equity/infrastructure	**121,378**	27,190	(14,938)	(9,623)	**124,007**	14,744	(8,747)	1,067	**131,071**
Directly managed	**73,080**	77,865	0	(24,765)	**126,180**	46,744	(0)	(5,789)	**167,135**
Index-linked gilts	**0**	0	0	0	**0**	87,371	(0)	(3,881)	**83,490**
Sub-total	**1,596,646**	**269,798**	**(242,956)**	**(46,579)**	**1,576,909**	**173,872**	**(279,943)**	**239,743**	**1,710,581**
Investment income due	**276**			0	**295**			0	**661**
Amount receivable for sales of investments	**0**			0	**0**			0	**0**
Spot FX contracts	**0**			50	**0**			(4)	**0**
Cash deposits	**30,027**			658	**1,304**			(10)	**92,625**
Amounts payable for purchases of investments	**0**			0	**0**			0	**0**
Net investment assets	**1,626,949**	**269,798**	**(242,956)**	**(45,871)**	**1,578,508**	**173,872**	**(279,943)**	**239,729**	**1,803,867**

12. Investments by Fund Manager

Fund manager (market value)	31 March 2024		31 March 2023	
	£'000	%	£'000	%
BlackRock	916,002	50.8%	836,144	53.0%
Baillie Gifford	397,956	22.1%	336,052	21.3%
L and G Liquidity	0	0.0%	135,678	8.6%
Adams Street	131,071	7.3%	124,007	7.9%
Directly managed	167,135	9.3%	126,180	8.0%
KAMES	8,398	0.5%	9,623	0.6%
CBRE	6,380	0.4%	9,077	0.6%
London CIV	150	0.0%	150	0.0%
L and G Equities	0	0.0%	0	0.0%
Index Linked Gilts	83,490	4.6%	0	0.0%
Total Fund Managers	**1,710,582**		**1,576,911**	
Cash held at custody	93,285	5.2%	1,598	0.1%
Total Investments	**1,803,867**	**100%**	**1,578,509**	**100%**

13. Investments exceeding 5% of Net Assets

Fund Manager (MV)	31 March 2024		31 March 2023	
	£'000	%	£'000	%
BlackRock	916,002	50.6%	836,144	53.0%
Baillie Gifford	397,956	22.0%	336,052	21.3%
Directly managed	167,135	9.2%	126,180	8.1%
Adams Street	131,071	7.2%	124,007	7.9%
Cash held at custody	93,285	5.2%	0	0.0%
L and G Liquidity	0	0.0%	135,678	8.6%
Total Fund Managers	**1,705,449**	**94.2%**	**1,558,061**	**98.9%**

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 2023 cash held at custody did not exceed 5% of net assets and was not included in the note.

14. Investment property

	31 March 2024	31 March 2023
	£000	£000
Opening balance	126,180	73,080
Purchases	46,744	77,865
Net increase / (decrease) in MV	(5,789)	(24,765)
Total	**167,135**	**126,180**

The future minimum lease payments are as follows:

	31 March 2024	31 March 2023
	£000	£000
Within one year	10,790	7,183
Between one and five years	42,906	26,839
Later than five years	65,926	41,282
Total future lease payment due under existing contracts	**119,622**	**75,304**

15. Classification of Financial Instruments

Financial liabilities (creditors) at amortised cost totalled £4.405 million (£3.457 million at 31 March 2023). There were none designated as fair value through profit and loss (FVPL) as at 31 March 2023.

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.

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

31 March 2023	FVPL	Amortised Cost	Total
	£'000	£'000	**£'000**
Pooled funds - investment vehicles			
- UK pooled liquidity fund	135,678	0	**135,678**
- Pooled global equities	1,172,196	0	**1,172,196**
- Pooled property investments	18,700	0	**18,700**
- Pooled private equity funds (unquoted)	124,007	0	**124,007**
Sub-total	**1,450,581**	**0**	**1,450,581**
UK quoted	0	0	**0**
UK unquoted	150	0	**150**
Overseas	0	0	**0**
Cash with investment managers	0	1,304	**1,304**
Cash with administering authority	0	4,434	**4,434**
Investment income due	0	294	**294**
Debtors	0	4,381	**4,381**
Total financial assets	**1,450,731**	**10,413**	**1,461,144**

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.

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.

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

31 March 2023	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	**£'000**
Financial assets				
- at fair value through profit and loss	0	1,326,574	124,157	**1,450,731**
Total financial assets	**0**	**1,326,574**	**124,157**	**1,450,731**
Non financial assets				
- at fair value through profit and loss	0	0	126,180	**126,180**
Total non financial assets	**0**	**0**	**126,180**	**126,180**
Total assets at FV through profit and loss	**0**	**1,326,574**	**250,337**	**1,576,911**

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

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
Total	**250,337**	**61,488**	**(8,747)**	**(4,722)**	**298,356**

31 March 2023	Market Value	Purchases	Sales	Change in MV	Total
	£'000	£'000	£'000	£'000	£'000
London LGPS CIV	150	0	0	0	150
Private Equity	121,378	27,190	(14,938)	(9,623)	124,007
Directly held property	73,080	77,865	0	(24,765)	126,180
Total	**194,608**	**105,055**	**(14,938)**	**(34,388)**	**250,337**

Sensitivities of Level 3 Assets

If the Valuation of the underlying companies within the private equity portfolio was out by 15.9% this would alter the value of the Fund's investment assets in this class by £20.8 million.

	Valuation Range	Value 31 March 2024	Value on increase	Value on decrease
	%	£'000	£'000	£'000
Private Equity	15.9	131,071	151,912	110,231

For the private equity movement to be considered material, the valuation would have to change by 3.74%.

Description of asset	Valuation hierarchy 2023/24	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Directly held equities	Level 1	Valued using close of business quoted price on 31 March 2024	Market value of individual securities	Not required
Bonds	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
Pooled Investments - Equity Funds UK and Overseas and Liquidity Fund	Level 2	The NAV for each share class is calculated based on the market value of the underlying asset	Evaluated price feeds	Not required
Pooled Property Funds	Level 2	The Pension Fund's Property Funds are priced on a Single Swinging Price	In house evaluation of market data	Not required
Private Equity	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
Directly managed property	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.

	Value	Value on increase	Value on decrease
	£'000	£'000	£'000
At 31 March 2024	1,710,430	1,937,566	1,483,294
At 31 March 2023	1,441,082	1,632,638	1,249,526

The following is a breakdown of total assets exposed to price risk as at 31 March 2024.

	Value	Volatility	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Equity	1,313,956	13.2	1,487,399	1,140,514
Private Equity	131,071	15.9	151,912	110,231
Property	181,913	10.9	201,741	162,084
Index Linked Gilts	83,490	15.6	96,514	70,465
Total	**1,710,430**		**1,937,566**	**1,483,294**

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 2024	176,775	180,311	173,240
At 31 March 2023	137,276	140,022	134,531

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.

	Volatility	Value	Value on increase	Value on decrease
	%	£'000	£'000	£'000
US Dollar	8.3	765,378	828,570	702,187
North America Basket	8.1	240,764	260,187	221,340
EURO	4.3	98,934	103,223	94,646
Europe ex UK Basket	4.2	72,826	75,863	69,789
Japanese Yen	8.8	57,050	62,054	52,047
Emerging Basket	5.6	47,357	49,986	44,727
Canadian Dollar	5.2	29,573	31,123	28,023
Asia Pac Basket	5.6	29,449	31,104	27,793
Swiss Franc	5.8	26,089	27,596	24,582
Australian Dollar	7.2	17,309	18,558	16,060
Swedish Krona	6.8	7,457	7,966	6,949
Hong Kong Dollar	8.0	4,203	4,540	3,866
At 31 March 2024		**1,396,389**	**1,500,770**	**1,292,009**
At 31 March 2023		**1,196,350**	**1,286,914**	**1,105,786**

(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 2023, the Fund had outstanding commitments of $80.5 million / £63.3m (31 December 2022: $69.4m / £56.2m) to a variety of Adams Street private equity funds. It is 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 2023/24.

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 2023/24 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:

Financial assumptions	March 2022	March 2019
	%	%
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:

- 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 2024. 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 2024	31 March 2023
	£'m	£'m
Present value of promised retirement benefits	(1,124)	(1,103)
Fair value of scheme assets (bid value)	1,804	1,579
Net liability	**680**	**476**

<u>Financial assumptions</u>

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

Financial assumptions	31 March 2024	31 March 2023
	%	%
Consumer Price Index (CPI) increases	2.75	2.95
Salary increases	3.75	3.95
Pension increases	3.75	2.95
Discount rate	4.85	4.75

<u>Demographic Assumptions</u>

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, with a 25% weighting of 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:

Life expectancy from age 65 years	31 March 2024	31 March 2023
	Years	Years
Retiring today		
- Males	21.9	22.1
- Females	24.5	24.7
Retiring in 20 years		
- Males	22.8	23.0
- Females	25.7	25.9

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 2024	31 March 2023
	£'000	£'000
Debtors		
- Contributions due - employers	1,485	2,102
- Contributions due - employees	821	762
- Sundry debtors	1,912	1,517
- Prepayments	79	0
Sub-total	**4,297**	**4,381**
Cash balances	6,809	4,434
Total	**11,106**	**8,815**

Analysis of debtors	31 March 2024	31 March 2023
	£000	£000
RBKC	1,650	1,414
Other entities and individuals	2,647	2,967
Total	**4,297**	**4,381**

22. Current Liabilities

	31 March 2024	31 March 2023
	£'000	£'000
Creditors		
- Sundry creditors	(4,284)	(3,352)
- Benefits payable	(51)	(36)
Total	**(4,335)**	**(3,388)**

Analysis of creditors	31 March 2024	31 March 2023
	£'000	£'000
Central government bodies	(542)	(269)
Other local authorities	0	(118)
RBKC	(3,043)	(1,949)
Other entities and individuals	(750)	(1,052)
Total	**(4,335)**	**(3,388)**

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 2023/24, AVCs of £0.410 million were paid to the provider, Prudential, (£0.359 million in 2022/23). The market value of these funds at 31 March 2024 was £4.296 million (£4.278 million at 31 March 2023).

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 £1.130 million and £0.104 million respectively in the financial year 2023/24 (£1.060 million and £0.090 million respectively in 2022/23).

In year, and in total, the Council contributed £8.623 million to the Fund compared to £16.850 million in 2022/23. As at 31 March 2024 the Council owed the Pension Fund a net amount of £1.650 million (£1.414million at 31 March 2023).

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, £0.046 million (£0.045 million in 2022/23) 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 2024	31 March 2023
	£'000	£'000
Short term benefits	46	45
Post employment benefits	9	(92)
Total	**55**	**(47)**

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 2023/24, the Fund paid the gross sum of £0.228 million (£0.225 million in 2022/23) 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 £94,414 for 2023/24.

27. Contingent liabilities

The Pension Fund had no contingent liabilities for 2023/24.

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.

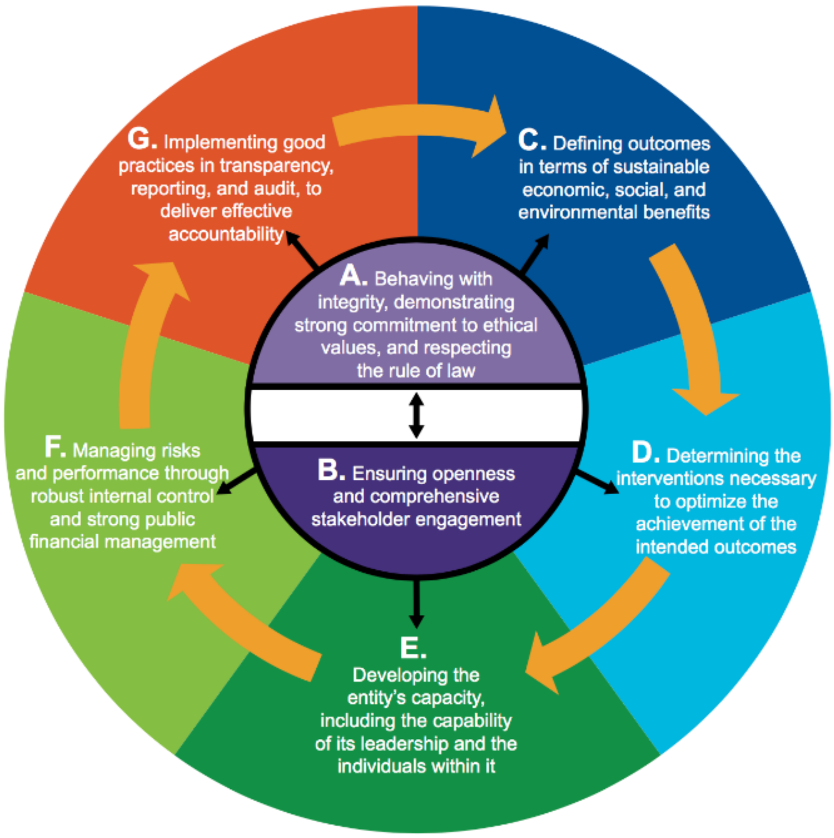
This Statement provides a review of the effectiveness of the Council's governance arrangements for 2023/24.

The Council's Audit and Transparency Committee reviews governance arrangements, risk registers and quarterly performance 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 is currently considering the implications of the Public Inquiry report.

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 2023/24 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.

Following the Grenfell tragedy the Council has 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.

The Council's participation in the LGA Peer Review highlighted recommendations which were included in our Equality, Diversity and Inclusion strategy for 2021-2023. Over the past year we have been consulting with staff and our communities to develop a new Equality Strategy – our Fairer Action Plan. The Plan is under public consultation currently.

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 2023/24 is that the Council's internal control systems in the areas audited were adequate, with 86% of the audits undertaken receiving a positive assurance opinion (81% in 2022/23). The annual report on internal audit and control for 2023/24 was presented to the audit and Transparency Committee on 18 June 2024 and can be found 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 Team, Leadership Team and Overview and Scrutiny Committee. The Council's Medium Term Financial

Strategy for 2024/25 to 2027/28 was presented in July 2023 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 citizens and build resilience).

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.

The creation of the Digital Data and Technology service completed in early 2023/24 following disaggregation from the shared arrangement with Westminster City Council.

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. All partners, including the Council, are engaged in taking forward the strategic governance and oversight of the partnership through their membership of either the Strategic Direction Board or the Operational Forum. The Shared Services Forum and the Operational Performance Group are used to identify issues of a strategic nature for be escalated to Operational Forum.

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 2023/24, copies of which can be found on the Council's website at Council Committees > Audit and Transparency Committee (rbkc.gov.uk).

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 November 2023. This was the third 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 2022/23 Compliance Statement also contained an update on progress against those actions identified as part of the 2021/22 review that was reported to Audit and Transparency Committee in July 2022.

The review of 2022/23 demonstrated that the Council was already compliant in many areas and actions were put in place to address areas of partial compliance. 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, fifteen were demonstrated to have been fully achieved in 2022/23. The remaining two, relating to the use of financial resilience assessments and documented options appraisal methodology to determine value for money, are now incorporated as part of the revenue and capital budget monitoring and reporting process.

Good work is taking place overall, however there are some areas where improvements will continue to contribute towards achieving the standards set out in The Code in full. 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 below.

Corporate Governance	Management Team	Services are delivered economically, efficiently and effectively
•Constitution (incl. statutory officers, scheme of delegation, financial procedure, management and procurement rules) •Audit and Transparency Committee •Internal and external audit •Independent external assurance sources (including inspections) •Overview and Scrutiny function and Select Committees •Council, Leadership Team and Panels •Shareholder Committee •Council Plan and People Strategy •Charter for Public Participation •Medium Term Financial Strategy, including Capital Strategy •Complaints system •HR policies and procedures •Whistleblowing and other counter fraud arrangements •Risk management framework •Performance management system •Codes of conduct	•The role of Chief Officers •Delivery of Council's aims and objectives •Corporate Planning •Business, Financial and Commissioning Plans •Officer codes of conduct •Performance appraisal •The role of the Chief Financial Officer •The role of the Head of Internal Audit •Roles and responsibilities of Members and Officers •Timely production of a Statement of accounts •External and Internal audit reports recommendations •Review of Corporate Governance •Risk and Control Board •Annual completion of Directors Assurance Statements •Strategic Risk Register	•Management of risk •Effectiveness of internal controls •Democratic engagement and public accountability •Budget and financial management arrangements •Standards of conduct and behaviour •Compliance with laws and regulations, internal policies and procedures •Action plans dealing with significant issues are approved, actioned and reported on •Local Government and Social Care Ombudsman reports •Housing Ombudsman reports •External inspections (including Ofsted, CQC, Social Housing Regulator) •Electoral Commission report •Overview and Scrutiny reviews •Effectiveness reviews of Audit and Transparency Committee and Internal Audit •Performance management framework •Compliance with the Procurement Code •Stakeholder engagement •Evaluation of benefits gained from investments and projects

3.2. Assessment of effectiveness of governance arrangements

The governance framework described in section 2 has been in place throughout 2023/24 and maintained up to the date of the approval of the Statement of Accounts. Key governance processes during 2023/24 comprised the following:

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	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

Select Committees	the Leadership Team to account for decisions through pre-decision scrutiny and contribute to policy development and review. 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 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.
Ethics Panel	Advises the Council on best practice and provides advice on complaints that Members 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.
Monitoring Officer	Maintains the register of councillors' interests, deals with complaints that councillors 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.
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	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. Information risk is managed by assigning roles and responsibilities and co-ordinating the implementation of mitigating controls and security based on information polices 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. The Chief Information Officer fulfils the role of Senior Information Risk Owner and is familiar with and takes ownership of the Council's information governance policy and strategy. The Council also has a Data Protection Officer. All Directors hold responsibility for their own area and a Caldicott Guardian is 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.
Anti-Fraud work	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). 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.
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.
Partnerships	The Council has a number of partnerships in place which are supported through their own governance and decision making, including: • Bi-Borough and Tri-Borough, through arrangement under Section 113 of the Local Government Act 1972 • Health Partnerships, through Section 75 Agreement • 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 will leave the partnership at the end of March 2025.
Performance management	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.

	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. 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.
Complaint investigations	The Council has a two-stage complaints process. Quarterly reporting is presented to Directorate Management Teams and the Executive Management Team.
The Charter for Public Participation	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.
Citizen's Panel	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.
Risk and Control Board	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 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. 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.

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.

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 2022/23 review is now complete and the recommendations and management responses were presented to the Audit and Transparency Committee in June 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 Borough's 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 also committed to further change in response to Grenfell Testimony Week. Here, key lessons and areas of focus include ensuring we listen to our residents, engage with them respectfully and prioritise safety in all of our thinking.

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 2023/24 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. The programme of support has been extended as necessary to ensure services continue to run through until September 2024.

Despite this, the Council recognised publicly that support for the bereaved, survivors and immediate community will need to continue well into the future. Many of the major milestones which will facilitate recovery and justice for the community are still ahead of us. This includes: the publication of the Grenfell Tower Public Inquiry's final report and the implementation of recommendations; a decision being taken, and implemented, on the future of Grenfell Tower; memorialisation of the site; and the outcome of the criminal investigation. The Council is 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 has 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 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.

The Council were asked by lawyers acting on behalf of the Grenfell community to deliver £42 million of the programme. This will take the form of the delivery of services to the bereaved and survivors, the immediate community who live within a 500m radius of the Tower, and education and training support for both cohorts.

Throughout 2023-2024, the Council has run a far reaching consultation, hearing the views of nearly 3000 people, to help design the models of support and inform how the £42 million should be spent. This has been done under external scrutiny of two charities appointed by the lawyers of the claimants to ensure the consultation represents best practice and the outcome is a fair result.

As the Council works in partnership with the community to develop the new Restorative Justice programme, we will simultaneously need to ensure a safe and collaborative ending to the current Recovery Programme. The published "Delivery, Reach and Impact" reports for the programme show the significant number of people who access and value the support so facilitating a smooth transition for residents receiving and providers delivering the support will be key.

More broadly through the Grenfell Legacy and wider Council Plan (2023-2027), 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 work of the Grenfell Tower Inquiry and the criminal investigation will be vital as part of this. The Council will continue to support the search for the truth, adhering to the commitments set out in the Charter for Families Bereaved through Public Tragedy.

Oracle Implementation

The Council is currently working towards the implementation of the Oracle solution for finance and human resources and is scheduled to go live in April 2025. This will replace the SAP system hosted by Hampshire County Council. The project is being undertaken by a dedicated team with support from external advisors and following good governance processes. Any issues will be managed and monitored in the Council's Strategic Risk Register.

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 on 18 March 2024, 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.

During the period covered by this Statement, the Monitoring Officer received nine complaints alleging a breach of the Councillor Code of Conduct. Most significantly, three of the complaints were investigated on behalf of the Monitoring Officer. The investigating officers concluded that the complaints did involve breaches of the Councillor Code of Conduct 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 councillors, the subject of the complaints, to have been in breach of the Code and imposed sanctions.

Five of the remaining complaints have been resolved as follows:

- Two were settled informally as the councillors apologised
- Two complaints revealed no breach of the Code
- One was not pursued and treated as withdrawn

One complaint is outstanding and still being dealt with.

4. Accountability and action plans

4.1. Update on significant issues addressed in 2022/23 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.

To support governance and management of the Capital Programme, following a review in 2022/2023, a Capital Programme project and programme management office (PMO) was established in Summer 2023. The PMO has 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. This is continuously reviewed to ensure it fits with the overarching governance frameworks set out by the Council.

5. Conclusion

The Council is satisfied that appropriate governance arrangements have been maintained in 2023/24. 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 ongoing Grenfell Public Inquiry
- Focusing on key risks and areas for improvement
- Continuing regular, open and transparent engagement with local people

Maxine Holdsworth
Chief Executive

13 September 2024

Cllr Elizabeth Campbell
Leader

23 September 2024

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.

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.

DEPARTMENT FOR LEVELLING UP, HOUSING AND COMMUNITIES (DLUHC) 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'.

EFFECTIVE INTEREST RATE (EIR) is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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 more than one year.

OPERATING LEASE is a that does not transfer to the lessee substantially all the risks and rewards incidental to ownership of the property, plant, or equipment.

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.

UK GAAP ACCOUNTING STANDARDS is the Generally Accepted Accounting Practice in the UK (UK GAAP). This is the body of accounting standards and other guidance published by the UK's Financial Reporting Council (FRC).

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