Statement of Accounts

2025/26





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THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

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Introduction

This is my first year introducing our statement of accounts as section 151 officer and I do so at a time when the country and us as a borough are facing significant financial challenges as well as important opportunities for change and reform.

During 2025/26 central government finally published its “fair funding” proposals to reform how local authorities are funded. Councils such as ours that have maintained lower levels of council tax will see their funding significantly reduced, with our reduction expected to be £108 million over the period 2026/27-2029/30. This reduction will have a huge impact on us as a Council in terms of how we operate and we will have to get used to working in a vastly different financial context compared to what we have had previously.

Along with these significant reductions to our funding from central government, the other financial challenges we have been facing have not gone away either. Economic growth has continued to be sluggish while inflation and interest rates have remained high by recent historical standards. Heightened tensions and conflict in the Middle East is likely to keep them elevated for longer, increasing costs for the Council. These factors are all likely to adversely impact 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.

A significant event during the year was the cyber attack suffered by the Council in November 2025. The incident disrupted a number of critical systems and required the implementation of extensive business continuity arrangements to ensure services continued to be delivered. Recovery remains ongoing and the financial implications will extend into 2026/27. During 2025/26, costs arose from specialist technical support, additional digital expenditure and some loss of income resulting from service disruption. Looking ahead, further investment will be required to further strengthen our cyber resilience, modernise infrastructure and ensure the Council is better protected against future threats.

The Council has a statutory responsibility to set a balanced budget and the Medium Term Financial Strategy 2026/27 to 2029/30 approved by Full Council in July 2025 set out our approach for doing this while also providing support to our residents.

During 2025/26 work continued across the Council to support transformation and identify savings to ensure the Council is able to meet the standards of service it has committed to residents within the ever-decreasing financial envelope we are working within. A multi-year approach will be taken to explore opportunities for longer-term savings and allow for more transformative change.

This work was instrumental in us setting a balanced budget for 2026/27 back in February 2026 and we are developing this programme further to support the Council in setting a balanced budget for 2027/28 and beyond. Further detail of this will be published in our Medium-Term Financial Strategy 2027/28 to 2030/31 which will be taken to Leadership Team in July 2026. Leadership Team will also receive regular progress reports during the financial year on the delivery of the budget and savings identified as part of the budget.

The Housing Revenue Account (HRA) continues to face significant financial challenges, arising from the intensive investment needs of the stock to achieve 100% Decent Homes by January 2030 (as per RBKCs commitment to The Regulator), and from a range of factors in the economic operating environment including recent higher inflation, the rising cost of borrowing, the cost of materials, the government's below-inflation 7% cap on social rents in 2023/24 and the 1% rent reduction for four years from 2016. These challenges continue to pose a significant risk to the affordability of the Council's long-term business planning and forecasts assumed when setting the HRA budget. 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 continues to provide additional focused support to bereaved and survivors and the immediate local community living around Grenfell Tower for the four years from 2024 to 2028. This is being funded by the Council, the Government and some of the other parties to the agreement. In 2023, my predecessor received approval from the Secretary of State for exceptional financial support to support our contribution to this and to help cover the cost of resolving all claims that have been lodged since the tragedy. The revenue impact of this borrowing is currently being funded from our Civil Claims Reserve and so does not have any impact on the council tax payer.

The Council's financial performance during 2025/26 is set out in this Statement of Accounts and in the 2025/26 Final Outturn Revenue and Capital Financial Monitoring Report with our overall variance an overspend of £3.734m. However, this did include several over and underspends in different services including a large overspend on temporary accommodation which continues to be our biggest financial pressure.

We continue to look at innovative solutions to bring these costs down and last June our Leadership Team agreed a pioneering scheme to use up to £100 million from our pension fund to purchase up to 250 homes for homeless families. The initiative, the first of its kind in Britain, will provide vulnerable residents with stable, affordable and safe homes while significantly reducing the Council's reliance on expensive and sometimes unsuitable options such as hotels, B&Bs and properties from private landlords. This is expected to reduce costs by up to £2 million over the next two years.

This overspend on temporary accommodation was offset by a significant overachievement of income from parking and underspends on our interest payable and receivable budgets. Of the overall £3.734 million overspend £0.431 million has been funded from the Contingency Reserve and the remaining £3.303 million has been funded from the Budget Stabilisation Reserve.

Our pension fund continues to perform well and remains the best funded in the country. As a result of this consistent strong performance our Investment Committee agreed in February 2026 to set an employer contributions rate at 0% over the period 2026/27-2028/29. This was fully supported by our actuary. This saving will be transferred into our reserves and will be available for one off investment costs such as digital investment following the cyber attack, investment in transformation, and potentially further costs legal costs relating to the Grenfell tragedy. I will continue to review the adequacy of our reserve balances more generally and the balances as at the end of 2025/26 are included in the statement of accounts.

The overall position on the Housing Revenue Account (HRA) is a transfer of £2.400 million to the capital programme which will be used to support further capital investment in the council's housing stock, and a transfer of £0.577million to the HRA's working balance.

The overall position on the General Fund Capital Programme was an underspend of £5.601 million against a revised budget of £76.395 million. The HRA Capital Programme overspent by £4.674 million against a revised budget of £62.691 million.

The £690.982 million the Council will spend on the day to day running of core services in 2026/27 includes £114.735 million on Housing Benefit, which the Council administers on behalf of Government, and the £79.350 million Dedicated Schools Grant (DSG), which is passported in large part to the Borough's maintained schools. Over the period 2025/26 to 2028/29, the Council will invest general fund capital expenditure of £186.150 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, £430.471 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 2026/27 Revenue Budget, Capital Programme and Council Tax and the HRA position is set out in the 2026/27 HRA Budget Setting Report and Business Plan.

Whilst the financial environment facing local government is becoming increasingly challenging, the Council remains in a strong position relative to many authorities. Our relatively robust reserves, well-funded pension scheme, disciplined financial management and continued focus on transformation provide a solid foundation from which to respond to future challenges. The years ahead will require difficult decisions and significant organisational change, but I am confident that the Council is well placed to navigate these challenges while continuing to deliver high-quality services for residents and supporting our communities.



Lisa Taylor
Executive Director of Finance and Assurance
(S151 Officer)

Political Structure

The Council consists of 50 councillors, who are elected for four-year terms (most recently in May 2026), with most electoral wards represented by three local councillors. The political make-up at 31 March 2026 was: 36 Conservative councillors making up a majority, 7 Labour councillors making up the principal opposition group, 2 Liberal Democrat councillors, 3 The Independent Group councillors, 1 Green councillor and 1 Workers Party of Britain councillor. The election in May 2026 produced a similar result, with the Conservative Party retaining their majority with 34 seats. Labour and the Liberal Democrats won 13 and 3 seats respectively.

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 2026 were:

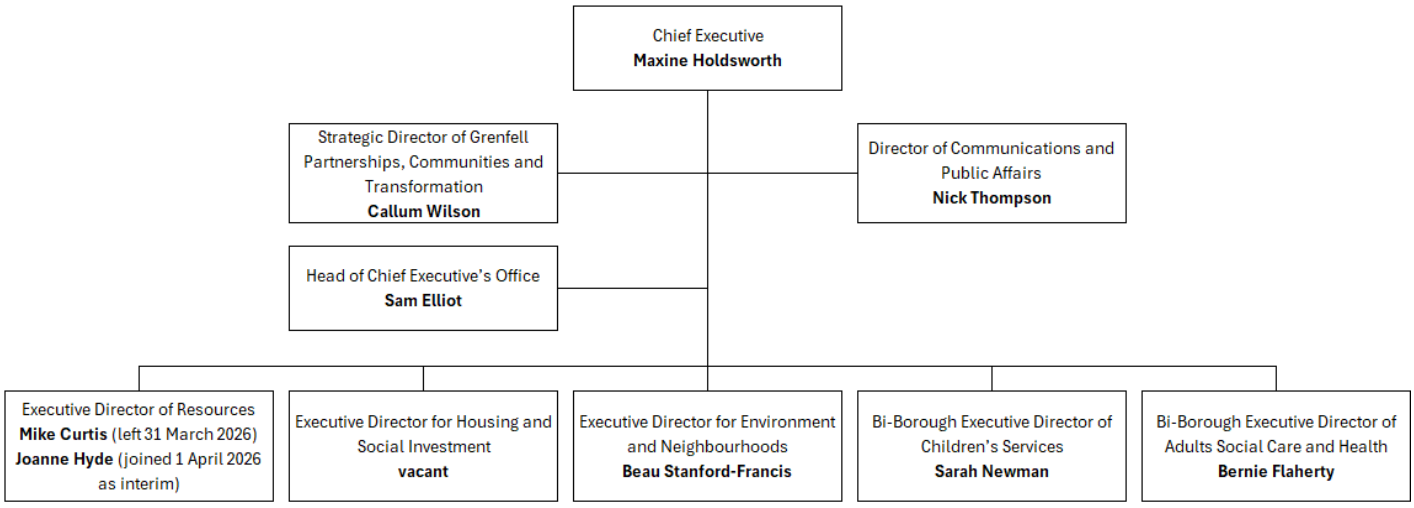
- Adult Social Care and Public Health
- Communities and Community Safety
- Employment, Culture and Economy
- Environment and Planning
- Family and Children's Services
- Finance, Digital, and Efficiency
- Housing
- Property, Parks and Leisure Services

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

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

Operational Model

Supporting the work of the elected members is the Council's Executive Management Team (EMT), which is led by Maxine Holdsworth, Chief Executive. This is the structure that was in effect at 31 March 2026, which consolidates all services into five operational directorates, is shown below:



Across these five Directorates, the Council employs 2,652 staff (2531 FTE), figures that include shared services.

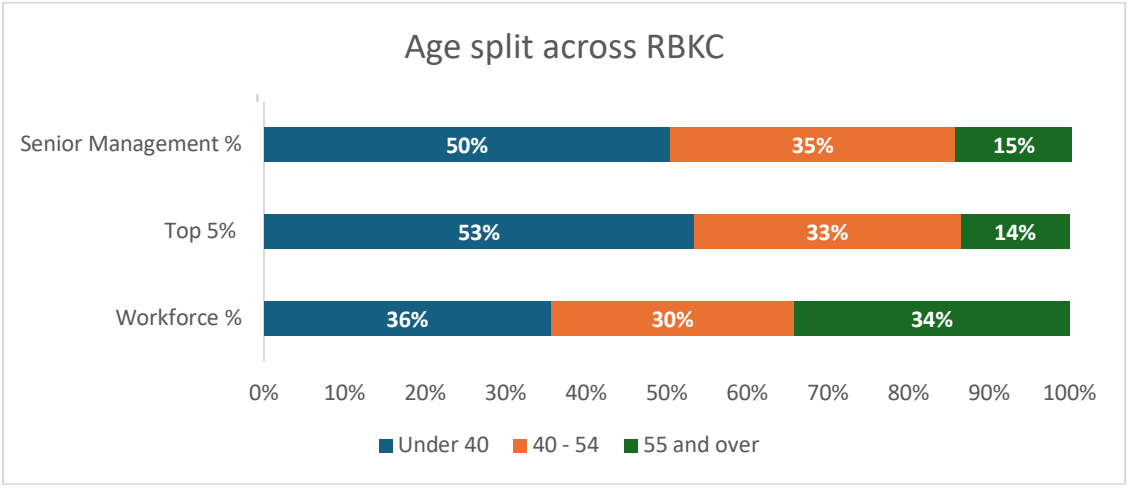
Following the departure of Mike Curtis, the Section 151 Officer's role has been undertaken by Lisa Taylor from 1 April 2026. Lisa reports to Joanne Hyde, the new Executive Director of Resources.

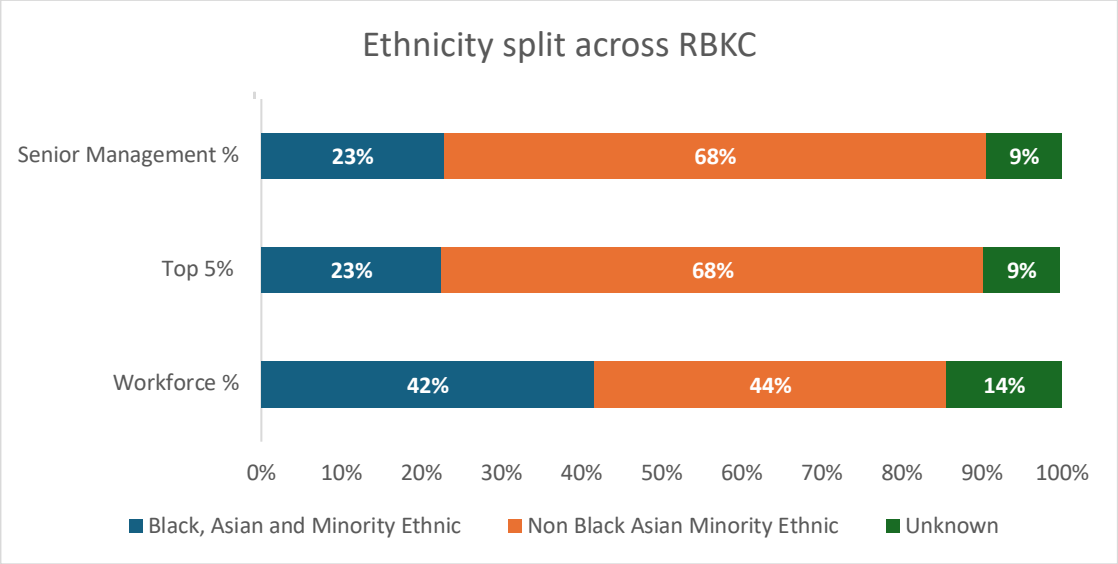
The Council operates shared services with Westminster City Council for Adult Social Care, Public Health and Children's Services. Tri-Borough arrangements for Audit, Risk, Fraud and Insurance; Fostering and Adoption; and Treasury and Pensions are also in place with Westminster City Council and LB Hammersmith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

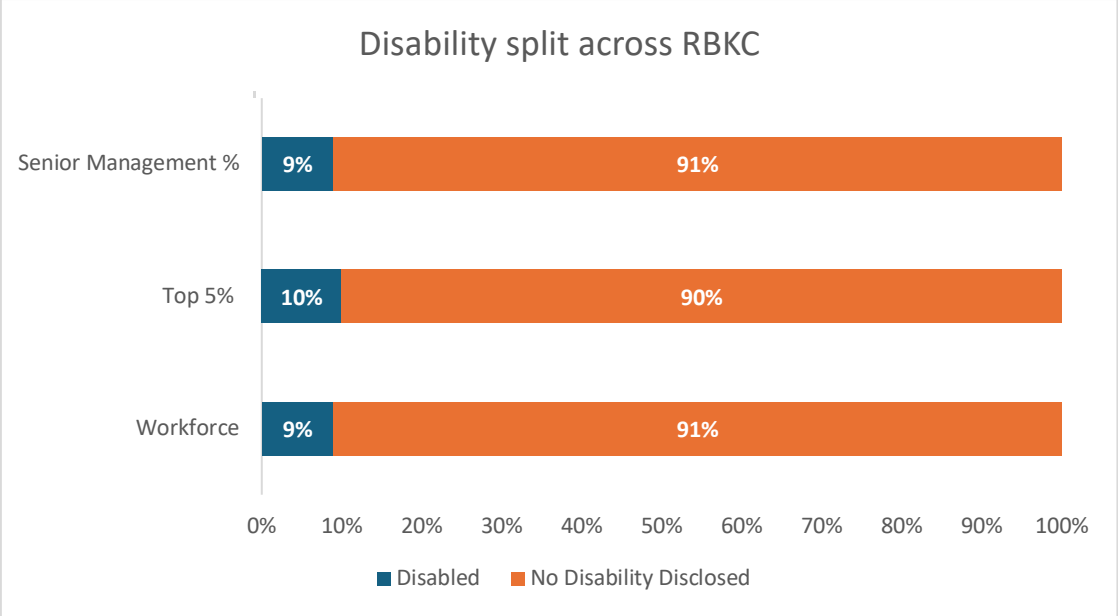
Who works for the Council?

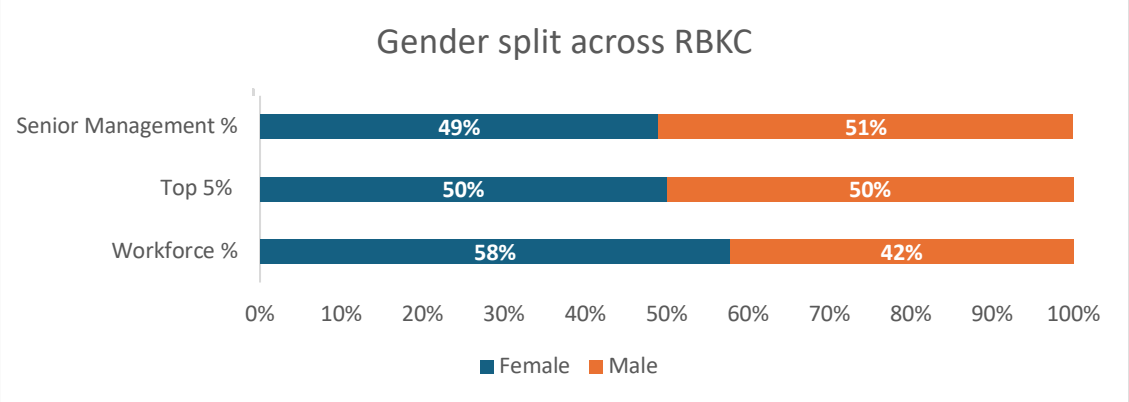
The Council's policies ensure promotion of equality and respect for diversity, both through service delivery and as an employer. Our workforce reflects the diversity of the borough. The following charts show this broken down by ethnicity, age and disability.

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




Ethnicity split across RBKC
Senior Management %
Top 5%
Workforce %
23%
68%
9%
23%
68%
9%
42%
44%
14%
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
9%
91%
10%
90%
9%
91%
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
Disabled
No Disability Disclosed


Gender split across RBKC
Senior Management %
Top 5%
Workforce %
49%
51%
50%
50%
58%
42%
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
Female
Male

Council Plan 2023 to 2027

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

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

A refreshed Council Plan Action Plan (CPAP) was adopted in April 2025 and sets out the key activities for the council over the period 2025-2027 to deliver the Council Plan. The CPAP for 2025-27 seeks to build on the successes of the past few years with a clearer and more focused set of actions. Delivery of the CPAP will continue to be monitored closely by officers and elected members, with quarterly updates published on the Council website to ensure transparency and resident access. Progress will be reviewed every six months by the Overview and Scrutiny Committee (at the end of quarters two and four).

The next Council Plan, due to be published in the autumn of 2026, will set the vision and clear direction for Kensington and Chelsea as a borough, not only about what the Council does. Work has already begun on this and a stakeholder engagement strategy was agreed by Leadership Team in June 2026. The new Council Plan will be framed in the context of operating in a much tougher financial environment as set out in the MTFS. This will be instrumental in ensuring that financial resources are available for the delivery of Council Plan priorities.

Financial Performance 2025/26: 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 £3.734 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 £8.998 million against a revised service budget of £199.936 million. The revised budget includes the impact of virements between service areas processed after the original budget was set but excludes the year-end movement from reserves to fund the net overspend.

The overall position includes pressures of £7.519 million in Housing and Social Investment arising largely from temporary accommodation-related pressures in Housing Management alongside further overspends on housing repairs. Also contributing to this position is an overspend of £2.316 million in Resources and Customer Delivery arising mainly from salary pressures alongside delayed delivery of savings in Customer Delivery. An overspend of £2.564 million in Adult Social Care is related to a corporate adjustment to recognise the risk on non-recovery of a loan to the

previous community equipment provider following the company's collapse. The Council is still pursuing the recovery of this debt and is being assisted by the administrators alongside other creditors following the company going into liquidation. A further overspend of £1.807 million in Children's Services was largely related to increasing placement costs. There is also a minor overspend of £0.037 million against the Grenfell Corporate budget.

This adverse position is offset by an underspend of £5.201 million in Environment and Neighbourhoods where the favourable position is largely owing to a net overachievement of income, most notably in Parking Services. Also contributing to the position is an underspend of £0.275 million in the Chief Executive's directorate due to an overachievement of income in the Registrars service. There are also net Treasury interest and Minimum Revenue Provision (MRP) budget underspends of £2.710 million. This overachievement was largely due to reduced general fund borrowing in the first three quarters of 2025/26 as the Council took advantage of the HRA concessionary rate to borrow more cheaply in the HRA and increase internal borrowing within the general fund. There were also higher average cash balances in the first 6 months of 2025/26 and slower than expected interest rate cuts which led to higher than expected investment income. There was a further underspend of £0.250 million on London-wide Levies where overall costs charged to the Council were lower than anticipated when the budget was set.

The Contingency and Centrally Held Budget are managed corporately and are held to mitigate the impact of unforeseen and/or unavoidable circumstances. The overall £8.248 million Contingency budget reflected late awarded additional grants for Children's Services, Adult Social Care and Housing and Social Investment totalling £4.548 million which were transferred to service budgets during the year. The £3.700m balance of the Contingency budget was set aside corporately to manage unforeseen expenditure in departments. This was largely allocated to service budgets during the year, with £0.046 million remaining unspent at the end of the year.

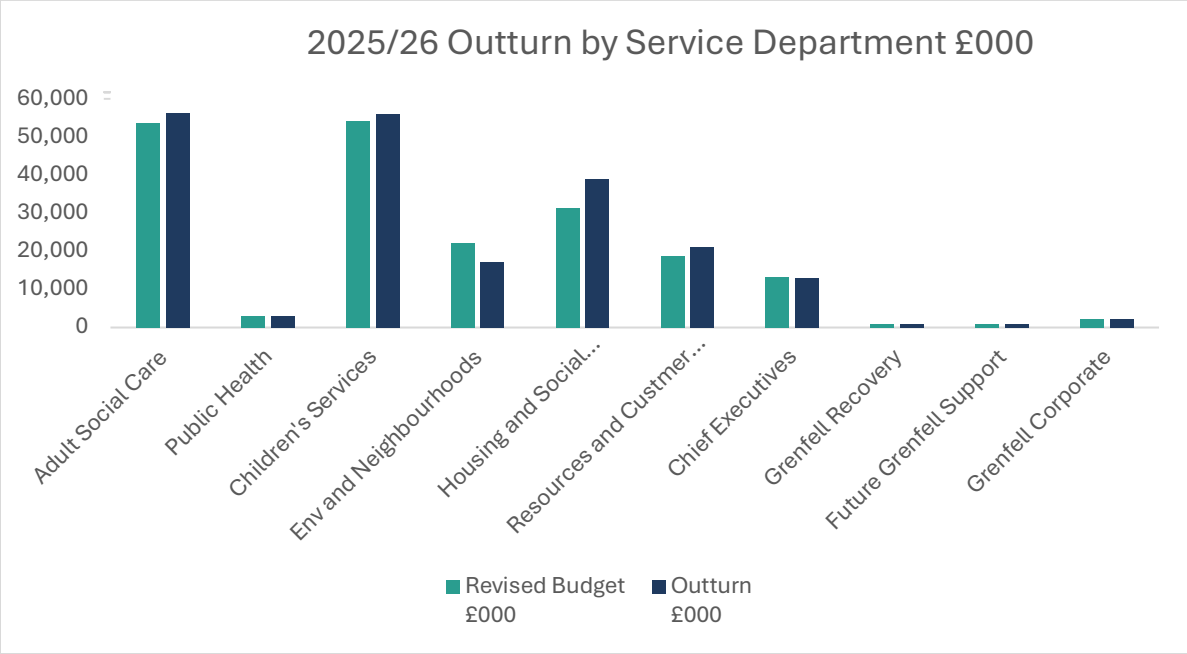
There was a variance of £0.277 million across Centrally Held Budgets. The original budget £10.283 million budget comprised of £11.540 million to manage departmental costs arising from pay and contract inflation offset by £1.257 million of savings targets held corporately. Of this amount, £10.650 million was allocated to service budgets in the year and a net saving of £0.090 million was achieved in the year.

The Resourcing budget was underspent by £2.111 million largely related to the Council receiving a larger safety net payment relating to business rates than had been assumed when budget was originally set.

These budgets and the outturn position are included in the table below.

Service Area	Original Budget £000	Revised Budget £000	Outturn £000	Variance £000
Adult Social Care	46,292	53,734	56,298	2,564
Public Health	0	2,941	2,941	0
Children's Services	48,906	54,240	56,047	1,807
Environment and Neighbourhoods	20,018	22,221	17,020	(5,201)
Housing and Social Investment	22,286	31,323	38,842	7,519
Resources and Customer Delivery	12,792	18,743	21,059	2,316
Chief Executives	11,661	13,137	12,862	(275)
Service Budgets	**161,955**	**196,339**	**205,069**	**8,730**
Grenfell Recovery	2,820	932	932	0
Future Grenfell Support	310	830	830	0
Grenfell Corporate	1,088	2,066	2,103	37
Contingency	8,248	46	0	(46)
Centrally Held Budgets	10,282	(277)	0	277
Net Cost of Services	**184,703**	**199,936**	**208,934**	**8,998**
Treasury Interest Payable	13,453	12,554	11,499	(1,055)
Treasury Return on Investments	(3,090)	(3,704)	(5,342)	(1,638)
Treasury Minimum Revenue Provision	7,173	15,450	15,433	(17)
Levies	12,554	12,554	12,304	(250)
Other Statutory and Corporate Items	0	0	0	0
Net Expenditure	**214,793**	**236,790**	**242,828**	**6,038**
Other Corporate Budgets	(12,170)	(21,222)	(21,021)	201
Use of Reserves	6,010	(10,577)	(10,971)	(394)
Use of Reserves - Collection Fund	0	0	0	0
Resourcing	(208,633)	(204,991)	(207,102)	(2,111)
	0	**0**	**3,734**	**3,734**
Transfer from Contingency reserve				**431**
Transfer from Budget Stabilisation reserve				**3,303**

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 £0.577 million underspend which has been added to the Working Balance. This position excludes any transfer to fund the Capital Programme which was originally budgeted to be a contribution of £2.400 million. This is an adverse position of £1.823 million when compared to the original budget and is a result of a combination of higher than budgeted expenditure on repairs and maintenance alongside lower than budgeted income from investment properties. Whilst there were significant underspends on budgeted energy costs, this resulted in reduced service charge income to recover these costs.

Service Area	Original Budget £000	Revised Budget £000	Outturn £000	Variance £000
Total Expenditure	78,063	78,063	74,492	(3,571)
Total Income	(80,463)	(80,463)	(75,069)	5,394
Net Total	**(2,400)**	**(2,400)**	**(577)**	**1,823**
Transfer to fund Capital Programme	2,400	2,400	0	(2,400)
Grand Total	**0**	**0**	**(577)**	**(577)**
Working Balance b/fwd	(5,000)	(5,000)	(5,000)	0
Contribution to (-) or from (+) Working Balance	0	0	(577)	(577)
Total Working Balance	**(5,000)**	**(5,000)**	**(5,577)**	**(577)**

Financial Performance 2025/26: Capital (including HRA)

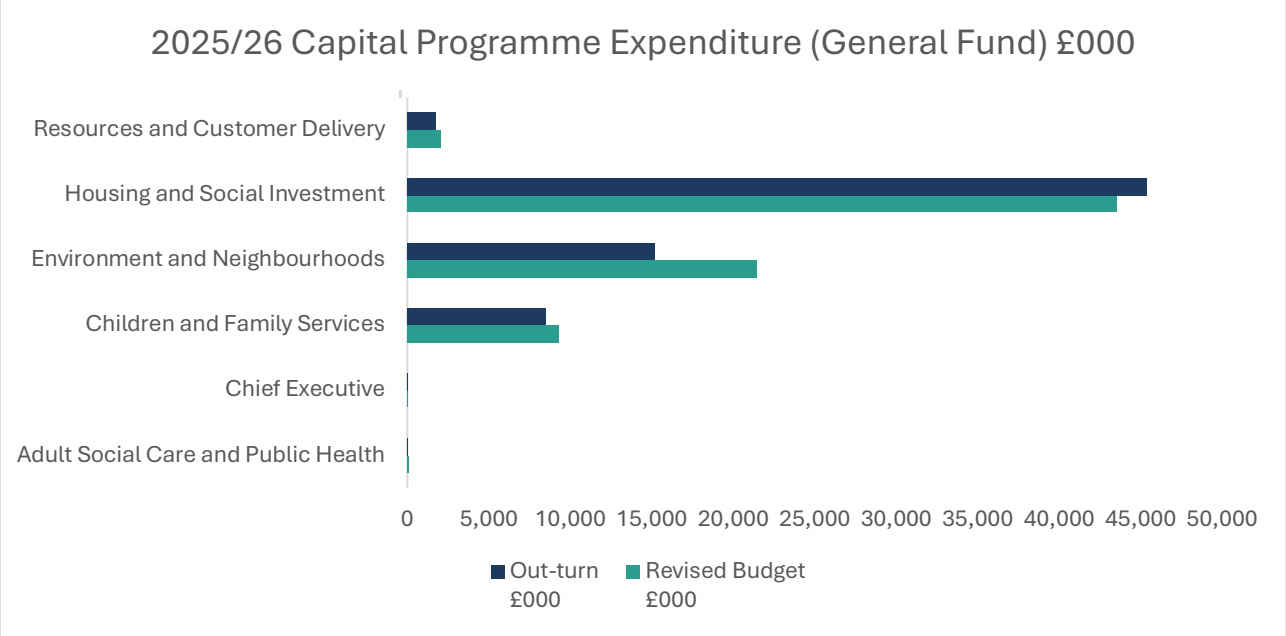
The Capital Programme was presented to Full Council for approval in February 2026 as part of the 2025/26 to 2028/29 Capital Programme which can be accessed from the Council's website. The Capital Strategy is being revised and will be presented to Full Council in the summer along with the Medium Term Financial Strategy, providing a framework for the allocation of resources to fund capital projects.

Total General Fund capital expenditure in 2025/26 was £70.794 million against a revised budget of £76.395 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 £5.277 million on providing additional places in secondary schools, £1.436 million on the development of Special Educational Needs provision in schools and £1.101m on Expanding Accommodation for Care Leavers, all delivered by Children and Family Services. £6.506 million has been spent on Street Scene improvements and Streetscape projects and £0.749m on schemes in Parks and Open spaces in Environment & Neighbourhoods. £23.895 million was spent on the New Homes Delivery Programme in Housing and Social Investment.

Total HRA capital expenditure was £67.365 million against a revised budget of £62.691 million. £52.139 million of this was spent on the main capital programme as set out in the business plan and £15.226 million was spent on the Lancaster West refurbishment. The £4.674 million overspend primarily relates to the main programme of works, offset by underspends due to the delayed delivery of the Lancaster West refurbishment, which is a continuing scheme.

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



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

Directorate Capital Expenditure	Original Budget £000	Revised Budget £000	Outturn £000	Variance £000
Adult Social Care and Public Health	0	75	1	(74)
Chief Executive	0	29	31	2
Children and Family Services	6,340	9,315	8,468	(847)
Environment and Neighbourhoods	23,322	21,436	15,168	(6,268)
Housing and Social Investment	55,745	43,505	45,397	1,892
Resources and Customer Delivery	3,455	2,035	1,729	(306)
General Fund Capital Programme	**88,862**	**76,395**	**70,794**	**(5,601)**
HRA Capital Programme	**102,541**	**62,691**	**67,365**	**4,674**
Total Capital Programme	**191,403**	**139,086**	**138,159**	**(927)**

Capital Funding - General Fund	Original Budget £000	Revised Budget £000	Outturn £000	Variance £000
Capital Grants and Contributions	7,376	17,069	19,234	2,165
S106 / CIL Contributions	12,914	4,188	2,175	(2,013)
S278 Contributions	0	4,550	3,472	(1,078)
Car Parking Reserve	5,626	3,793	3,548	(245)
Borrowing Requirement	62,946	46,795	42,365	(4,430)
Total Funding	**88,862**	**76,395**	**70,794**	**(5,601)**

Capital Funding - HRA	Original Budget £000	Revised Budget £000	Outturn £000	Variance £000
Capital Grants and Contributions	30,945	9,158	3,219	(5,939)
S106 / CIL Contributions	0	0	232	232
Capital Receipts Reserve	482	3,447	5,423	1,976
Major Repairs Reserve	5,208	5,141	5,518	377
Revenue Contribution	0	11,804	10,835	(969)
Borrowing Requirement	65,906	33,141	42,138	8,997
Total Funding	**102,541**	**62,691**	**67,365**	**4,674**

The Council's funding assumptions are based on borrowing in the long-term to finance capital expenditure. The principal source of long-term borrowing is the Public Works Loans Board (PWLB). However, the Council has also made use of borrowing opportunities from other local authorities and one loan from a pension fund as part of its day-to-day cash flow management. A total of £76.117 million of debt was repaid and new loans of £139.429 million were agreed in 2025/26, which increased the Council's borrowing from £503.538 million to £565.200 million but decreased the average total interest rate on loans from 4.13% from 4.02%. £42.366 million of borrowing was used to fund delivery of the General Fund capital programme in 2025/26. Of this £565.200 million of borrowing as at 31st March 2026, £69.054 million related to the exceptional financial support request.

The Council's capital receipts in year totalled £8.643 million primarily arising from the renewal of leaseholder agreements and Right To Buy (RTB) sales. There were no significant sales of Council assets during the year.

Risk Management

Although a balanced budget is reported for 2026/27, there are a number of inherent risks for next year and subsequent years:

- economic factors
- local authority funding for future years
- temporary accommodation pressures
- demographic and demand pressures
- delivery of savings
- Dedicated Schools Grant deficit
- cyber incident in November 2025
- rising cost of adult and children social care placements

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.

Although now known, providing certainty for the next three years, the Fair Funding Review has had a significant detrimental impact on the Council's finances. Transitional funding floor arrangements are in place but even with these the Council's budget in 2027/28 and 2028/29 is still likely to be in deficit by over £20 million in each of these two years. It is not known whether any element of protection will remain at the end of the 3-year Settlement period (2029/30 onwards). In 2029/30, for prudence, it has been assumed at this stage that the transitional arrangements in the form of a Funding Floor Grant will fall out in its entirety.

Although the outcome of the government's funding proposals have had significant consequences on 2026/27 budget setting, other factors are also expected to affect the Council's finances in a material way. On 24 November 2025, the Council suffered a significant cyber attack that affected the whole of the Council's operations. Work to recover from the cyber incident still continues with summer 2026 being the Council's target for full systems operational and service normalisation. Implementation of new technical infrastructure improvements will follow over the next 12 months. The financial impact is therefore made up of a combination of additional support to recover from the incident and then additional investment in new systems to rebuild and improve the Council's digital infrastructure moving forward.

Directly related costs of £1.200 million relating to the cyber incident were funded from reserves during 2025/26. Further additional investment in the Council's digital infrastructure will be required and is currently being worked through by officers. Any one-off costs are expected to be funded from reserves. Any ongoing revenue budget growth required related to digital data and technology will be built into the Council's base budget from 2027/28 onwards.

The Council's financial risks are published in full as part of the 2026/27 Revenue Budget Report that was presented to the Leadership Team on 10 February 2026. 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 2026. 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 2025/26, 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 27 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 28 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 29 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 2026 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 30 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 115 to 121 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 126 to 150 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 151 to 166 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
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.

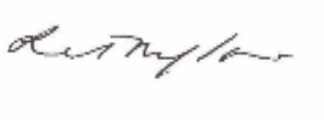
The Chief Financial Officer's Responsibilities

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 2025/26 (set out on pages 27 to 121 and 126 to 150) gives a true and fair view of the financial position of the Council as at 31 March 2026 and its income and expenditure for the year ended 31 March 2026.



Lisa Taylor
Executive Director of Finance and Assurance
(S151 Officer)

12 November 2026



Cllr Sof McVeigh
Chair of Audit and Transparency Committee

12 November 2026

Independent auditor's report to the members of Royal Borough of Kensington and Chelsea

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 2026, 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 2025/26.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2026 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 2025/26; 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 (2024) ("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 Finance and Assurance'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 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 Finance and Assurance'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 2025/26 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 2024) 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 and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Executive Director Finance and Assurance's 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 Finance and Assurance 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 Finance and Assurance's 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 November 2024 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 2025/26, 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 Finance and Assurance

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 Finance and Assurance. The Executive Director Finance and Assurance 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 2025/26, for being satisfied that they give a true

and fair view, and for such internal control as the Executive Director Finance and Assurance 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 Finance and Assurance 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 2025/26, 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 fraud 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.
- Our audit procedures to address the principal fraud risks included:
    - 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 that took account of the risks of management override of controls;
    - 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;
    - reviewed and tested that transactions were correctly classified between the General Fund and Housing Revenue Account.

- 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 the events and transactions reflected in the financial statements, the less likely we would become aware of it or recognise non-compliance.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
    - The engagement partner's 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 2026.

We have nothing to report, except that we identified two significant weaknesses in the Authority's arrangements for the year ended 31 March 2026:

Significant weaknesses in arrangements identified:	Recommendations:
Governance The Council was subject to a cyber incident in November 2025. Further investigation identified a key underlying cause was under-investment in modernising the Council's Information Technology infrastructure. The financial impact at this stage is uncertain but expected to be significant. This is a new significant weakness.	**Key Recommendation** The Council must: • Develop a costed, prioritised plan to invest in system upgrades across Council services, evaluating cloud-based and offline options, strengthening resilience against future cyber incidents. • Rebalance its cyber security strategy to give equal weight to prevention alongside existing reactive incident response arrangements. • Increase the frequency, intensity and uptake of cyber awareness training for all staff, ensuring this includes a focus on phishing awareness.
Improving economy, efficiency and effectiveness The Council made a self-referral to the Regulator of Social Housing having identified failures in its ability to meet the required Decent Homes Standards (DHS) targets. Following inspection, in August 2025, the regulator provided the Council with a rating of 'C3' highlighting failings in the Council's arrangements to obtain a complete understanding of its housing stock condition and not meeting the Decent Homes Standard. This is a new significant weakness.	**Key Recommendation** The Council must complete its stock conditions survey by November 2026 and regularly reassess it has the necessary resources to support its Improvement Strategy to achieve the Decent Homes Standard by 2030. Critically, the Council should ensure that it builds the necessary resilience into those resources, to ensure that the improvements can be supported, continuously, without issues recurring.

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 have undertaken our review in accordance with the Code of Audit Practice, having regard to the relevant guidance issued by the Comptroller and Auditor General. 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 Royal Borough of Kensington and Chelsea for the year ended 31 March 2026 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have:

- Received confirmation from the National Audit Office that the audit of the Whole of Government Accounts is complete for the year ended 31 March 2026; and
- Issued our opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report of Kensington and Chelsea Pension Fund with the pension fund financial statements included in the Statement of Accounts.

We are satisfied that work does not have a material effect on the financial statements for the year ended 31 March 2026.

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.

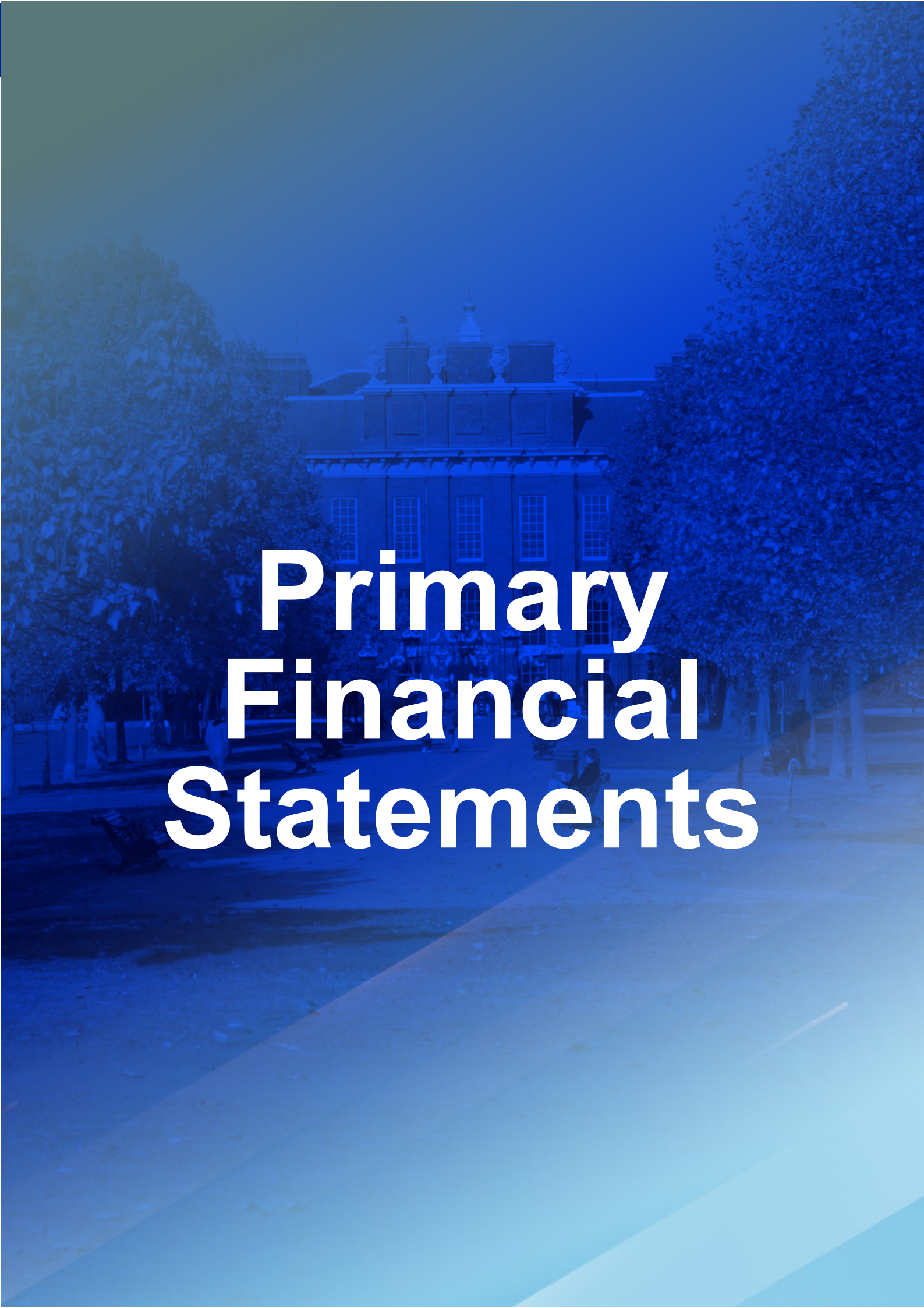
Darren Wells

Darren Wells, Key Audit Partner

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

London

12 November 2026



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 2025	**(104,775)**	**(5,987)**	**(6,154)**	**(195)**	**(40,578)**	**(157,689)**	**(1,184,037)**	**(1,341,726)**
Movement in reserves during 2025/26								
Total Comprehensive Income and Expenditure	34,667	48,598	0	0	0	**83,265**	31,869	**115,134**
Adjustments between accounting basis and funding basis under regulations (Note 6)	(17,601)	(49,176)	(3,195)	195	(5,157)	**(74,934)**	74,934	**0**
Net (increase) / decrease in 2025/26	17,066	(578)	(3,195)	195	(5,157)	**8,331**	**106,803**	**115,134**
Balance at 31 March 2026	**(87,709)**	**(6,565)**	**(9,349)**	**0**	**(45,735)**	**(149,358)**	**(1,077,234)**	**(1,226,592)**
Balance at 31 March 2024	**(125,650)**	**(5,987)**	**(6,830)**	**(1)**	**(40,164)**	**(178,632)**	**(1,562,453)**	**(1,741,085)**
Movement in reserves during 2024/25						**0**		**0**
Total Comprehensive Income and Expenditure	(39,159)	78,585	0	0	0	**39,426**	359,933	**399,359**
Adjustments between accounting basis and funding basis under regulations (Note 6)	60,034	(78,585)	676	(194)	(414)	**(18,483)**	18,483	**0**
Net (increase) / decrease in 2024/25	20,875	0	676	(194)	(414)	**20,943**	**378,416**	**399,359**
Balance at 31 March 2025	**(104,775)**	**(5,987)**	**(6,154)**	**(195)**	**(40,578)**	**(157,689)**	**(1,184,037)**	**(1,341,726)**

Comprehensive Income and Expenditure Statement

Comprehensive Income and Expenditure Statement	2025/26 Gross Expenditure	2025/26 Gross Income	2025/26 Net Expenditure	2024/25 Gross Expenditure	2024/25 Gross Income	2024/25 Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care	90,628	(50,731)	39,897	86,862	(48,289)	38,573
Public Health	29,812	(27,066)	2,746	26,386	(25,659)	727
Children's Services	191,559	(148,844)	42,715	189,230	(150,691)	38,539
Environment and Neighbourhoods	103,481	(106,950)	(3,469)	91,823	(90,303)	1,520
Housing and Social Investment	102,157	(53,203)	48,954	103,776	(55,175)	48,601
Resources and Customer Delivery	202,255	(117,221)	85,034	211,029	(135,521)	75,508
Chief Executive	16,402	(6,083)	10,319	17,900	(6,285)	11,615
Grenfell Recovery	1,199	(13)	1,186	4,720	(34)	4,686
Grenfell Corporate	2,202	(19)	2,183	2,222	(562)	1,660
Future Grenfell Support	8,488	(7,703)	785	4,684	(17,083)	(12,399)
Grenfell Settlement	13,315	(5,639)	7,676	0	0	0
Housing Revenue Account	135,244	(70,486)	64,758	161,204	(70,434)	90,770
Cost of Services	**896,742**	**(593,958)**	**302,784**	**899,836**	**(600,036)**	**299,800**
Other operating income and expenditure (Note 12)			(1,586)			5,408
Financing and investment income and expenditure (Note 13)			8,961			(18,679)
Taxation and non-specific grant income and expenditure (Note 14)			(226,894)			(247,103)
(Surplus) or Deficit on Provision of Services			**83,265**			**39,426**
(Surplus) / deficit on revaluation of non current assets (Note 8)			12,292			(203)
Remeasurement of net defined benefit liability (Note 36)			19,577			360,136
Other Comprehensive Income and Expenditure			**31,869**			**359,933**
Total Comprehensive Income and Expenditure			**115,134**			**399,359**

Balance Sheet

Balance Sheet	Note	31 March 2026	31 March 2025
		£'000	£'000
Property, Plant and Equipment	24	1,572,671	1,584,271
Intangible Assets	26	3,708	4,096
Heritage Assets	27	51,881	52,309
Investment Property	25	281,708	262,263
Long Term Investments	33	23,492	23,452
Long Term Debtors	29	407	2,928
Other Long Term Assets	36	0	39,790
Long Term Assets		**1,933,867**	**1,969,109**
Assets Held for Sale		3,716	0
Inventories		146	218
Debtors	29	136,385	108,968
Cash and Cash Equivalents	41	29,281	70,190
Current Assets		**169,528**	**179,376**
Short Term Borrowing	33	(95,104)	(74,316)
Short Term Creditors	30	(186,619)	(182,136)
Capital Grants Receipts in Advance	15	(21,615)	(21,895)
Revenue Grants Receipts in Advance	15	(12,567)	(14,103)
Short Term Provisions	31	(25,759)	(21,176)
Current Liabilities		**(341,664)**	**(313,626)**
Long Term Provisions	31	(5,988)	(8,781)
Long Term Borrowing	33	(475,348)	(433,755)
Long Term Creditors	30	(5,917)	(5,156)
Revenue Grants Receipts in Advance	15	(11,704)	(11,544)
Long Term Capital Grants Receipts in Advance	15	(33,662)	(33,897)
Other Long Term Liabilities	36	(2,520)	0
Long Term Liabilities		**(535,139)**	**(493,133)**
Net Assets		**1,226,592**	**1,341,726**
Usable Reserves		(149,358)	(157,689)
Unusable Reserves	8	(1,077,234)	(1,184,037)
Total Reserves		**(1,226,592)**	**(1,341,726)**

Cash Flow Statement

Cash Flow Statement	Note	2025/26	2024/25
		£'000	£'000
Net Surplus or (Deficit) on Provision of Services		**(83,265)**	**(39,426)**
Adjustments to net surplus or deficit on the provision of services for non-cash movements	38	133,836	39,499
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	38	(37,124)	(26,249)
Net cash flows from Operating Activities		**13,447**	**(26,176)**
Investing Activities	39	(91,005)	(112,679)
Financing Activities	40	36,649	186,878
Net increase or (decrease) in cash and cash equivalents		**(40,909)**	**48,023**
Cash and cash equivalents at the beginning of the reporting period		70,190	22,167
Cash and cash equivalents at the end of the reporting period	41	**29,281**	**70,190**



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. Based on the pension fund's strong position, the Council decided not to make any contributions to the fund in 2025/26 and the next triennial period from 1 April 2026 to 31 March 2029. This has been factored into the asset ceiling calculation included in the net pension asset disclosures in note 36.

2. Material items of income and expenditure

There are no material items of income and expenditure which require separate disclosure.

3. Events after the reporting period

There were no significant events affecting the 2025/26 accounts that occurred between 1 April and 28 September 2026, when these financial statements were approved for audit.

4. Accounting standards issued but not yet adopted

The following amendments to accounting standards and had been issued but not adopted by the Code of Practice on Local Authority Accounting in the United Kingdom as at the balance sheet date:

- Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage assets)
- Amendments to the Classification and Measurement of Financial Instruments (amendments to IFRS 9 and IFRS 7)
- Contracts Referencing Nature-dependent Electricity (amendments to IFRS 9 and IFRS 7)
- Annual improvements to IFRS accounting standards – Volume 11

These are not expected to have any significant impact for the Council.

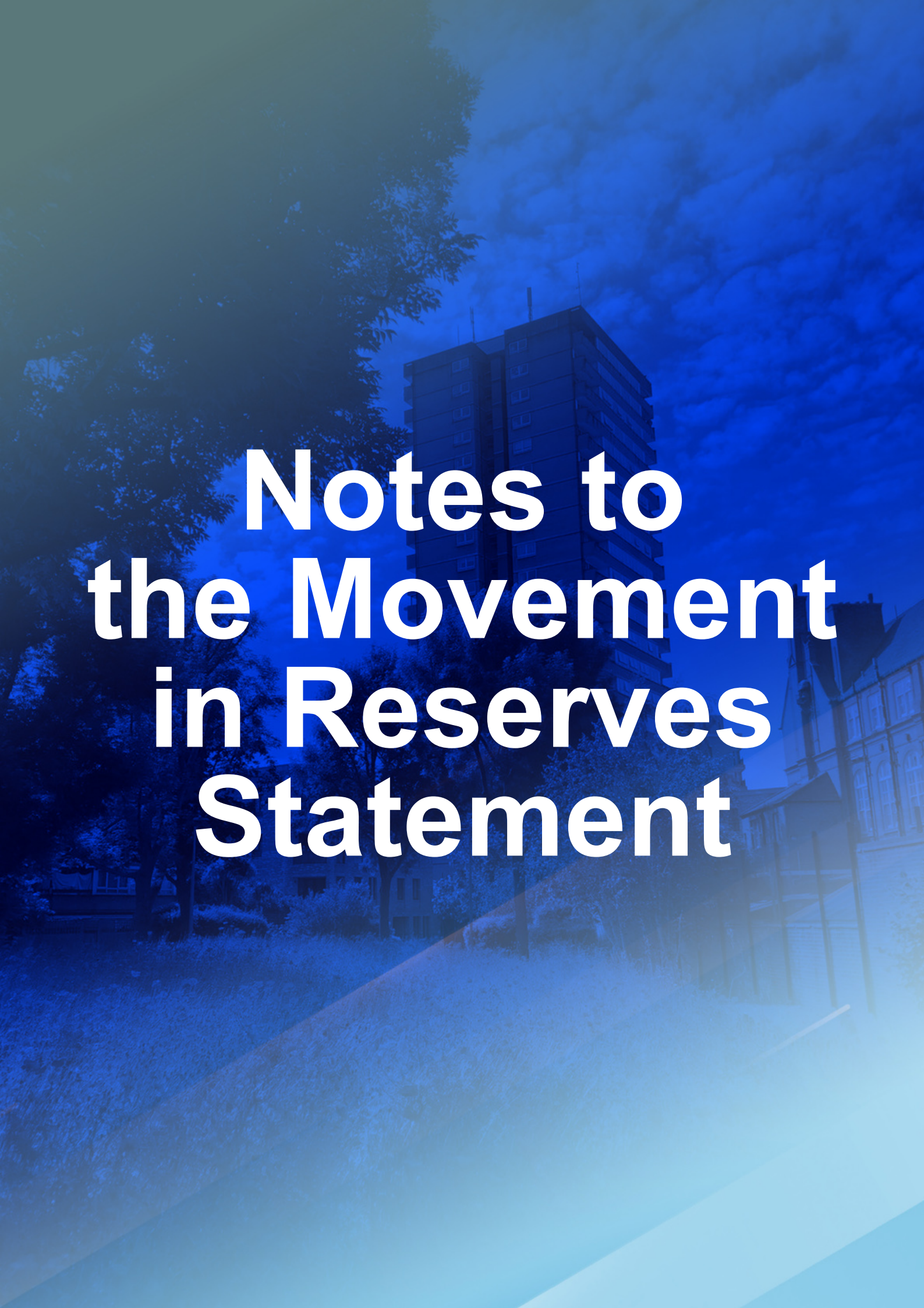
5. Assumptions made about the future and other major sources of estimation uncertainty

The accounts contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. As a result, balances cannot be determined with certainty and actual results could be materially different from the assumptions and estimates. The items in the authority's Balance Sheet at 31 March 2026 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Asset/Liability	The value of the Council's net pension asset/liability is estimated by professional actuaries based on complex and interdependent assumptions, such as life expectancy, long-term salary, pension inflation and the discount rate used. Any variation in these assumptions will lead to a change in the value of the net pension asset/liability. Details on the valuation basis, risks, assumptions and associated sensitivity analysis are disclosed in note 36 and the Employee Benefits accounting policy. The Council's net pension liability as at 31 March 2026 was £2.520m.	A decrease of 0.1% in the real discount rate will increase the net pension liability by £15.400 million. If the estimated life expectancy of members increases by 1 year, the net pension liability will grow by £41.136 million. More details can be found in note 36.
Pensions Asset Ceiling	The Council's share of Fund assets exceeded its defined benefit obligation by £901m at 31 March 2026, on an IAS 19 basis. Under IFRIC 14 the amount recognised is restricted to the present value of the economic benefit available through reductions in future contributions, measured as the present value of future service cost less the present value of the minimum funding contributions the Council is expected to make. Those contributions are projected from the rates certified by the Fund actuary and assumed to continue for the period of the Council's expected participation in the Fund. On	The calculation of the pensions asset ceiling can change materially between years because it is affected by the level and duration of future contribution rates, relative to future service cost. Changes in these, particularly following a future funding valuation or change in contribution arrangements, such as the 2026-29 contribution certificate, could therefore result in a material movement in the asset ceiling even if the Pension Fund remains strongly funded. It is not practicable to quantify the effect of a change in future

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	that basis no economic benefit is assessed as available and an asset ceiling adjustment of £901m has been made, reducing the amount recognised on the Balance Sheet to nil.	contribution rates on the asset ceiling, as this depends on further inputs from the actuary which were not available at the date the accounts were authorised for issue. It is reasonably possible that outcomes within the next financial year will require a material adjustment to the net defined benefit position, which is restricted to nil by the £901m asset ceiling as at the reporting date. A reconciliation of the effect of the asset ceiling adjustment is disclosed in note 36.
Investment Property	The Council's external valuers assess the fair value of investment properties using techniques based on market participants assumptions. Where active market data exists (with some adjustments), these valuation inputs are considered as level 2 (observable data). If this is not available, valuers use the best information available. The carrying value of investment properties as at 31 March 2026 was £281.708 million.	Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date. If investment property values were to reduce by 10%, this would lead to a £28.171 million reduction. This would impact the Council's CIES Surplus/Deficit.
Property, Plant and Equipment	The Council's Property Plant and Equipment is determined by professional valuers in line with RICS regulations, using appropriate methods for individual assets. Valuations involve assumptions and estimates influenced by external factors such as economic and political changes. Assets are based on Current Value and regularly reviewed to avoid material misstatements. As at 31 March 2026, the Council's Other Land and Buildings portfolio was valued using Depreciated	A reduction in estimated valuations would result in reductions to the Revaluation Reserve and / or a loss in the Comprehensive Income and Expenditure Statement (CIES). For example, a 10% reduction in the net book value of Council Dwellings would reduce the value by £81.700 million. A similar fall in Other Land and Buildings would lead to a £61.763 million charge to the CIES. Increases in value would have the

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	Replacement Cost (DRC) with carrying value of £365.170 million based on assumptions including floor areas, BCIS indices and obsolescence; Existing Use Value (EUV) and comparable methods with carrying value of £252.455 million based on assumptions of rental income and yields; Existing Use Value - Social Housing (EUV-SH) with carrying value of £816.998 million using beacon methodology, market value and a social housing discount factor. Asset lives are reviewed annually based on valuer's advice. From 1 April 2025, the CIPFA Code of Practice introduced updated guidance on the valuation of Property, Plant and Equipment. The new requirement replaces external valuations of specific asset classes with indexation over specific intervals. Details are in section 18 of the Accounting Policies note. The Council has not adopted this change in the 2025/26 accounts and continued to apply the same methodology as done in 2024/25 since valuers has been instructed at the time the new guidance was issued. The current approach provides a more accurate valuation, however, the Council will carry out valuations in line with CIPFA's requirements from the 2026/27 accounts.	opposite effect, increasing the Revaluation Reserve and / or reversals of previous negative revaluations to the CIES and / or gains being recorded as appropriate in the CIES. The net book value of non-current assets subject to potential revaluation is £1.435 billion.



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 has been fully utilised at the year-end.

Capital Grants Unapplied Reserve (CGUR)

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

Notes to the Movement in Reserves Statement

Movement on Usable Reserves (with contra to Unusable Reserves) during 2025/26	GF	HRA	CRR	MRR	CGUR	Unusable
	£'000	£'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)	(20,005)	(2,728)	0	0	0	22,733
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	16	0	0	0	0	(16)
- Gain/losses on pooled investments (transferred to Pooled Investment Fund Adjustment Account)	40	0	0	0	0	(40)
- Council Tax and NDR (transfers to or from the Collection Fund)	(6,083)	0	0	0	0	6,083
- Holiday pay (transferred to the Accumulated Absence Reserve)	116	19	0	0	0	(135)
- Reversal of entries included in the (Surplus) or Deficit on Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account)	(38,566)	(73,785)	0	0	(6,814)	119,165
Total Adjustments to Revenue Resources	(64,482)	(76,494)	0	0	(6,814)	147,790
Adjustments between Revenue and Capital Resources						
- Transfer of non-current asset sale proceeds from revenue to the CRR	908	7,707	(8,615)	0	0	0
- Posting of HRA resources from revenue to the MRR	0	5,324	0	(5,324)	0	0
- Statutory provision for the repayment of debt (transfer from the CAA)	13,512	0	0	0	0	(13,512)
- Voluntary repayment of debt (transfer from the CAA)	5,639	0	0	0	0	(5,639)
- Capital expenditure financed from revenue balances (transfer to the CAA)	4,841	0	0	0	0	(4,841)
Total Adjustments between Revenue and Capital Resources	24,900	13,031	(8,615)	(5,324)	0	(23,992)
Adjustments to Capital Resources						
- Use of the CRR to finance capital expenditure	0	0	5,421	0	0	(5,421)
- Use of the MRR to finance capital expenditure	0	0	0	5,519	0	(5,519)
- Application of capital grants to finance capital expenditure	21,981	14,287	0	0	1,657	(37,925)
- Cash payments in relation to deferred capital receipts	0	0	(1)	0	0	1
Total Adjustments to Capital Resources	21,981	14,287	5,420	5,519	1,657	(48,864)
Total Adjustments during 2025/26	**(17,601)**	**(49,176)**	**(3,195)**	**195**	**(5,157)**	**74,934**

Notes to the Movement in Reserves Statement

Movement on Usable Reserves (with contra to Unusable Reserves) during 2024/25	GF	HRA	CRR	MRR	CGUR	Unusable
	£'000	£'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)	2,934	488	0	0	0	(3,422)
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	316	0	0	0	0	(316)
- Gain/losses on pooled investments (transferred to Pooled Investment Fund Adjustment Account)	180	0	0	0	0	(180)
- Council Tax and NDR (transfers to or from the Collection Fund)	25,020	0	0	0	0	(25,020)
- Holiday pay (transferred to the Accumulated Absence Reserve)	(40)	(5)	0	0	0	45
- Transfer in-year Dedicated Schools Grant deficit (to DSG Deficit Reserve)	0	0	0	0	0	0
- Reversal of entries included in the (Surplus) or Deficit on Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account)	17,197	(90,348)	0	0	(51,049)	124,200
Total Adjustments to Revenue Resources	45,607	(89,865)	0	0	(51,049)	95,307
Adjustments between Revenue and Capital Resources						
- Transfer of non-current asset sale proceeds from revenue to the CRR	1	3,404	(3,405)	0	0	0
- Payments to the government housing receipts pool (funded by a transfer from the CRR)	0	0	0	0	0	0
- Posting of HRA resources from revenue to the MRR	0	7,876	0	(7,876)	0	0
- Statutory provision for the repayment of debt (transfer from the CAA)	12,239	0	0	0	0	(12,239)
- Capital expenditure financed from revenue balances (transfer to the CAA)	2,186	0	0	0	0	(2,186)
Total Adjustments between Revenue and Capital Resources	14,426	11,280	(3,405)	(7,876)	0	(14,425)
Adjustments to Capital Resources						
- Use of the CRR to finance capital expenditure	0	0	4,081	0	0	(4,081)
- Use of the MRR to finance capital expenditure	0	0	0	7,682	0	(7,682)
- Application of capital grants to finance capital expenditure	0	0	0	0	50,635	(50,635)
- Cash payments in relation to deferred capital receipts	0	0	0	0	0	0
Total Adjustments to Capital Resources	0	0	4,081	7,682	50,635	(62,398)
Total Adjustments during 2024/25	**60,033**	**(78,585)**	**676**	**(194)**	**(414)**	**18,484**

7. Movements in earmarked reserves

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

	Note	Balance at 31 March 2024	Transfer Out 2024/25	Transfer In 2024/25	Balance at 31 March 2025	Transfer Out 2025/26	Transfer In 2025/26	Balance at 31 March 2026
General Fund:		£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Grenfell	1	(6,945)	5,277	(105)	**(1,773)**	932	(1,300)	**(2,141)**
Special Projects	2	(5,355)	9,990	(5,500)	**(865)**	3,554	(3,439)	**(750)**
Car Parking	3	(17,453)	4,151	(381)	**(13,683)**	3,921	0	**(9,762)**
Budget Carry Forward	4	(12,541)	3,298	(606)	**(9,849)**	3,269	(2,943)	**(9,523)**
Budget Stabilisation	5	(18,406)	4,495	(4,368)	**(18,279)**	27,445	(9,670)	**(504)**
Reorganisation	6	(116)	0	(1,104)	**(1,220)**	3,059	(1,839)	**0**
Schools Reserves	7	(6,969)	3,355	(1,247)	**(4,861)**	934	(2,611)	**(6,538)**
Insurance	8	(4,159)	555	(715)	**(4,319)**	571	0	**(3,748)**
Public Health	9	(7,157)	823	0	**(6,334)**	1,459	0	**(4,875)**
Public Health - Cost of Living	10	(2,000)	0	0	**(2,000)**	1,482	0	**(518)**
Street Trading	11	(299)	32	0	**(267)**	3	0	**(264)**
Local Projects	12	(931)	0	(233)	**(1,164)**	0	(242)	**(1,406)**
Troubled Families	13	(1,218)	0	(98)	**(1,316)**	464	0	**(852)**
Proceeds of Crime	14	(183)	0	(127)	**(310)**	40	0	**(270)**
Dedicated Schools Grant Surplus	15	(3,479)	260	(1,100)	**(4,319)**	802	0	**(3,517)**
Contingency	16	(5,359)	4,404	0	**(955)**	680	0	**(275)**
Council Plan Implementation	17	(1,000)	579	0	**(421)**	923	(1,000)	**(498)**
Council Implementation Plan - Ward Improvements	18	0	0	(1,000)	**(1,000)**	1,000	0	**0**
Grenfell Restorative Justice	19	0	0	(13,479)	**(13,479)**	8,173	(8,207)	**(13,513)**
Civil Claim Settlement	20	(3,857)	5,479	(7,250)	**(5,628)**	4,602	(7,366)	**(8,392)**
Curve Legacy	21	(1,364)	0	(1,368)	**(2,732)**	1,300	(60)	**(1,492)**
Collection Fund	22	(16,857)	16,857	0	**0**	182	(9,051)	**(8,869)**
Subtotal of Usable Earmarked Reserves		**(115,648)**	**59,555**	**(38,681)**	**(94,774)**	**64,795**	**(47,728)**	**(77,707)**
GF Working Balance		(10,000)	0	0	**(10,000)**	0	0	**(10,000)**
Total GF Reserves per MIRS		**(125,648)**	**59,555**	**(38,681)**	**(104,774)**	**64,795**	**(47,728)**	**(87,707)**

Notes to the Movement in Reserves Statement

	Note	Balance at 31 March 2024	Transfer Out 2024/25	Transfer In 2024/25	Balance at 31 March 2025	Transfer Out 2025/26	Transfer In 2025/26	Balance at 31 March 2026
		£'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	(577)	**(5,577)**
Total HRA Reserves per MIRS		**(5,988)**	**0**	**0**	**(5,988)**	**0**	**(577)**	**(6,565)**

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 balances set aside in previous years for which there may be planned use in future years. The reserve also provides the opportunity for resources to be mobilised swiftly to enable the Council to respond efficiently in the face of unforeseen circumstances that were not known at the time of budget setting.
5. The Budget Stabilisation Reserve was established to manage the impact of uncertainty in government funding.
6. This reserve has been established to support one-off costs associated with workforce planning.
7. Schools' balances are held on behalf of maintained schools across the borough.
8. The Insurance Fund is held to cover future insurance liabilities.
9. This reserve holds unspent Public Health grant income and is earmarked for use in future years including meeting public health outcomes.
10. This reserve utilises £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. Street Trading operates as a ringfenced account and this reserve is maintained to offset any losses on that account.
12. 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.

13. 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.
14. 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.
15. 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.
16. The Council intends to use this reserve to mitigate any unexpected one-off budget pressures in future years.
17. The Council Plan Implementation Reserve will be used to support delivery of the Council Plan and the Council's ambition to become the best Council for residents in a borough that is greener, safer and fairer.
18. The Council Implementation Plan – Ward Improvements Reserve supports delivery of the Council's cross-cutting ambitions and ward-based improvement. At year end, the balance was transferred to the Budget Stabilisation Reserve.
19. The Grenfell Restorative Justice Reserve contains the external contributions towards the Restorative Justice programme of support.
20. The Civil Claims Settlement Reserve was created from planned savings arising from a 2-year temporary reduction to the Council's employer pension contributions following the triennial actuarial valuation of the pension fund.
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 2026	31 March 2025
	£'000	£'000
Revaluation Reserve	(703,903)	(720,447)
Capital Adjustment Account	(373,598)	(415,654)
Pensions Reserve	2,520	(39,790)
Deferred Capital Receipts	0	(1)
Dedicated Schools Grant Adjustment Account	7,606	7,606
Collection Fund Adjustment Account	(13,147)	(19,230)
Pooled Investment Fund Adjustment Account	1,508	1,548
Financial Instruments Adjustment Account	1,158	1,174
Accumulated Absences Adjustment Account	622	757
Total unusable reserves	**(1,077,234)**	**(1,184,037)**

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.

	2025/26		2024/25	
	£'000	£'000	£'000	£'000
Balance at 1 April		(720,447)		(727,641)
Upward revaluation of assets	(18,302)		(33,345)	
Downward revaluation of assets	30,594		33,141	
Revaluation not posted to the (Surplus) or Deficit on Provision of Services		**12,292**		**(204)**
Difference between current and historic cost depreciation		3,724		7,295
Accumulated depreciation on assets sold or scrapped		528		103
Balance at 31 March		**(703,903)**		**(720,447)**

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.

	2025/26	2024/25
	£'000	£'000
Balance at 1 April	**(415,654)**	**(455,633)**
Reversal of items debited or credited to the CIES:		
Impairment / Revaluation charged to the CIES	89,880	105,222
Charges for depreciation	19,440	16,826
Reversal of depreciation charged in respect of dwellings	4,708	4,929
Amortisation of intangible assets	1,402	1,920
Revenue expenditure funded from capital under statute	8,793	11,533
Amounts written off on disposal or sale as part of the gain / loss on disposal to the CIES	2,011	3,813
Adjusting amounts written out of the Revaluation Reserve:		
Accumulated revaluation gains on assets sold or scrapped	(528)	(103)
Difference between fair value depreciation and historic cost depreciation	(3,724)	(7,295)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(5,423)	(4,081)
Use of the MRR to finance new capital expenditure	(5,518)	(7,682)
Capital grants and contributions credited to the CIES that have been applied to capital financing	(36,218)	(50,635)
Application of grants to capital financing from the Capital Grants Unapplied Account	(1,657)	0
Statutory provision for the repayment of debt - MRP	(13,512)	(12,239)
Voluntary repayment of debt	(5,639)	0
Capital expenditure charged against the General Fund and HRA balances	(4,841)	(2,186)
Other Movements:		
Movements in the market value of investment properties	(6,945)	(5,763)
Movement in the donated assets account credited to the Comprehensive Income and Expenditure Statement	(50)	(14,277)
Other adjustments	(123)	(3)
Movement in year	**42,056**	**39,979**
Closing balance at 31 March	**(373,598)**	**(415,654)**

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.

Dedicated Schools Grant (DSG)

The statutory override on DSG deficits was introduced from the financial year 2020/21. This allows the Council to carry forward the overall DSG deficit in an account established, charged and used solely for the purpose of recognising deficits in respect of its schools' budget.

The statutory override, which ringfences the deficit from the Council's wider financial position, is currently in place until 31 March 2028.

As mentioned in Note 16, the Government's High Needs Stability Grant will contribute towards reducing the DSG deficit leaving the Council to meet the residual balance.

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.

	2025/26	2024/25
	£'000	£'000
Balance at 1 April	(39,790)	(396,504)
Remeasurements recognised in Other Comprehensive Income and Expenditure	19,577	360,136
Reversal of items relating to retirement benefits debited or credited to (Surplus) or Deficit on the Provision of Services	23,120	7,657
Employers contributions payable to scheme	(387)	(11,079)
Balance at 31 March	**2,520**	**(39,790)**

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.

	2025/26	2024/25
	£'000	£'000
Balance at 1 April	(19,230)	5,791
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	6,083	(25,021)
Balance at 31 March	**(13,147)**	**(19,230)**

Pooled Investment Fund Adjustment Account

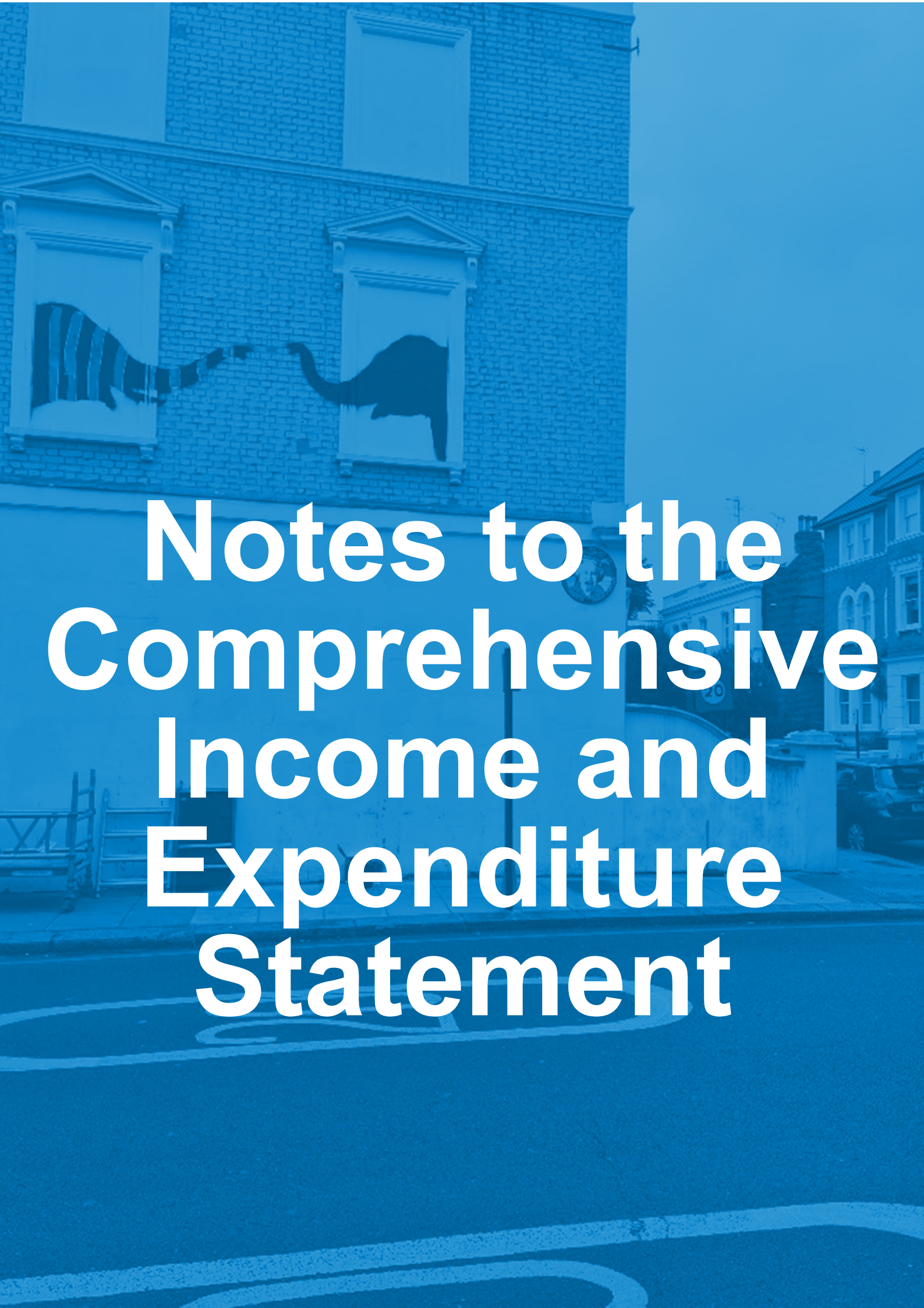
In accordance with statutory guidance, unrealised gains and losses arising on qualifying pooled investment funds are not chargeable to the General Fund and are instead reflected in the Pooled Investment Funds Adjustment Account.

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 2025/26, the bond has yielded a gain.

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.

	2025/26	2024/25
	£'000	£'000
Balance at 1 April	757	711
Settlement or cancellation of accrual made at the end of the preceding year	(757)	(711)
Amounts accrued at the end of the current year	622	757
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	**(135)**	**46**
Balance at 31 March	**622**	**757**



Notes to the Comprehensive Income and Expenditure Statement

9. Expenditure and Funding Analysis (EFA)

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

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

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

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

Resources and Customer Delivery includes the following services:

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

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

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

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

The Human Resources function supports Council staff.

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

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

Notes to Comprehensive Income and Expenditure Statement

Expenditure and Funding Analysis	2025/26 As reported in the Narrative Report	2025/26 Adjustments to arrive at exp charged to GF and HRA balances	2025/26 Expenditure charged to GF and HRA balances	2025/26 Adjustments between accounting and funding (note 10)	2025/26 Net Expenditure in the CIES	2024/25 Expenditure charged to GF and HRA balances	2024/25 Adjustments between accounting and funding (note 10)	2024/25 Net Expenditure in the CIES
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care	56,298	(12,495)	43,803	(3,906)	39,897	42,331	(3,757)	38,574
Public Health	2,941	(73)	2,868	(122)	2,746	727	0	727
Children's Services	56,047	(12,453)	43,594	(879)	42,715	48,160	(9,621)	38,539
Environment and Neighbourhoods	17,020	(6,851)	10,169	(13,638)	(3,469)	14,328	(12,808)	1,520
Housing and Social Investment	38,842	(8,730)	30,112	18,842	48,954	27,521	21,080	48,601
Resources and Customer Delivery	21,059	(6,509)	14,550	70,484	85,034	28,261	47,246	75,507
Chief Executive	12,862	(162)	12,700	(2,381)	10,319	14,940	(3,325)	11,615
Grenfell Recovery	932	0	932	254	1,186	4,522	164	4,686
Grenfell Corporate	2,103	1	2,104	79	2,183	1,608	52	1,660
Future Grenfell Support	830	(45)	785	0	785	(12,399)	0	(12,399)
Grenfell Settlement	0	7,676	7,676	0	7,676	0	0	0
Housing Revenue Account	0	(577)	(577)	65,335	64,758	0	90,770	90,770
Net Cost of Services	**208,934**	**(40,218)**	**168,716**	**134,068**	**302,784**	**169,999**	**129,801**	**299,800**
Other GF income and expenditure	(208,934)	56,707	(152,227)	(51,130)	(203,357)	(149,124)	(99,065)	(248,189)
Other HRA income and expenditure	0		(0)	(16,161)	(16,161)	(0)	(12,185)	(12,185)
(Surplus) / Deficit on Services	**0**	**16,489**	**16,489**	**66,777**	**83,266**	**20,875**	**18,551**	**39,426**

Movement on GF and HRA balances	2025/26 GF	2025/26 HRA	2025/26 Total	2024/25 GF	2024/25 HRA	2024/25 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance:	**(104,775)**	**(5,988)**	**(110,763)**	**(125,650)**	**(5,988)**	**(131,638)**
(Surplus) / Deficit on Balance in Year	17,066	(577)	16,489	20,875	0	20,875
Closing Balance:	**(87,709)**	**(6,565)**	**(94,274)**	**(104,775)**	**(5,988)**	**(110,763)**

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:

	2025/26				2024/25			
	Capital	Pension	Other	Total	Capital	Pension	Other	Total
	£'000	£'000	£'000	**£'000**	£'000	£'000	£'000	**£'000**
Adult Social Care	(603)	(1,268)	5,777	**3,906**	(127)	(1,122)	5,006	**3,757**
Public Health	0	0	122	**122**	0	0	0	**0**
Children's Services	(8,522)	(3,250)	12,651	**879**	(4,207)	(4,129)	17,957	**9,621**
Environment and	(6,612)	(3,229)	23,479	**13,638**	(6,439)	(1,994)	21,241	**12,808**
Housing and Social Investment	(6,926)	(960)	(10,956)	**(18,842)**	(6,474)	(611)	(13,995)	**(21,080)**
Resources and Customer Delivery	(9,033)	(11,500)	(49,951)	**(70,484)**	(5,662)	(4,302)	(37,282)	**(47,246)**
Chief Executive	(156)	(908)	3,445	**2,381**	(138)	(590)	4,053	**3,325**
Grenfell - Recovery	0	(256)	2	**(254)**	0	(163)	(1)	**(164)**
Grenfell - Corporate	0	(81)	2	**(79)**	0	(52)	0	**(52)**
Future Grenfell Support	0	0	0	**0**	0	0	0	**0**
Grenfell Settlement	0	0	0	**0**	0	0	0	**0**
Housing Revenue Account	(46,466)	(2,728)	(16,141)	**(65,335)**	(79,068)	488	(12,190)	**(90,770)**
Net Cost of Services	**(78,318)**	**(24,180)**	**(31,570)**	**(134,068)**	**(102,115)**	**(12,475)**	**(15,211)**	**(129,801)**
Other income and expenditure	40,166	1,446	9,518	**51,130**	54,671	15,897	28,497	**99,065**
Other income and expenditure (HRA)	0	0	16,161	**16,161**	0	0	12,185	**12,185**
Total Adjustments	**(38,152)**	**(22,734)**	**(5,891)**	**(66,777)**	**(47,444)**	**3,422**	**25,471**	**(18,551)**

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.

	2025/26	2024/25
	£'000	£'000
Expenditure		
Employee benefits expenses	253,478	246,241
Other service expenses	543,832	536,558
Depreciation, amortisation and impairment	115,430	128,897
Interest Payments	20,887	15,230
Net interest on net defined benefit liability	43	41
Precepts and Levies	5,143	5,004
Total expenditure	**938,813**	**931,971**
Income		
Fees, charges and other service income	(284,798)	(284,571)
Loss / (Gain) on disposal of non-current assets	(6,728)	404
Government grants & contributions	(398,530)	(434,104)
Interest Income	(3,044)	(2,202)
Net interest on net defined benefit liability	(1,689)	(18,882)
Net income from Council Tax and Business Rates	(153,814)	(147,428)
Change in Fair Value of Investment Properties	(6,945)	(5,763)
Total income	**(855,548)**	**(892,546)**
(Surplus) or Deficit on Provision of Services	**83,265**	**39,425**

12. Other operating income and expenditure

	2025/26	2024/25
	£'000	£'000
Levies	5,142	5,004
(Gains) / losses on the disposal of non-current assets	(6,728)	404
Total other operating expenditure	**(1,586)**	**5,408**

13. Financing and investment income and expenditure

	2025/26	2024/25
	£'000	£'000
Interest payable and similar charges	20,887	15,229
Net interest on the net defined benefit liability	(1,646)	(18,841)
Interest receivable and similar income	(3,044)	(2,202)
Income and expenditure in relation to investment properties	(12,639)	(15,350)
Changes in fair values of investment properties	(6,945)	(5,763)
Changes in fair values of financial instruments	(40)	(180)
Expected Credit Loss - impairment allowance	12,388	8,428
Total financing and investment income and expenditure	**8,961**	**(18,679)**

14. Taxation and non-specific grant income and expenditure

	2025/26	2024/25
	£'000	£'000
Council tax income	(109,705)	(104,892)
Non domestic rates	(87,387)	(85,221)
Business rates tariff	43,278	42,686
Other Non-ringfenced government grants		
- Revenue Support Grant	(11,796)	(13,875)
- S31 Business Rate Relief	(20,302)	(24,497)
- Market Sustainability and Improvement Fund	(3,792)	(3,792)
- Employers National Insurance Contribution Scheme	(1,930)	0
- Other general grants / contributions	(99)	(1,840)
Capital grants and contributions		
- Leaseholder Income	(10,835)	(5,981)
- MHCLG Grenfell Capital	(7,717)	0
- Section 278	(3,472)	(9,884)
- Community Infrastructure Levy	(2,215)	(890)
- Affordable Housing Programme	(2,125)	(7,794)
- Local Authority Housing Fund	(2,110)	0
- School Condition Allocation	(1,437)	0
- Building Council Houses for Londoners	(1,169)	(1,489)
- Section 106 contributions	(589)	(7,199)
- Donated assets	(50)	(14,277)
- Social Housing Decarbonisation Fund	0	(5,761)
- Other capital grants and contributions	(3,442)	(2,397)
Total taxation and non-specific grants	**(226,894)**	**(247,103)**

15. Grant income

The following revenue grants, contributions and donations were credited to Net Cost of Services in the CIES during 2025/26.

Net Cost of Services	2025/26	2024/25
	£'000	£'000
Housing Benefit Subsidy	(93,628)	(113,685)
Dedicated Schools Grant	(87,578)	(86,111)
Public Health Grant	(24,865)	(23,542)
Social Care Grant	(21,695)	(18,339)
Local Authority Better Care Grant	(9,452)	(7,662)
Homelessness Prevention Grant	(9,329)	(6,397)
Grenfell Restorative Justice Contribution	(7,653)	(6,100)
Basic Need Grant	(3,394)	(4,255)
Pupil Premium Grant	(3,383)	(3,360)
Extended Producer Responsibility Grant	(2,333)	0
UASC and Leaving Care Fund	(2,187)	(2,942)
Household Support Fund Grant	(2,080)	(2,361)
Adult and Community Learning	(1,416)	(2,177)
Section 106 Contributions	(342)	(2,743)
Other Grants (under £2 million each)	(26,894)	(28,904)
Revenue Contributions	(29,220)	(25,850)
Total	**(325,449)**	**(334,428)**

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:

Revenue	2025/26	2024/25
	£'000	£'000
Current Liabilities		
Afghan Hotel Wraparound Grant	(4,095)	(4,418)
Homes for Ukraine	(3,996)	(4,811)
Dedicated Schools Grant	(194)	(2,133)
Other Grants (under £1m)	(4,282)	(2,741)
Total	**(12,567)**	**(14,103)**
Long Term Liabilities		
Section 106 and Private Contributions	(11,704)	(11,544)
Total	**(11,704)**	**(11,544)**
Balance as at 31 March	**(24,271)**	**(25,647)**

Capital	2025/26	2024/25
	£'000	£'000
Current Liabilities		
DFE - High Needs Provision	(5,922)	(6,801)
MHCLG - Local Authority Housing Fund	(3,264)	(1,155)
DFE - Basic Need Grant	(3,162)	(3,276)
DESNZ - Social Housing Decarbonisation Fund*	(1,809)	(25)
Food Waste Collection Grant	(1,379)	(1,383)
Heat Network Investment Project	(1,116)	(1,116)
Health Lodged Funds	(151)	(2,157)
GLA - Notting Dale Future Neighbourhood	(90)	(1,154)
Other Grants (under £1m)*	(4,722)	(4,828)
Total	**(21,615)**	**(21,895)**
Long Term Liabilities		
Section 106 and Private Contributions	(30,734)	(24,822)
Section 278 Contributions	(2,928)	(9,075)
Total	**(33,662)**	**(33,897)**
Balance as at 31 March	**(55,277)**	**(55,792)**

* In 2024/25, the grant was included within 'Other Grants'. Since the 2025/26 amount is over £1 million, it is now shown separately.

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 2025/26 are below.

2025/26	Central Expenditure	ISB	Total
	£'000	£'000	**£'000**
Final DSG for 2025/26 before academy and high needs recoupment			**(132,918)**
Less academy and high needs figure recouped for 2025/26			**46,838**
DSG after academy and high needs recoupment			**(86,080)**
Plus brought forward from 2024/25			**(4,319)**
Adjustment to carry forward balance for Early Years *			**(260)**
Less carry forward to 2026/27 agreed in advance			**4,579**
Agreed initial budget distribution in 2025/26	(20,581)	(65,499)	**(86,080)**
In year adjustments	0	(1,238)	**(1,238)**
Final budget distribution for 2025/26	**(20,581)**	**(66,737)**	**(87,318)**
Less actual central expenditure	21,387		**21,387**
Less actual ISB deployed to schools		66,992	**66,992**
In-year carry-forward to 2026/27	**806**	**255**	**1,061**
Plus: Carry-forward to 2026/27 agreed in advance			(4,578)
Carry-forward to 2026/27			**(3,517)**
DSG unusable reserve at the end of 2024/25			7,606
Addition to DSG unusable reseserve at the end of 2025/26			0
Total of DSG unusable reserve at the end of 2025/26			**7,606**
Net DSG Position at the end of 2025/26 (Surplus)/Deficit			**4,089**

* This reflects overpayments in 2024/25 for which recovery arrangements have been set up.

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

The DSG deficit has increased in 2025/26 by £0.802 million in 2025/26 to £4.089 million as at 31 March 2026, primarily driven by growth in the number of Education, Health and Care Plans (EHCPs) and the associated increase in top-up funding paid to schools and other providers.

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 £3.517m at the end of 2025/26 is shown separately. The net deficit of £4.089m has been carried forward. To support authorities in addressing historic High Needs pressures, the Government has introduced a High Needs Stability Grant, which will fund 90% of the eligible DSG deficit as at 31 March 2026, with the remaining balance to be met by the Council.

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.

	2025/26	2024/25
	£'000	£'000
Social Housing Rentals	(63,846)	(65,704)
Temporary Accommodation Rentals	(31,648)	(33,224)
Shared Services Income	(26,066)	(26,252)
On Street Parking	(28,081)	(26,116)
Commercial Property	(16,287)	(18,965)
Parking Suspensions	(9,162)	(9,492)
Commercial Waste	(7,583)	(7,182)
Residents' Parking	(7,023)	(7,034)
Leaseholder Service Charges	(4,338)	(5,308)
Other (below £5m)	(53,774)	(48,531)
Total income	**(247,808)**	**(247,808)**

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 2025/26 was £1.259 million (£1.192 million in 2024/25). 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.

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

2025/26	Note	Salary, Fees and Allowances	Compensation for loss of office (all redundancy payments)	Employer Pension Contribution [8]	Total Remuneration (incl. employer pension contribution)
Job Title		**£**	£	£	£
Chief Executive (Maxine Holdsworth)		**238,860**	0	0	238,860
Executive Director of Resources (Mike Curtis)	1&6	**195,284**	118,563	0	313,847
Executive Director for Environment and Neighbourhoods (Beau Stanford-Francis)		**185,882**	0	0	185,882
Executive Director for Housing and Social Investment (Dan Hawthorn)	2	**170,419**	0	0	170,419
Strategic Director of Grenfell Partnerships, Communities and Transformation (Callum Wilson)		**154,242**	0	0	154,242
Director for Family Services (Glen Peache)	6	**155,874**	89,986	0	245,860
Director of Customer Delivery (Sophie Evans)	6	**154,615**	81,087	0	235,702
Director of Planning and Place (Amanda Reid)		**155,225**	0	0	155,225
Director of Financial Management (Lisa Taylor)		**154,242**	0	0	154,242
Director of Transport and Regulatory Services (Andrew Burton)		**154,242**	0	0	154,242
Director of Social Investment and Property (Christine Addison)		**154,242**	0	0	154,242
Director of Housing Needs (Kojo Oteng-Sarpong)		**150,966**	0	0	150,966
Director of Communications and Public Affairs		**122,311**	0	0	122,311
Director of Housing Management (Jahedur Rahman)	7	**34,000**	0	0	34,000
Bi-Borough Director of Adult Social Care and Health (Visvalingam Sathasivam)	4	**167,238**	0	0	167,238
Bi-Borough Director of Education (Ian Heggs)	3	**155,608**	0	0	155,608
Head of Capital Delivery (Nicholas Roberts) Interim	5	**206,086**	0	0	206,086

Notes

1. The Council received £23,360 as a 10% contribution from the Pension Fund for the work carried out in this area by this officer.
2. This officer left the council at the end of January 2026 therefore total remuneration represents 10 months of the 2025-26 financial year. The position was vacant as at 31 March 2026.
3. This officer is employed by the Council and their full cost is reported in the table. 50% of their cost has been recharged to WCC.
4. This officer is employed by the Council and their full cost is reported in the table. 50% of their cost has been recharged to WCC.
5. The officer is an agency staff member and the amount shown reflects the cost to the Council (including agency fees), not the individual's remuneration.
6. All of these officers left the Council on 31st March 2026 under the Council's voluntary redundancy scheme as part of the Council's 2026/27 savings programme. The 'Compensation for loss of office' column shows the contractual redundancy payments for these officers.
7. This officer joined the Council in January 2026 which is reflected in the salary figure, however, the annualised salary is above the threshold and has therefore been included in the note.
8. The Council's Investment Committee determined that the employer pension contributions for 2025/26 will be 0% based on the Pension Fund's strong surplus position and having considered actuarial advice and risk analysis.

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. There were no such payments in 2025/26.

Senior Officer shared posts employed by other local authorities 2025/26

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

In 2025/26, the Council paid:

- £131,101 for the Bi-Borough Executive Director of Adults Social Care and Health, being 50% of the total remuneration
- £115,035 for the Bi-Borough Executive Director of Children's Services, being 50% of the total remuneration
- £27,448 for His Majesty's Coroner, being 16% of the total remuneration

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

2024/25	Note	Salary, Fees and Allowances	Employer Pension Contribution	Total Remuneration (including employer pension contribution)
Job Title		**£**	£	£
Chief Executive (Maxine Holdsworth)		**232,965**	17,022	249,987
Director of Social Investment & Property (interim) (Christine Addison)	1	**197,846**	0	197,846
Executive Director of Resources (Mike Curtis)	2	**194,850**	14,809	209,659
Executive Director for Housing and Social Investment (Dan Hawthorn)		**194,473**	14,522	208,995
Executive Director for Environment and Neighbourhoods (Beau Stanford-Francis)		**174,981**	13,106	188,087
Bi-Borough Director of Adult Social Care (Visvalingam Sathasivam)	3	**170,661**	12,799	183,460
Director of Transport and Regulatory Services (Andrew Burton)	4	**166,665**	8,625	175,290
Director of Customer Delivery (Sophie Evans)		**151,957**	11,397	163,354
Director for Family Services (Glen Peache)		**151,867**	11,209	163,076
Bi-Borough Director of Education and Libraries (Ian Heggs)	5	**151,766**	11,209	162,975
Strategic Director of Grenfell Partnerships, Communities and Transformation		**148,398**	11,272	159,670
Director of Financial Management		**146,574**	10,993	157,567
Director of Communications and Public Affairs		**115,306**	8,640	123,946

1. The officer is employed through an agency. The amount shown is their payment before any deductions such as employer's NI, apprenticeship levy etc. as per IR35.
2. The Council received £23,664 as a 10% contribution from the Pension Fund for the work carried out in this area by this officer.
3. This officer is employed by RBKC and their full cost is reported in the table. 50% of their cost has been recharged to WCC.
4. The officer was an agency staff prior to becoming a permanent employee on 24th June 2024.
5. This officer is employed by RBKC and their full cost is reported in the table. 50% of their cost has been recharged to WCC.

There was no compensation for loss of office for any senior officers in 2024/25.

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

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

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

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

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.

	2025/26 No. of employees	2024/25 No. of employees
£50,000 - £54,999	384	361
£55,000 - £59,999	259	260
£60,000 - £64,999	249	223
£65,000 - £69,999	163	107
£70,000 - £74,999	117	114
£75,000 - £79,999	107	72
£80,000 - £84,999	53	25
£85,000 - £89,999	20	20
£90,000 - £94,999	21	25
£95,000 - £99,999	21	16
£100,000 - £104,999	15	16
£105,000 - £109,999	16	3
£110,000 - £114,999	6	2
£115,000 - £119,999	8	1
£120,000 - £124,999	7	4
£125,000 - £129,999	2	3
£130,000 - £134,999	1	1
£135,000 - £139,999	3	4
£140,000 - £144,999	4	3
£145,000 - £149,999	3	4
Total	**1,459**	**1,264**

The number of officers within the disclosure threshold has increased primarily as a result of:

- a 3.2% pay increase for all local government employees on specified pay grades
- the voluntary redundancy scheme introduced by the Council for 2025-26 which resulted in a number of employees moving into higher salary bands as their salary costs included redundancy pay

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 generally the main costs incurred. Other costs include Pay In Lieu of Notice and settlement payments.

Further to the decision taken by the Council's Investment Committee in November 2024, pension strain costs were not recouped from the Council for the financial years 2024/25 and 2025/26. These pension strain costs were borne by the Pension Fund and are not recorded in the

Council's ledger; however they have been included in the following tables to reflect the total cost of the packages agreed.

	2025/26			
Exit Package Cost Band	Compulsory Redundancies	Other agreed departures	Total departures	Total cost of exit packages
£'000	Number	Number	**Number**	**£**
0 - 20	15	32	**47**	**421,464**
21 - 40	8	24	**32**	**929,970**
41 - 60	4	14	**18**	**867,596**
61 - 80	2	8	**10**	**703,084**
81 - 100	0	7	**7**	**672,306**
101 - 150	6	24	**30**	**3,825,950**
151 - 200	5	9	**14**	**2,446,118**
201 - 250	1	6	**7**	**1,561,513**
251 - 300	0	2	**2**	**564,219**
301 - 350	2	0	**2**	**652,424**
351+	0	1	**1**	**574,463**
Total	**43**	**127**	**170**	**13,219,107**

	2024/25 (Restated)			
Exit Package Cost Band	Compulsory Redundancies	Other agreed departures	Total departures	Total cost of exit packages
£'000	Number	Number	**Number**	**£**
0 - 20	11	6	**17**	**165,540**
21 - 40	2	3	**5**	**134,244**
41 - 60	1	1	**2**	**84,497**
61 - 80	2	0	**2**	**145,196**
81 - 100	0	1	**1**	**93,510**
101 - 150	3	0	**3**	**351,519**
151 - 200	1	0	**1**	**166,692**
Total	**20**	**11**	**31**	**1,141,198**

The number of 'Other agreed departures' is significantly higher in 2025/26 due to the Council-wide voluntary redundancy scheme that took in the year.

21. External audit costs

	2025/26	2024/25
	£'000	£'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	440	428
Fees payable for the certification of grant claims and returns for the year	91	91
Total audit costs	**531**	**519**

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.

Expenditure funded through the pooled budget includes the provision of residential care, community-based services that support people to remain in their own homes, and a community independence service that promotes residents' independence and wellbeing. This arrangement is established under Section 75 of the National Health Service Act 2006 and is funded primarily through the Better Care Fund (BCF).

The pooled budget is accounted for as a joint operation where activities of the arrangement require the unanimous consent of both parties. Accordingly, each party recognises in its own financial statements its share of the income, expenditure, assets and liabilities arising from the arrangement. The Council acts as host for the pooled budget, however, each partner is responsible for the delivery of the schemes allocated to it under the Section 75 agreement and bears any associated surplus or deficit, with the exception of the Community Equipment Budget referred to later.

The pooled budget includes income and expenditure relating to the Better Care Fund, whether funding is provided by the Council or the health service. Consequently, the Council recognises in its financial statements only those transactions relating to schemes for which it is responsible, including the Integrated Community Equipment Service. The CIES includes the Council's share of £22.289 million income and expenditure of £22.880 million.

	2025/26	2024/25
	£'000	£'000
RBKC contributions to the pooled budget	(22,289)	(22,052)
NWLICB contributions to the pooled budget	(8,740)	(8,724)
Total contributions into the pooled budget	**(31,029)**	**(30,776)**
Costs relating to care provided in residential or community settings	20,101	18,760
Support Services and programme management relating to the BCF	1,275	1,047
iBCF Programme	7,116	7,662
Discharge Funding	4,003	3,659
Total expenditure met by the pooled budget	**32,495**	**31,128**
Net in-year (surplus) / deficit	**1,466**	**352**
Comprising shares due to:		
RBKC	591	177
NWLIBC	875	175
Total	**1,466**	**352**

Net in-year deficit on the pooled budget

At the end of 2025/26 there was a deficit of £1.466 million, relating to the shared contribution to the Integrated Community Equipment Service. Over the last few years, the service has experienced increased costs, due to higher demand for services associated with the growing

number of hospital discharges, increasing complexity of care, coupled with and an ageing population. Community Equipment expenditure is shared between NWLICB and RBKC based on an agreed share of the total cost.

23. Related party transactions

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

Central Government

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

Members and Officers

Elected Members have direct control of the Council's policies and strategies. The total of Members allowances paid during 2025/26 is shown in note 18.

Day-to-day responsibility lies with the Council's Leadership Team which in 2025/26 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 and voluntary organisations with which the Council interacts but does not have a financially material relationship.

Fourteen Members held positions of control or significant influence in related parties to the Council during 2025/26 (ten Members in 2024/25). These include charitable organisations which received funds from the Council of £3.038million in 2025/26 (£3.173 million in 2024/25).

At the time of publication one Member and one senior member of staff who left during 2025/26 had not returned their declarations.

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

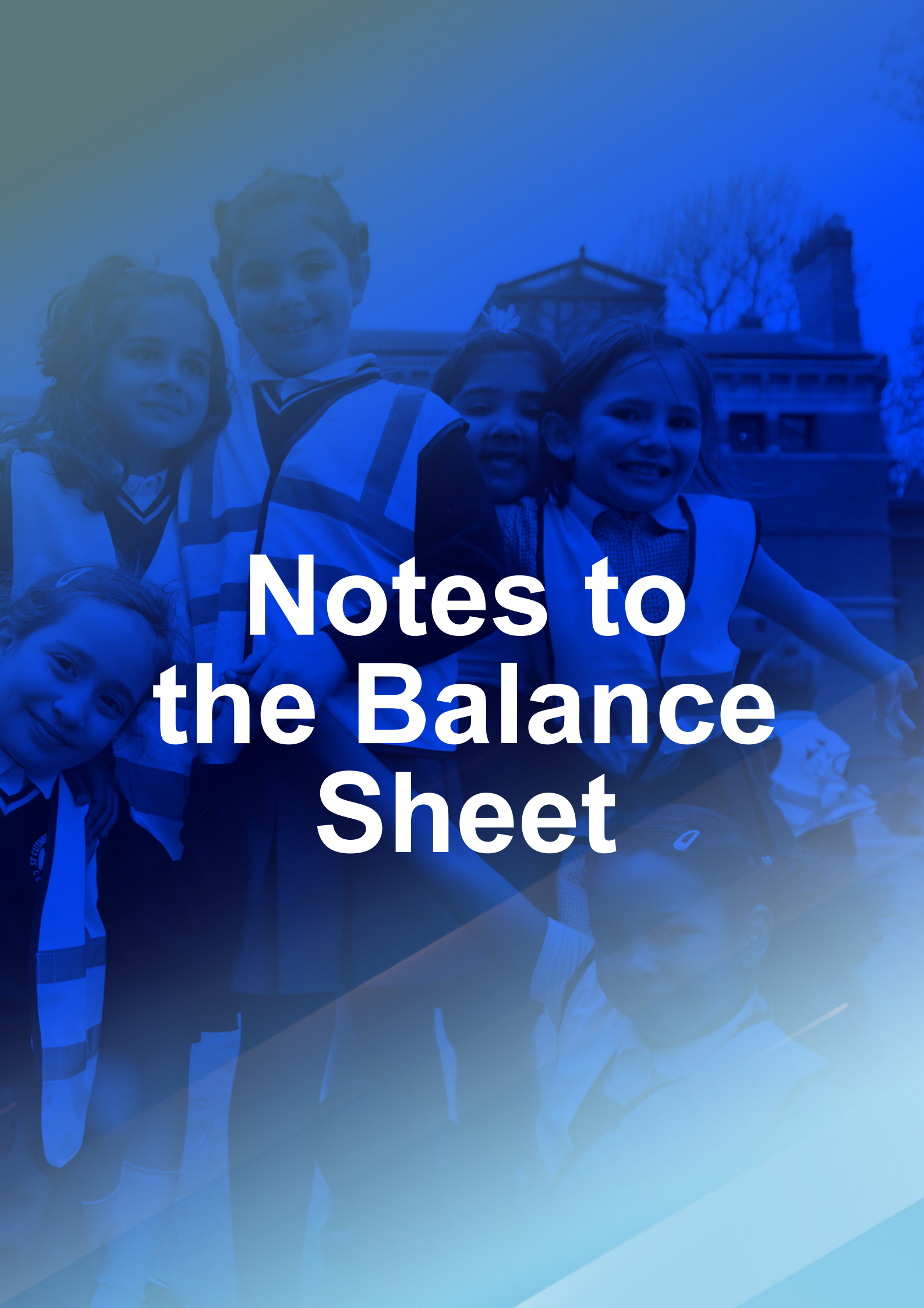
ceased trading. The company was dormant during 2025/26. There are three Directors of the limited company, being three independent people.

Notting Dale Heat Network Ltd (Company ref 13882225 incorporated 31 January 2022) was established for the provision of heating, energy and hot water services. There are six Directors of the limited company, two being Council employees and four independent people. As at 31 March 2026, the company had not started trading. In June 2025, the Council decided to make the company dormant and to deliver the Notting Dale Heat Network programme in-house.

Other Public Bodies

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

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.



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 2025/26 with an effective valuation date of 31 March 2026. The total carrying value of assets subject to valuation during the year was £1,439.029 million.

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, Surplus 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 Temporary Relief offered by the Update to the Code on infrastructure assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The Council has determined, in accordance the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022, that the carrying amounts to be derecognised in respect of replaced infrastructure assets are nil.

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

	2025/26	2024/25
	£'000	£'000
Infrastructure Assets	45,749	40,461
Other Property Plant and Equipment	1,526,922	1,543,810
Total Property, Plant and Equipment	**1,572,671**	**1,584,271**

Details of the movement in Infrastructure Assets are shown below.

	2025/26	2024/25
	£'000	£'000
Balance at 1 April	40,461	31,653
Additions	8,626	11,894
Depreciation	(3,338)	(3,086)
Balance at 31 March	**45,749**	**40,461**

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	Right of Use Assets	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Movements in cost or values								
Gross Book Value at 31 March 2025	843,884	605,463	23,124	26,792	46,259	12,078	3,700	**1,561,300**
Additions and enhancement	73,459	14,161	4,805	763	15,295	5,243	0	**113,726**
Revaluation increases / (decreases) recognised in Revaluation Reserve	(22,078)	2,307	0	0	0	917	0	**(18,854)**
Revaluation increases / (decreases) recognised in (Surplus) or Deficit on Provision of Services	(90,105)	(5,415)	0	0	0	(1,057)	(30)	**(96,607)**
Derecognition - disposals	(2,027)	0	(187)	0	0	(739)	0	**(2,953)**
Reclassifications and transfers	13,866	1,109	0	0	(17,574)	0	(3,150)	**(5,749)**
Gross Book Value at 31 March 2026	**816,999**	**617,625**	**27,742**	**27,555**	**43,980**	**16,442**	**520**	1,550,863
Movements in depreciation and impairment								
Accumulated Depreciation at 31 March 2025	**0**	**0**	**(13,767)**	**0**	**0**	**(3,723)**	**0**	**(17,490)**
Depreciation charge	(4,603)	(8,708)	(3,044)	0	0	(4,314)	0	**(20,669)**
Depreciation / Impairment written out to the Revaluation Reserve	4,039	2,832	0	0	0	21	0	**6,892**
Depreciation / Impairment written out to (Surplus) or Deficit on Provision of Services	527	5,881	0	0	0	359	0	**6,767**
Derecognition - disposals	16	0	186	0	0	341	0	**543**
Reclassification and transfers	21	(5)	0	0	0	0	0	**16**
Accumulated Depreciation at 31 March 2026	**0**	**0**	**(16,625)**	**0**	**0**	**(7,316)**	**0**	(23,941)
Net Book Value (NBV):								
- At 31 March 2025	843,884	605,463	9,357	26,792	46,259	8,355	3,700	**1,543,810**
- At 31 March 2026	816,999	617,625	11,117	27,555	43,980	9,126	520	**1,526,922**

Movement in balances	Council Dwellings*	Other Land and Buildings	Plant, Furniture and Equipment	Community Assets	Assets Under Construction**	Right of Use Assets	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Movements in cost or values								
Gross Book Value at 31 March 2024	854,037	566,504	27,013	24,843	75,271	0	0	**1,547,668**
Additions and enhancement	86,211	23,794	1,956	1,949	14,699	11,493	0	**140,102**
Revaluation increases / (decreases) recognised in Revaluation Reserve	(14,778)	8,712	0	0	0	94	266	**(5,706)**
Revaluation increases / (decreases) recognised in (Surplus) or Deficit on Provision of Services	(109,161)	(1,307)	0	0	0	(709)	(649)	**(111,826)**
Derecognition - disposals	(394)	0	(5,845)	0	(2,838)	0	0	**(9,077)**
Reclassifications and transfers	27,969	7,760	0	0	(40,873)	1,200	4,083	**139**
Gross Book Value at 31 March 2025	**843,884**	**605,463**	**23,124**	**26,792**	**46,259**	**12,078**	**3,700**	**1,561,300**
Movements in depreciation and impairment								
Accumulated Depreciation at 31 March 2024	**0**	**0**	**(16,213)**	**0**	**0**	**0**	**0**	**(16,213)**
Depreciation charge	(4,658)	(7,000)	(2,955)	0	0	(3,919)	0	**(18,532)**
Depreciation / Impairment written out to the Revaluation Reserve	4,148	2,157	0	0	0	0	0	**6,305**
Depreciation / Impairment written out to (Surplus) or Deficit on Provision of Services	504	4,843	0	0	0	55	0	**5,402**
Derecognition - disposals	6	0	5,401	0	0	0	0	**5,407**
Reclassification and transfers	0	0	0	0	0	141	0	**141**
Accumulated Depreciation at 31 March 2025	**0**	**0**	**(13,767)**	**0**	**0**	**(3,723)**	**0**	**(17,490)**
Net Book Value (NBV):								
- At 31 March 2024	854,037	566,504	10,800	24,843	75,271	0	0	**1,531,455**
- At 31 March 2025	843,884	605,463	9,357	26,792	46,259	8,355	3,700	**1,543,810**

*Council dwellings at 31 March 2026 include 252 properties held within the GF with a NBV of £39.542 million (253 properties held within the GF with a NBV of £42.377 million at 31 March 2025).

**There are four projects included in Assets Under Construction (AUC), totalling £10.170 million, for which management's review was still pending as of the year-end. The outcome of the review and the related decision are expected to be finalised in the following year. Depending on the outcome of this decision, the projects may be subject to impairment in the next reporting period.

Disposals

The Council sold nine Right To Buy (RTB) properties with a NBV of £1.309 million and three Non-Right to Buy properties with a NBV of £0.702 million.

Capital Commitments

As at 31 March 2026 the Council had outstanding capital commitments of £5.687 million GF (£30.860 million at 31 March 2025) and £58.126 million HRA (£84.991 million at 31 March 2025) in respect of contracted schemes.

The major commitments are shown in the table below:

Scheme	31 March 2026	31 March 2025
	£'000	£'000
New Homes Delivery Programme Barlby Road	2,540	23,452
Silchester Estate Remedial Works	26,018	32,967
Kitchen & Bathrooms Refurbishment Works	12,192	22,578
Notting Dale Heat Network	7,193	7,348
Street Scene Improvements: Sloane Street	3,148	3,716
The Walkways – Major Refurbishment	6,496	9,552
Fire Door Phase 3	3,846	4,093
Treadgold House	1,308	3,792

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:

	2025/26	2024/25
	£'000	£'000
Office units	11,540	11,420
Commercial units	216,290	207,747
Land	16,744	17,124
Other investment property	37,134	25,972
Total fair value	**281,708**	**262,263**

There were no transfers between any of the three levels of the fair value hierarchy during 2025/26 or the preceding year.

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:

	2025/26	2024/25
	£'000	£'000
Rental income from investment property	(16,287)	(18,965)
Direct operating expenses arising from investment property	3,648	3,614
Net (gain) / loss	**(12,639)**	**(15,351)**

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:

	2025/26	2024/25
	£'000	£'000
Balance at 1 April	**262,263**	**250,226**
Additions		
- Construction	8,818	5,578
- Subsequent expenditure	1,662	469
Net gains / (losses) from fair value adjustments	6,945	5,763
Transfers (to) / from Property, Plant and Equipment	2,020	227
Balance at 31 March	**281,708**	**262,263**

26. Intangible assets

Software Licences	2025/26	2024/25
	£'000	£'000
Gross carrying amount at 1 April	10,406	20,225
- Purchases	1,014	1,401
- Disposals	(31)	(11,220)
Gross carrying amount at 31 March	**11,389**	**10,406**
Accumulated amortisation at 1 April	(6,310)	(15,465)
- Amortisation for the period	(1,402)	(1,920)
- Disposals	31	11,075
Accumulated amortisation at 31 March	**(7,681)**	**(6,310)**
Net carrying amount at 1 April	**4,096**	**4,760**
Net carrying amount at 31 March	**3,708**	**4,096**

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 2025/26, all Council assets were subject to a deductible of £1 million per claim event, reflecting the self-insurance component. The potential total self-insurance expenditure for asset claims was capped at £4.223 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.

	2025/26				2024/25			
	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	**18,770**	**29,246**	**4,293**	**52,309**	**19,280**	**24,905**	**2,446**	**46,631**
Reclassifications	0	0	0	**0**	(1,467)	1,467	0	**0**
Additions	30	0	52	**82**	288	2,874	1,847	**5,009**
Revaluations	(510)	0	0	**(510)**	669	0	0	**669**
Cost/Valuation at 31 March	**18,290**	**29,246**	**4,345**	**51,881**	**18,770**	**29,246**	**4,293**	**52,309**

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

	2025/26	2024/25
	£'000	£'000
Depreciation and impairment charge	140	137
Depreciation written out on revaluations recognised in the Revaluation Reserve	(70)	(71)
Depreciation written out on revaluations recognised in the Surplus / Deficit on Provision of Services	(70)	(66)
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.

	2025/26	2024/25
	£'000	£'000
Opening Capital Financing Requirement	**766,840**	**681,451**
Capital investment		
Property, Plant and Equipment	117,841	137,351
Heritage Assets	32	392
Investment Properties	10,481	417
Intangible Assets	1,014	1,401
Revenue Expenditure Funded from Capital Under Statute	8,793	11,533
Finance leases	3,992	11,118
Sources of finance		
Capital receipts	(5,423)	(4,081)
Government grants and other contributions	(37,875)	(50,635)
Sums set aside from revenue:		
- Direct revenue contributions	(4,841)	(2,186)
- Direct Revenue Funding (Major Repairs Reserve)	(5,518)	(7,682)
- MRP / Loans Fund Principal	(13,511)	(12,239)
- Voluntary Repayment of Debt	(5,639)	0
Closing Capital Financing Requirement	**836,186**	**766,840**

	2025/26	2024/25
	£'000	£'000
Provision to reduce the underlying need to borrow (MRP)		
- Supported borrowing	(627)	(653)
- Unsupported borrowing	(9,167)	(8,035)
- Finance lease MRP	(3,717)	(3,551)
- Voluntary Repayment of Debt	(5,639)	0
Increase in underlying need to borrow (supported by capital receipts)	84,504	86,510
Finance lease liability	3,992	11,118
Increase / (decrease) in the Capital Financing Requirement	**69,346**	**85,389**

29. Debtors

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

	31 March 2026			31 March 2025		
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	18,194	(5,547)	12,647	20,835	(4,715)	16,120
Other receivables	6,707	(2,523)	4,184	5,779	(2,330)	3,449
Central government - Grenfell	6	0	6	4,142	0	4,142
Central government - Other	28,086	0	28,086	22,716	0	22,716
Health Authorities	5,335	0	5,335	1,388	0	1,388
Other Local Authorities	25,358	0	25,358	22,170	0	22,170
Temporary Accommodation	6,342	(3,845)	2,497	4,324	(2,689)	1,635
Commercial Waste	955	(76)	879	86	(17)	69
Housing Benefit Overpayments	5,871	(3,758)	2,113	6,401	(4,116)	2,285
Local Taxation	38,933	(22,671)	16,262	27,648	(18,662)	8,986
Rent Payers	12,031	(3,617)	8,414	10,758	(3,441)	7,317
Service Charge and Major Works	25,029	(2,720)	22,309	6,139	(1,312)	4,827
Parking	26,603	(22,303)	4,300	20,560	(17,919)	2,641
Service loans	150	0	150	150	0	150
Grenfell Settlement	381	0	381	450	0	450
Payments in advance and deposits	3,464	0	3,464	10,624	0	10,624
Total Current Debtors	**203,445**	**(67,060)**	**136,385**	**164,170**	**(55,201)**	**108,969**
Long Term Debtors						
Service loans	3,111	(3,014)	97	3,022	(404)	2,618
Advances and deposits	310	0	310	310	0	310
Total Long Term Debtors	**3,421**	**(3,014)**	**407**	**3,332**	**(404)**	**2,928**
Total Debtors	**206,866**	**(70,074)**	**136,792**	**167,502**	**(55,605)**	**111,897**

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 84%; trade receivables include ECL for commercial rents with a loss rate ranging from 9% to 100%.

The increase in Local Taxation debt at the end of March 2026 was due to issues around collection of council tax due to the cyber attack.

30. Creditors

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

	31 March 2026		31 March 2025	
	Current	Long Term	Current	Long Term
	£'000	£'000	£'000	£'000
Trade payables	(72,145)	(5,917)	(41,074)	(5,156)
Receipts in advance	(6,043)	0	(10,119)	0
Central government bodies	(33,483)	0	(41,074)	0
Other local authorities	(32,977)	0	(48,347)	0
NHS bodies	(1,549)	0	(1,428)	0
Other payables	(40,422)	0	(40,095)	0
Total creditors	**(186,619)**	**(5,917)**	**(182,137)**	**(5,156)**

The reductions in balances for 'Central government bodies' and 'Other Local Authorities' are driven in a large part by movements in Collection Fund creditor balances due to MHCLG and the GLA respectively. These account for £10.114 million of the reduction within 'Central government bodies' and £14.948 million of the reduction within 'Other Local Authorities'.

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.

2025/26	Insurance	NDR Appeals	Grenfell Settlement	Disputed Invoices	Other	Total
	£'000	£'000	£'000	£'000	£'000	**£'000**
Balance at 1 April	(1,881)	(7,492)	(18,983)	(1,362)	(239)	**(29,957)**
Additional provisions made	(336)	(4,369)	(13,315)	0	0	**(18,020)**
Amounts used	44	3,880	9,303	212	0	**13,439**
Unused amounts reversed	0	2,647	0	0	144	**2,791**
Balance at 31 March	(2,173)	(5,334)	(22,995)	(1,150)	(95)	**(31,747)**
Of which:						
Long Term	(1,775)	0	(4,213)	0	0	**(5,988)**

Insurance

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

NDR Appeals

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

The Valuation Office Agency continues to process appeals to the 2017 and 2023 lists. The Council's share of NDR assets and liabilities was 30% in 2024/25 and this share remains the same in 2025/26.

Grenfell Settlement

The provision includes estimated additional legal costs in relation to the Grenfell civil claim arising from the tragic fire at Grenfell Tower on 14 June 2017.

Disputed Invoices

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

Other Provisions

This refers to 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.

The Council has a contingent liability in respect of potential criminal charges arising from the Grenfell Tower fire on 14 June 2017. The outcome of the Metropolitan Police investigation, any charging decisions by the Crown Prosecution Service (CPS) as a result of Metropolitan Police Service (MPS) submissions and any subsequent legal proceedings remain uncertain. The MPS have publicly stated that they expect to pass all case files to the CPS by September 2026, with charging decisions anticipated before the 10th anniversary of the fire (i.e. June 2027). Although CPS/MPS have not stated when they expect criminal trials to begin, it is unlikely that this would be before 2029. As a result, it is not currently possible to determine whether a liability will arise or to estimate reliably the amount or timing of any potential financial impact on the Council. The Council has therefore not recognised a provision in the financial statements.

A provision is shown in note 31 in relation to the Grenfell civil claim's 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:

	31 March 2026		31 March 2025	
Financial Assets	**Long-term**	**Current**	**Long-term**	**Current**
	£'000	£'000	£'000	£'000
Investments				
At Fair Value through Profit and Loss - principal amount	23,492	0	23,452	0
At amortised cost - principal amount	0	0	0	0
At amortised cost - accrued interest	0	0	0	0
Total investments	**23,492**	**0**	**23,452**	**0**
Debtors				
Loans at amortised cost	97	150	2,610	150
Other receivables at amortised cost	310	45,374	310	28,917
Total included in debtors	**407**	**45,524**	**2,920**	**29,067**
Cash and Cash Equivalents (CCE)				
At amortised cost - principal amount	0	6,315	0	28,690
At Fair Value through Profit and Loss - principal amount	0	22,900	0	41,400
At Fair Value through Profit and Loss - accrued interest	0	66	0	100
Total included in CCE	**0**	**29,281**	**0**	**70,190**
Total financial assets	**23,899**	**74,805**	**26,372**	**99,257**
Other Assets*	1,909,968	94,723	1,942,737	80,119
Total Assets per Balance Sheet	**1,933,867**	**169,528**	**1,969,109**	**179,376**

Financial Liabilities

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

	31 March 2026		31 March 2025	
Financial Liabilities	**Long-term**	**Current**	**Long-term**	**Current**
	£'000	£'000	£'000	£'000
Borrowings				
Amortised cost - principal amount	(475,348)	(89,851)	(433,755)	(69,783)
Amortised cost - accrued interest	0	(5,253)	0	(4,533)
Total borrowings	**(475,348)**	**(95,104)**	**(433,755)**	**(74,316)**
Creditors				
Financial liabilities carried at contract amounts	(4,851)	(77,518)	(5,156)	(47,443)
Total included in creditors	**(4,851)**	**(77,518)**	**(5,156)**	**(47,443)**
Total financial liabilities	**(480,199)**	**(172,622)**	**(438,911)**	**(121,759)**
Other liabilities*	(54,940)	(169,042)	(54,222)	(191,867)
Total Liabilities per Balance Sheet	**(535,139)**	**(341,664)**	**(493,133)**	**(313,626)**

*The figure includes the Council's obligation in respect of its defined benefit pension plans, which does not meet the definition of a financial asset or liability. The net pension liability is shown on the Balance Sheet under Other Long Term Liabilities at 31 March 2026 and as Other Long Term Assets at 31 March 2025. Further information can be found in note 36.

The 'Borrowings' figures include the outstanding balance from a £58 million loan issued by the Greater London Authority's (GLA) Green Finance Fund in November 2025. The 10-year loan was approved for the financing of retrofit works such as triple-glazed windows and upgraded insulation in some residential housing blocks to meet sustainability objectives.

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:

	2025/26				2024/25			
	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	20,887	**20,887**	0	0	15,229	**15,229**
Interest and investment income in CIES	0	(2,998)	0	**(2,998)**	0	(2,202)	0	**(2,202)**
Losses on revaluation	0	(40)	0	**(40)**	0	(180)	0	**(180)**
Net (gain) / loss for the year	**0**	**(3,038)**	**20,887**	**17,849**	**0**	**(2,382)**	**15,229**	**12,847**

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 2026, 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 2026		31 March 2025	
		Fair Value	Carrying Amount	Fair Value	Carrying Amount
		£'000	£'000	£'000	£'000
PWLB loans	2	(416,935)	(483,532)	(411,561)	(477,451)
Other Long Term Loans	2	(63,225)	(66,858)	(8,914)	(10,582)
ST Loans	2	(20,072)	(20,062)	(20,043)	(20,038)
Fair value deemed equivalent to carrying amount			(82,369)		(52,599)
		(500,232)	(652,821)	(440,518)	(560,670)

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.

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 2025/26 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 5 March 2025.

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	2025/26	2024/25
		£'000	£'000
Money Market Funds	AAA	22,900	41,400
Investment Grade Bond Fund	UNRATED	23,492	23,452
Total		**46,392**	**64,852**

All investments as at 31 March 2026 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 2025/26 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:

	2025/26			2024/25		
Exposure Type	**Loan**	**ECL**	**Risk**	**Loan**	**ECL**	**Risk**
	£'000	£'000	£'000	£'000	£'000	£'000
Loans at zero rate	3,014	(3,014)	3,014	3,014	(404)	0
Total	**3,014**	**(3,014)**	**3,014**	**3,014**	**(404)**	**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.

As at 31 March 2026, the Council had £46.392 million (£64.852 million in 2024/25) invested externally and could borrow a further £265.734million (£258.769 million in 2024/25) 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:

	2025/26		2024/25	
Maturity Period	**Principal**	**Interest**	**Principal**	**Interest**
	£'000	£'000	£'000	£'000
Maturing in under one year	89,851	20,473	69,783	18,777
Maturing between one and two years	66,060	18,458	56,848	16,210
Maturing between two and five years	155,141	39,517	127,720	37,714
Maturing between five and ten years	71,677	34,369	60,070	32,545
Maturing between ten and 20 years	81,572	42,781	88,213	45,248
Maturing between 20 and 30 years	90,047	17,479	90,047	19,979
Maturing after 30 years	10,851	1,458	10,856	2,041
Total	**565,199**	**174,535**	**503,537**	**172,514**

Market Risk

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

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

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

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

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

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

	£'000
Increase in interest receivable on variable rate investments	(914)
Impact on CIES	(914)
Share of overall impact debited to the HRA	1,085
Decrease in fair value of fixed rate borrowing liabilities	(23,309)

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 2025/26, the Council paid £6.718 million (£6.729 million in 2024/25) to Teachers' Pensions in respect of teachers' retirement benefits, representing 28.68% of pensionable pay.

The contributions due to be paid in 2026/27 are estimated to be £7,004,640.03.

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. In February 2025, the Council's Investment Committee took the decision to apply a nil contribution rate for 2025/26 owing to the Fund's strong surplus position.

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	2025/26 RBKC Pension Scheme	2024/25 RBKC Pension Scheme	2025/26 LPFA Pension Scheme	2024/25 LPFA Pension Scheme
	£'000	£'000	£'000	£'000
Service cost comprising:				
- Current service cost	16,622	24,858	23	22
- Past service costs	7,111	465	0	0
- (Gain) / loss on settlements	(94)	0	0	0
Financing and Investment Income and Expenditure:				
- Net interest expense / (gain)	(1,689)	(18,882)	43	41
- Administration expenses	1,072	1,143	32	10
Post Employment Benefits charged to the (Surplus)/Deficit on Services in the CIES	**23,022**	**7,584**	**98**	**73**
Remeasurement of the net defined benefit liability / asset comprising:				
- Return on plan assets	(121,605)	44,691	489	586
- Actuarial gains and losses arising on changes in demographic assumptions	(19,742)	(1,890)	276	(54)
- Actuarial gains and losses arising on change in financial assumptions	(22,629)	(166,512)	(386)	(1,569)
- Experience (gain) / loss	90,102	(10,156)	871	(63)
- Changes in effect of asset ceiling / Other (gains) / losses	93,526	494,052	(1,325)	1,051
Total Post Employment Benefits charged to Other Income and Expenditure in the CIES	**19,652**	**360,185**	**(75)**	**(49)**
Total Post Employment Benefits charged to the CIES	**42,674**	**367,769**	**23**	**24**

Transactions made in the MIRS	2025/26 RBKC Pension Scheme	2024/25 RBKC Pension Scheme	2025/26 LPFA Pension Scheme	2024/25 LPFA Pension Scheme
	£'000	£'000	£'000	£'000
Reversal of net IAS 19 charges	(23,022)	(7,584)	(98)	(73)
Actual amount charged to GF/HRA	258	10,715	129	122

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 2026 RBKC Pension Scheme	31 March 2025 RBKC Pension Scheme	31 March 2026 LPFA Pension Scheme	31 March 2025 LPFA Pension Scheme
	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(1,026,598)	(940,979)	(18,698)	(18,461)
Fair value of plan assets	1,927,136	1,746,309	33,185	34,035
Sub-total	**900,538**	**805,330**	**14,487**	**15,574**
Present value of unfunded obligation	(1,811)	(1,924)	(749)	(832)
Impact of asset ceiling	(900,538)	(762,801)	(14,447)	(15,557)
Net (liability)/asset arising from defined benefit obligation	**(1,811)**	**40,605**	**(709)**	**(815)**

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

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

Reconciliation of Present Value of Scheme Liabilities	31 March 2026 RBKC Pension Scheme	31 March 2025 RBKC Pension Scheme	31 March 2026 LPFA Pension Scheme	31 March 2025 LPFA Pension Scheme
	£'000	£'000	£'000	£'000
Opening balance at 1 April	**(942,903)**	**(1,073,577)**	**(19,293)**	**(21,600)**
Current service cost	(16,622)	(24,858)	(23)	(22)
Administration expenses*	(1,072)	(1,143)	0	0
Interest cost	(54,460)	(51,935)	(1,044)	(1,008)
Change in financial assumptions	22,629	166,512	386	1,569
Change in demographic assumptions	19,742	1,890	(276)	54
Experience (loss) / gain	(80,760)	10,156	(871)	63
Liabilities assumed / (extinguished) on settlements	619	0	0	0
Estimated benefits paid net of transfers in	41,006	40,396	1,562	1,546
Past service costs and curtailments	(7,111)	(465)	0	0
Contributions - scheme participants	(9,715)	(10,121)	(5)	(5)
Unfunded pension payments	238	242	117	110
Closing balance at 31 March	**(1,028,409)**	**(942,903)**	**(19,447)**	**(19,293)**

Reconciliation of Movement in the Fair Value of Scheme Assets	31 March 2026	31 March 2025	31 March 2026	31 March 2025
	RBKC Pension Scheme		LPFA Pension Scheme	
	£'000	£'000	£'000	£'000
Opening balance at 1 April	**1,746,309**	**1,727,312**	**34,035**	**34,522**
Interest on assets	100,360	83,248	1,880	1,638
Return on assets less interest	121,605	(44,691)	(489)	(586)
Administration expenses*	0	0	(32)	(10)
Contributions - employer	20	10,715	129	122
Contributions - scheme participants	9,715	10,121	5	5
Estimated benefits paid plus unfunded net of transfers in	(41,006)	(40,396)	(1,679)	(1,656)
Other experience gains / (losses)	(9,342)	0	(664)	0
Settlement prices received / (paid)	(525)	0	0	0
Closing balance at 31 March	**1,927,136**	**1,746,309**	**33,185**	**34,035**

*The LGPS actuaries have included administration expenses within the scheme liabilities alongside current service costs whereas LPFA have recorded them as part 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 assets of £480.018 million (£362.340 million at 31 March 2025) that do not have a quoted market price in an active market.

	31 March 2026		31 March 2025		31 March 2026		31 March 2025	
	RBKC Pension Scheme				LPFA Pension Scheme			
	£'000	%	£'000	%	£'000	%	£'000	%
Equities	1,539,187	80	1,420,986	81	17,753	54	20,074	59
Property	339,406	18	235,128	14	3,421	10	3,102	9
Cash and equivalents	48,543	2	22,403	1	1,119	3	796	2
Bonds	0	0	-	0	0	0	-	0
Debt Securities	0	0	67,792	4	0	0	-	0
Target return portfolio	0	0	-	0	6,993	21	6,181	18
Infrastructure	0	0	-	0	3,899	12	3,882	12
Total	**1,927,136**	100	**1,746,309**	100	**33,185**	100	**34,035**	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 2026. 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 as at 31 March 2022, has set contributions for the period from 1 April 2023 to 31 March 2026.

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

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

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

Demographic / statistical assumptions

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

The average life expectations from age 65 for LGPS are:

Life expectancy in years	31 March 2026 (after CMI_2025 update)	31 March 2025 (after CMI_2023 update)	31 March 2024 (after CMI_2022 update)
Retiring today			
- Males	22.4	21.9	21.9
- Females	24.9	24.5	24.5
Retiring in 20 years			
- Males	23.2	22.7	22.8
- Females	26.0	25.7	25.7

The assumed life expectations from age 65 for LPFA are:

Life expectancy in years	31 March 2026 (after CMI_2025 update)	31 March 2025 (after CMI_2023 update)	31 March 2024 (after CMI_2022 update)
Retiring today			
- Males	21.8	20.9	20.9
- Females	23.9	23.5	23.4
Retiring in 20 years			
- Males	21.6	22.0	22.0
- Females	26.5	25.3	25.3

Financial assumptions

The financial assumptions used are set with reference to market conditions at 31 March 2026.

	31 March 2026	31 March 2025	31 March 2026	31 March 2025
	RBKC Pension Scheme		LPFA Pension Scheme	
Discount rate (% p.a.)	6.20	5.80	5.85	5.65
Pension increases (% p.a.)	3.00	2.75	2.85	2.90
Salary increases (% p.a.)	4.00	3.75	3.85	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 2026 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	1	15,400
1 year increase in member life expectancy	4	41,136
0.1% increase in the salary increase rate	0	596
0.1% increase in the pension increase rate (CPI)	1	14,792

LPFA Pension Scheme	Increase	No change	Decrease
	£'000	£'000	£'000
Life expectancy (increase or decrease of 1 year):			
- Present value of total obligation	20,267	19,447	18,339
- Projected service cost	23	23	22
Long term increase in salaries (increase or decrease of 0.1%)			
- Present value of total obligation	19,447	19,447	19,446
- Projected service cost	23	23	23
Increase in pensions (increase or decrease of 0.1%)			
- Present value of total obligation	19,614	19,447	19,310
- Projected service cost	23	23	22
Adjustment to discount rate (increase or decrease of 0.1%)			
- Present value of total obligation	19,290	19,447	19,605
- Projected service cost	22	23	23

The latest triennial actuarial valuation, as at 31 March 2025, indicated that the RBKC Pension Fund was 175% funded, with a whole fund primary employer contribution rate of 21.1%.

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

In February 2025, the Council's Investment Committee took the decision to reduce its contributions to nil for 2025/26 due to the Pension Fund's strong position. This has now been extended for a further three years from 2026/27 to 2028/29 due to the projected surplus in the fund.

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

	31 March 2027	31 March 2026	31 March 2027	31 March 2026
	RBKC Pension Scheme		LPFA Pension Scheme	
	£'000	£'000	£'000	£'000
Projected current service cost	16,792	17,696	23	20
Net interest (gain)/cost	651	(1,824)	37	43
Administration expenses	1,072	1,143	31	10
Total loss / (profit)	**18,515**	**17,015**	**91**	**73**
Projected employer contributions	**0**	**0**	**14**	**12**

The average age of active members, based on the March 2025 valuation, is 55 years for the Council's Pension Fund and 65 years for the London Pension Fund Authority. The same based on the March 2022 valuation was 54 years and 64 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 for members with a state pension age after 5 April 2016. For members reaching state pension age on or before 5 April 2026, an assumption has been made that the fund will pay a limited contribution with the Government paying the remainder.

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

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

Risks

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

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

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

37. Leases

The Council as Lessee

The Council's lease contracts comprise leases of operational land and buildings, plant and equipment and motor vehicles. Most are individually immaterial.

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

	Land and buildings	Vehicles, plant and equipment	Total
	£000	£000	**£000**
Balance at 1 April 2025	5,978	2,377	**8,355**
Additions	4,041	472	**4,513**
Enhancements	730	0	**730**
Revaluations	240	0	**240**
Depreciation and amortisation	(3,710)	(604)	**(4,314)**
Disposals	(191)	(207)	**(398)**
Balance at 31 March 2026	**7,088**	**2,038**	**9,126**

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

	2025/26	2024/25
	£000	£000
Interest expense on lease liabilities	576	486
Expense relating to short-term leases	4	214
Expense relating to exempt leases of low-value items	299	342
Income from sub-letting ROU assets	(34)	(21)
Total cash outflow for leases	**845**	**1,021**

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

Maturity analysis of lease liabilities	2025/26
	£000
Less than one year	3,933
One to five years	3,060
More than five years	2,158
Total undiscounted liabilities	**9,151**

The Council as Lessor

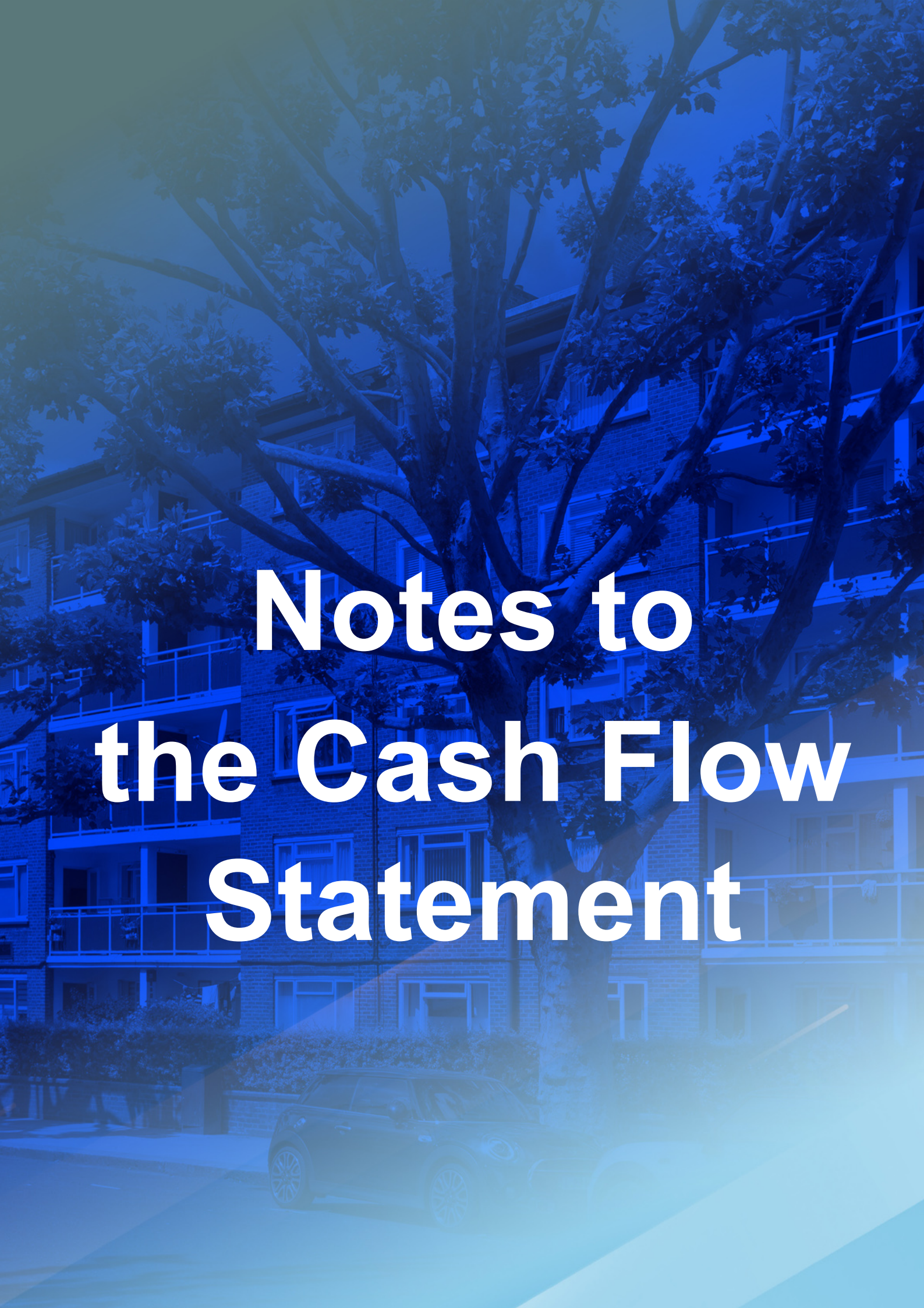
The Council leases out property and equipment under operating leases for the following purposes:

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

The Council has let a number of properties, mostly land, on very long leases that are judged to be finance leases. Five assets have been let on leases of 999 to 1150 years and five other properties have been let on terms of 125 and 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.

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

	31 March 2026	31 March 2025
	£'000	£'000
Less than one year	13,945	14,840
One to two years	12,914	13,437
Two to three years	12,073	12,589
Three to four years	11,104	11,579
Four to five years	9,934	9,169
More than five years	101,346	106,619
Total	**161,317**	**168,232**



Notes to the Cash Flow Statement

38. Cash Flow Statement - Operating Activities

	2025/26	2024/25
	£'000	£'000
Net Surplus / (Deficit) on the Provision of Services	**(83,265)**	**(39,426)**
Remove non-cash movements		
Depreciation and amortisation	25,549	23,675
Impairment and downward revaluations	89,880	105,222
Increase / (decrease) in creditors	10,131	(29,268)
(Increase) / decrease in debtors	(11,170)	(18,372)
Increase / (decrease) in provisions	1,790	(21,921)
Movement in pension liability	22,733	(3,422)
Carrying amount of non-current assets and assets held for sale, sold or derecognised	1,888	3,810
Amounts relating to donated assets	(50)	(14,277)
Other non-cash items	(6,915)	(5,948)
Sub-total	**133,836**	**39,499**
Adjust for items that are investing and financing activities		
Proceeds from the sale of non-current assets	(8,616)	(3,406)
Grants for the financing of capital expenditure	(28,508)	(22,843)
Sub-total	**(37,124)**	**(26,249)**
Net cash flows from revenue activities	**13,447**	**(26,176)**

39. Cash Flow Statement - Investing Activities

	2025/26	2024/25
	£'000	£'000
Purchase of non-current assets	(133,279)	(141,202)
Other (payments) / receipts for investing activities	(3,025)	0
Proceeds from the sale of non-current assets	8,616	3,406
Capital grants and contributions received	36,683	25,117
Net cash flows from investing activities	**(91,005)**	**(112,679)**

40. Cash Flow Statement - Financing Activities

	2025/26	2024/25
	£'000	£'000
Cash receipts of borrowing	136,445	188,358
Repayments of borrowing	(74,783)	(27,581)
Cash paid for the reduction of outstanding finance leases	(4,083)	(3,734)
Collection Fund adjustments	(25,062)	29,757
Other receipts from financing activities	4,865	346
Other payments from financing activities	(733)	(268)
Net cash flows from financing activities	**36,649**	**186,878**

The tables below show the reconciliation of liabilities arising from Financing Activities:

2025/26	31 March 2025	Changes from Financing Cash Flows	Other Movements	31 March 2026
	£'000	£'000	£'000	£'000
Borrowing	(508,071)	(61,662)	(719)	**(570,452)**
Lease Liabilities	(7,384)	4,083	(3,992)	**(7,293)**
Collection Fund	(75,055)	25,062	0	**(49,993)**
Agency Arrangements	(1,164)	(4,132)	0	**(5,296)**
Total	**(591,674)**	**(36,649)**	**(4,711)**	**(633,034)**

2024/25	31 March 2024	Changes from Financing Cash Flows	Other Movements	31 March 2025
	£'000	£'000	£'000	£'000
Borrowing	(345,963)	(160,777)	(1,331)	**(508,071)**
Lease Liabilities	0	3,734	(11,118)	**(7,384)**
Collection Fund	(45,298)	(29,757)	0	**(75,055)**
Agency Arrangements	(1,086)	(78)	0	**(1,164)**
Total	**(392,347)**	**(186,878)**	**(12,449)**	**(591,674)**

41. Cash and cash equivalents

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

	31 March 2026	31 March 2025
	£'000	£'000
Cash held by the Council	52	1,528
Bank current accounts	6,263	27,162
Short-term deposits	22,966	41,500
Total cash and cash equivalents	**29,281**	**70,190**

1. General Principles

The Statement of Accounts summarises the Council's financial transactions for the 2025/26 financial year and its position at 31 March 2026. 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 2025/26 (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 from the Secretary of State allows the Council 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 are subject to MRP provision up to the time of transfer to the HRA.

5. Community Infrastructure Levy (CIL)

The Council introduced Community Infrastructure Levy (CIL) charges on specified new developments in April 2015. CIL is payable on commencement of development, and the related income is recognised in the CIES in accordance with the accounting policy for government grants and contributions.

CIL must be used to fund infrastructure that supports development in the Borough, such as transport, flood defences, schools, medical facilities, recreational facilities and open spaces, in line with the CIL Regulations 2010 (as amended) and the Planning Act 2008. CIL cannot be used to fund affordable housing.

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. Pension strain costs represent pension enhancements arising from early retirement provisions. In 2025/26, no charge was made to the Council as the Pension Fund, following a decision by the Investment Committee, absorbed these costs due to its strong funding position.

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 Resources and Assets
- 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

Financial liabilities

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

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

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

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

Financial assets

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

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
  - investment-grade bond 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. 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. 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 and subsequently 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

The Council as Lessee

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

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

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

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

Lease payments made during the year will be allocated between:

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

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

Where interest rates are not implicit in lease agreements, the Council applies its incremental borrowing rate to calculate the present value of the lease payments.

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

The Council as Lessor

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

Lease rentals receivable are apportioned between:

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

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

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

17. Overheads and support services

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

18. Property, plant, and equipment (PPE)

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- community assets and assets under construction – historical cost
- infrastructure, vehicles, plant and equipment – depreciated historical cost
- dwellings at fair value, determined using the basis of existing use value for social housing (EUV-SH)

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

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

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

Subsequent changes in value

Up to 31 March 2025, the Accounting Code required that assets included in the Balance Sheet at current value were re-valued sufficiently regularly to ensure that their carrying amount was not materially different from their current value at the year end, but as a minimum every five years.

From 1 April 2025, the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requirements changed in respect of revaluations of property, plant and equipment.

- Authorities can apply a rolling programme of revaluations over a five-year cycle, with annual indexation applied to assets during the intervening four years.
- Where authorities do not have a rolling programme of revaluations in place and/or the assets are not non-property assets subject to indexation, authorities are required to revalue their assets every five years, with annual indexation applied to assets during the four intervening years.
- Where authorities cannot obtain indices without undue cost or effort, authorities should revalue those assets using a quinquennial revaluation with a desktop revaluation in year three.

Within PPE, the asset categories affected by the 2025/26 Code are other land and buildings, vehicles, plant, furniture and equipment, surplus assets and right-of-use assets.

The Council values the entire portfolio annually and doesn't use a rolling valuation program. At the time the guidance on indexation was issued, the Council had instructed its external valuers to revalue all Council assets, as done in previous years. The external valuers carry out site inspection for a smaller number of assets and apply a desktop valuation for the remainder in compliance with the previous years' Code. The 2025/26 accounts have used the PPE valuations from the valuer's reports rather than using indices as a proxy to the valuation. The Council will apply indexation, as prescribed by the Code, for the 2026/27 and future accounts.

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 – 55 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.

Receipts from housing disposals are credited to the Capital Receipts Reserve and can only be used for the provision of additional affordable housing or regeneration projects 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.

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

23. Rounding

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

24. VAT

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



Supplementary Financial Statements

Housing Revenue Account and Notes

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

HRA Income & Expenditure Statement	31 March 2026	31 March 2025
	£'000	£'000
Expenditure		
Repairs and maintenance	20,033	18,130
Supervision and management	39,727	41,832
Rents, rates, taxes and other charges	362	471
Dwellings Depreciation	4,708	4,735
Depreciation of other non current assets	616	216
(Gains) / Losses as a result of revaluation or impairment	71,931	97,397
Debt Management Costs	74	35
Total Expenditure	**137,451**	**162,816**
Income		
Dwelling rents	(53,135)	(52,096)
Non-dwelling rents	(693)	(898)
Charges for services and facilities	(18,865)	(18,108)
Contributions towards expenditure	0	0
Total Income	**(72,693)**	**(71,102)**
Net Cost of HRA Services as included in the CIES	**64,758**	**91,714**
HRA service share of Corporate and Democratic Core	0	0
Net (Income) / Cost for HRA Services	**64,758**	**91,714**
HRA share of operating income and expenditure included in the CIES		
(Gain) or loss on sale of HRA non-current assets	(6,407)	(3,019)
Interest payable and similar charges	11,975	6,363
Movement in Expected Credit Loss (ECL) impairment provision	489	872
Interest and net investment income	(971)	(204)
Changes to fair value of investment properties	(172)	(575)
Income and expenditure relating to investment properties	(2,188)	(4,563)
Capital grants and contributions receivable	(18,886)	(12,003)
HRA share of operating income and expenditure	**(16,160)**	**(13,129)**
(Surplus) or deficit for the year on HRA services	**48,598**	**78,585**

Movement on the Housing Revenue Account Statement	31 March 2026	31 March 2025
	£'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	48,598	78,585
Adjustments between accounting basis and funding basis under statute		
Reversal of gain or (loss) on sale of HRA non-current assets	6,407	3,019
Reversal of revaluation losses	(71,932)	(97,397)
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HR requirements	11,025	7,917
Transfer to / (from) Major Repairs Reserve	5,324	7,876
Net (increase) or decrease before transfers to or from earmarked reserves	**(578)**	**0**
Transfers to / (from) reserves		
HRA Controlled Repairs Reserve	0	0
(Increase) or decrease in year on the HRA	**(578)**	**0**
HRA balance at the end of the year	**(5,577)**	**(4,999)**

Notes to the HRA

1. Value of assets held on the Balance Sheet

	31 March 2026	31 March 2025
	£'000	£'000
Council dwellings	777,457	801,508
Intangible assets	661	562
Other land and buildings	14,544	20,166
Assets under construction	0	0
Investment properties	42,504	42,203
Plant, Furniture and Equipment	1,436	1,791
Total	**836,602**	**866,230**

As at 31 March 2026, the balance for 'Plant, Furniture and Equipment' includes Right of Use assets.

2. Number and types of dwelling

Archetype description	1 April 2026	1 April 2025	Movement
Houses Semi Detached <1945	1	1	0
Houses Other <1945	51	54	(3)
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	182	185	(3)
Medium	3,551	3,581	(30)
High Rise	2,566	2,542	24
Multi-Occupancy	66	66	0
Total	**6,722**	**6,734**	**(12)**

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 2026 the vacant possession value of dwellings within the HRA was £3,109.827 million (£3,206.029 million as at 31 March 2025). The difference of £2,332.370 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

	2025/26	2024/25
	£'000	£'000
Capital expenditure		
- dwellings	67,365	70,328
	67,365	**70,328**
Funded by:		
Usable capital receipts	(5,423)	(4,081)
Capital grants and contributions	(14,286)	(12,121)
Major Repairs Reserve	(5,518)	(7,682)
Borrowing	(42,138)	(46,444)
	(67,365)	**(70,328)**

6. Capital Receipts in Year

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

	2025/26	2024/25
	£'000	£'000
Dwellings (net of sale expenses)	(6,261)	(2,105)
Other property	(1,446)	(1,300)
Total	**(7,707)**	**(3,405)**

7. Cost of Borrowing

The HRA paid interest on borrowing of £11.882 million during 2025/26 (£9.275 million in 2024/25).

8. Rent Arrears and Provision for Expected Credit Loss

In the table below, tenant arrears include rent, service charges, heating and hot water charges and arrears from garage and car park rentals.

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.

Arrears	2025/26	2024/25
	£'000	£'000
Tenant	11,548	5,714
Other	10,385	5,981

The increase in Tenant's and Other debt at the end of March 2026 was due to issues around the difficulty in collecting debt resulting from the cyber attack.

The total provision included in the Balance Sheet in respect of all HRA ECL, including the above debts, is £6.569 million (£5.166 million at 31 March 2025).

Collection Fund Account and Notes

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

	2025/26				2024/25			
	BRS	NNDR	Council Tax	Total	BRS	NNDR	Council Tax	Total
Income	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax Receivable	0	0	(163,725)	(163,725)	0	0	(152,466)	(152,466)
Business Rates Receivable	0	(283,973)	0	(283,973)	0	(250,109)	0	(250,109)
Business Rates Supplement (BRS)	(8,355)	0	0	(8,355)	(6,602)	0	0	(6,602)
Transactional Protection Payments	0	(1,122)	0	(1,122)	0	(1,012)	0	(1,012)
	(8,355)	**(285,095)**	**(163,725)**	**(457,175)**	**(6,602)**	**(251,121)**	**(152,466)**	**(410,189)**
Expenditure								
Precepts, Demands and Shares								
Central Government	0	92,131	0	92,131	0	81,627	0	81,627
Greater London Authority	0	103,298	48,354	151,652	0	91,521	46,611	138,132
Billing Authority	0	83,755	108,586	192,341	0	74,206	104,657	178,863
	0	**279,184**	**156,940**	**436,124**	**0**	**247,354**	**151,268**	**398,622**
Apportionment of Prior Year Surplus / (Deficit)								
Central Government	0	9,187	0	9,187	0	(14,309)	0	(14,309)
Greater London Authority	0	10,301	143	10,444	0	(16,044)	(261)	(16,305)
Billing Authority	0	8,352	320	8,672	0	(13,008)	(605)	(13,613)
	0	**27,840**	**463**	**28,303**	**0**	**(43,361)**	**(866)**	**(44,227)**
BRS - Payment to Levying authorities	**7,870**	**0**	**0**	**7,870**	**7,115**	**0**	**0**	**7,115**
Charges to Collection Fund								
Increase / (Decrease) in Impairment	469	2,499	5,170	8,138	(529)	(2,923)	853	(2,599)
Increase / (Decrease) in Provision for Appeals	0	(2,038)	0	(2,038)	0	(31,102)	0	(31,102)
Cost of Collection	16	553	0	569	16	552	0	568
	485	**1,014**	**5,170**	**6,669**	**(513)**	**(33,473)**	**853**	**(33,133)**
(Surplus) / Deficit arising during the year	**0**	**22,943**	**(1,152)**	**21,791**	**0**	**(80,601)**	**(1,211)**	**(81,812)**
(Surplus) / Deficit at start of year	**0**	**(60,988)**	**(1,355)**	**(62,343)**	**0**	**19,613**	**(144)**	**19,469**
(Surplus) / Deficit at end of year	**0**	**(38,045)**	**(2,507)**	**(40,552)**	**0**	**(60,988)**	**(1,355)**	**(62,343)**

1. Council Tax

In 2025/26, the tax base for the Council was 98,606 properties (98,878 in 2024/25) which was used to calculate the Band D council tax of £1,569.48 (£1,508.98 in 2024/25), excluding Garden Squares. This includes the GLA Band D precept of £490.38 (£471.40 in 2024/25).

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 Equivalent	
	£	£	2025/26	2024/25		2025/26	2024/25
A	up to	40,000	618	825	0.67	412	550
B	40,001	52,000	1,598	1,704	0.78	1,243	1,326
C	52,001	68,000	5,463	5,570	0.89	4,856	4,951
D	68,001	88,000	9,144	9,124	1.00	9,144	9,124
E	88,001	120,000	9,998	10,026	1.22	12,220	12,254
F	120,001	160,000	9,768	9,805	1.44	14,109	14,163
G	160,001	320,000	17,464	17,499	1.67	29,107	29,166
H	320,001	and above	14,892	14,809	2.00	29,783	29,619
			68,945	**69,362**		**100,874**	**101,153**
	Collection rate after allowance for non-collection					97.75%	97.75%
	Council Tax base used to calculate Band D					**98,605**	**98,878**

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 £671 million at 31 March 2026 (£672 million at 31 March 2025). The standard NDR multiplier for 2025/26 was 55.5 pence (54.6 pence in 2024/25) and the Small Business Rate Relief multiplier for 2025/26 and 2024/25 was 49.9 pence.

The Government continued its Expanded Retail Discount for retail properties, but reduced the relief from 75% to 40%, with 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 2026 was £516 million (£521 million at 31 March 2025). The standard BRS multiplier for 2025/26 was 2 pence, unchanged from previous years.

4. Apportionment of Balance Sheet items

	2025/26				2024/25			
	RBKC	GLA	Govt.	Total	RBKC	GLA	Govt.	Total
	£'000	£'000	£'000	**£'000**	£'000	£'000	£'000	**£'000**
Council Tax								
Debtors	21,924	9,879	0	**31,803**	12,676	5,760	0	**18,436**
Bad debt allowance	(11,755)	(5,297)	0	**(17,052)**	(8,417)	(3,824)	0	**(12,241)**
Prepayments and overpayments	(10,456)	(4,712)	0	**(15,168)**	(13,344)	(6,064)	0	**(19,408)**
(Surplus) / Deficit at 31 March	(1,733)	(773)	0	**(2,506)**	(934)	(421)	0	**(1,355)**
Business Rates								
Debtors	17,008	20,976	18,709	**56,693**	15,057	18,571	16,563	**50,191**
Bad debt allowance	(10,922)	(13,471)	(12,015)	**(36,408)**	(10,246)	(12,637)	(11,270)	**(34,153)**
Prepayments and overpayments	(8,133)	(10,030)	(8,946)	**(27,109)**	(6,645)	(8,196)	(7,308)	**(22,149)**
Provision for appeals	(5,334)	(6,579)	(5,868)	**(17,781)**	(7,492)	(9,240)	(8,241)	**(24,973)**
(Surplus) / Deficit at 31 March	(11,414)	(14,077)	(12,556)	**(38,047)**	(18,296)	(22,566)	(20,126)	**(60,988)**

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

Opinion on financial statements

We have audited the financial statements of the Royal Borough of Kensington and Chelsea Pension Fund (the 'Pension Fund') administered by the Royal Borough of Kensington and Chelsea (the 'Authority') for the year ended 31 March 2026, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including material accounting policy information. 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 2025/26.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2026 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 2025/26; 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 (2024) ("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 Finance and Assurance'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 Finance and Assurance'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 2025/26 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 2024) 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 Finance and Assurance'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 Finance and Assurance'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 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 Finance and Assurance 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

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 Finance and Assurance

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 Finance and Assurance. The Executive Director of Finance and Assurance 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 2025/26, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Finance and Assurance 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 Finance and Assurance 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 (CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 (as amended), the Local Government Act 2003, Public Service Pensions Act 2013, Local Government Pension Scheme Regulations 2013 and 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. We determined that the principal fraud risks was 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
    - potential management bias in determining accounting estimates and judgements made in respect of the valuation of investment assets.
- Our audit procedures to address the principal fraud risk included:
    - 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 criteria determined by the audit team;
    - challenging assumptions and judgements made by management in its significant accounting estimates in respect of valuation of level 3 investments, including direct property investments, and the actuarial present value of promised retirement benefits per IAS 26; 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 the events and transactions reflected in the financial statements, the less likely we would become aware of it or recognise non-compliance.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
- The engagement partner's 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

12 November 2026

Fund Account	Note	2025/26	2024/25
		£000	£000
Dealings with members, employers and others directly involved in the fund			
Contributions	7	(12,774)	(24,552)
Individual transfer in from other pension funds		(27,342)	(13,988)
		(40,116)	**(38,540)**
Benefits	8	53,792	46,071
Payments to and on account of leavers			
- Refunds to members leaving service		154	131
- Individual transfers out to other pension funds		10,844	9,883
- Payments in respect of tax		326	9
		65,116	**56,094**
Net (additions)/withdrawals from dealing with members		**25,000**	**17,554**
Management expenses	9	7,126	7,539
Net (additions) / withdrawals including fund management expenses		**32,126**	**25,093**
Returns on Investments:			
Investment income	10	(18,570)	(17,552)
Other income		(402)	(591)
Profit and losses on disposal of investments and changes in market value of investments	11	(218,642)	(22,434)
Net return on investments		**(237,614)**	**(40,577)**
Net (increase) / decrease in the net assets available for benefits during the year		**(205,488)**	**(15,484)**
Opening net assets of the scheme		(1,826,052)	(1,810,568)
Closing net assets of the scheme		**(2,031,540)**	**(1,826,052)**

Net Assets Statement	Note	31 March 2026	31 March 2025
		£'000	£'000
Investment assets	12	2,024,001	1,821,561
Current assets	21	12,548	10,055
Current liabilities	22	(5,009)	(5,494)
Long-term liabilities		0	(70)
		2,031,540	**1,826,052**

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:

	2025/26	2024/25
Active members	3,874	3,981
Pensioners receiving benefits	4,228	3,941
Deferred pensioners*	5,263	5,443
Total	**13,365**	**13,365**

*In 2025/26, there were:

- an additional 511 leavers (641 in 2024/25) who had not yet decided whether to defer their pension or to obtain a refund.
- 831 frozen members compared to 802 in 2024/25.

(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 15% to 23.9%. At the Investment Committee meeting, held 4 February 2025, Members resolved unanimously that a zero-percentage rate for the Council's contribution be set for one year for 2025/26.

(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 s151 Officer, 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 four 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 2025/26 and its position at the year-end as at 31 March 2026. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code) issued by CIPFA which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

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

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

Going Concern

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

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

3. Summary of significant accounting policies

Fund Account – revenue recognition

(a) Contribution Income

Members' contributions are set by the UK Government through LGPS regulations, while employer contributions are accounted for on an accruals basis in the payroll period to which they relate.

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

Employer's augmentation and pension strain contributions are accounted for in the period in which the liability arises. At the Investment Committee meeting held on 4 November 2024, Members decided that for the financial year 2025/26, the Council will not pay additional pension strain contributions for early retirements. Any contributions due within the financial year but unpaid will be recorded as a current financial asset.

(b) Transfers to and from other schemes

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

LGPS Regulations. Individual transfers in and out are accounted for when received or paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

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

(c) Investment Income

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

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

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

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

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

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

Fund Account – expense items

(d) Benefits Payable

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

(e) Taxation

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

(f) Management Expenses

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

the fund on an accruals basis.

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

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

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

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

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

Net Assets statement

(g) Financial Assets

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

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

(h) Freehold and Leasehold Property

Properties are valued annually as at the year-end date by independent external valuers, Sanderson Weatherall LLP, on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Red Book Valuation Standards. See Note 16 for more details.

(i) 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.

(j) Cash and Cash Equivalents

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

All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

(k) 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.

(l) 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 IAS 26 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.

(m) Additional Voluntary Contributions

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

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

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

Uncertainties in actuarial PV of promised retirement benefits

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

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

- a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £17 million.
- a one-year increase in assumed life expectancy would increase the liability by approximately £43 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 £17 million

Present Value of Promised Retirement Benefits comprise of £1,082 million as at 31 March 2026, (£984 million for 2024/25). The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

Pension Fund Liability

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

Unquoted Private Equity Investments

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

The value of private equity investments at the balance sheet date was £151 million (£132 million on 31 March 2025). If these assets are under or over valued by 8.4%, this would affect the overall value of the fund by £12.8 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 2025 rolled forward to 31 March 2026 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 2026 of the directly held property investments was £355m (£235 million as at March 2025). It is estimated that a change in valuation of the order of 6.12% would be likely to be considered material to the Fund's accounts.

Virgin Media Case

The Fund is aware of the legal proceedings in Virgin Media Ltd v NTL Pension Trustees II Ltd (and others), which concerned the validity of amendments made to contracted-out defined benefit pension schemes between 6 April 1997 and 5 April 2016 where the required actuarial confirmation under Section 37 of the Pension Schemes Act 1993 was not obtained. The Court of Appeal upheld the original judgment in August 2024, confirming that certain amendments could be void where the necessary written actuarial confirmation was absent.

The Fund has not made any additional allowance within the accounting balance sheet in respect of this matter. This approach has been taken because:

- the judgment relates to a private sector pension scheme and does not directly address public service pension schemes, including the Local Government Pension Scheme (LGPS);

- it remains unclear whether Section 37 confirmations exist for all historic amendments affecting public service pension schemes;
- it is uncertain whether any remedy would be required in respect of public service pension schemes, including the LGPS;
- the potential financial impact of any such remedy cannot currently be reliably estimated; and
- the Government has announced legislative measures intended to address issues arising from the judgment.

On 5 June 2025, the Government confirmed its intention to introduce legislation allowing affected pension schemes to retrospectively obtain written actuarial confirmation that historic benefit changes satisfied the relevant statutory requirements. The Government stated that scheme obligations would otherwise remain unaffected. Provisions to implement this approach were subsequently included within amendments to the Pension Schemes Bill tabled on 1 September 2025.

In light of these developments and pending the enactment and implementation of the proposed legislation, the Fund does not consider it appropriate to recognise any additional liability at the reporting date. The position will continue to be monitored as further guidance and legislation emerge.

5. Events after the Balance Sheet date

Following the Royal Assent of the Pension Schemes Act 2026 on 29 April 2026, secondary legislation and regulations are expected to come into force from June 2026 onwards.

Amongst the key changes introduced by the Act and related reforms are further requirements regarding the governance, investment management, and asset pooling arrangements within the Local Government Pension Scheme (LGPS). This includes the transfer of the Fund's assets to the Fund's chosen pool (London CIV).

The reforms relate primarily to governance, investment management, and asset pooling arrangements within the LGPS. The administering authority is assessing the implications of these changes and does not currently expect a material impact on the pension liabilities recognised in these financial statements.

Additionally, the Government has implemented changes arising from the "Access and Fairness" consultation and associated regulations. The Fund is reviewing the operational and financial implications of these Access and Fairness reforms. At this stage, no material impact on the pension liabilities recognised in these financial statements is expected.

6. Accounting Standards issued but not yet adopted

The accounting standards issued and not yet adopted are not expected to cause a material impact.

7. Contributions receivable

By category	2025/26	2024/25
	£000	£000
Employee contributions	**(11,676)**	**(11,300)**
Employer contributions		
- Normal contributions	(2,520)	(13,027)
- Augmentation contributions	(208)	(225)
- Employers in surplus (exit credits)	1,630	0
Total employers' contributions	**(1,098)**	**(13,252)**
Total	**(12,774)**	**(24,552)**

By authority	2025/26	2024/25
	£000	£000
Administering authority	(10,641)	(20,930)
Scheduled bodies	(3,671)	(3,525)
Admitted bodies	1,538	(97)
Total	**(12,774)**	**(24,552)**

8. Benefits payable

By category	2025/26	2024/25
	£000	£000
Pensions	40,437	37,953
Commutation and lump sum retirement benefits	12,050	7,012
Lump sum death benefits	1,305	1,106
Total	**53,792**	**46,071**

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

By authority	2025/26	2024/25
	£000	£000
Administering authority	48,282	41,139
Scheduled bodies	1,715	1,289
Admitted bodies	3,795	3,643
Total	**53,792**	**46,071**

9. Management expenses

	2025/26	2024/25
	£000	£000
Administrative costs	1,440	1,421
Investment management expenses		
- management fees	4,358	4,553
- transaction costs	649	704
- custody fees	42	42
- performance related fees	1	223
Oversight and governance costs	636	596
Total	**7,126**	**7,539**

The below tables present the investment management expenses by investment type. In accordance with Code 6.5.5.1 (v), which recommends a breakdown "such as" by investment type.

2025/26	Management Fee	Performance Related Fees	Transaction Costs	Total
	£000	£000	£000	£000
Equities	0	0	0	0
Pooled investments	1,561	0	644	2,205
Pooled property investments	92	0	2	94
Private equity	1,247	1	3	1,251
Direct property	1,458	0	0	1,458
Index linked gilts	0	0	0	0
Other	0	0	0	0
Total	**4,358**	**1**	**649**	**5,008**
Custody fees	42	0	0	42
Total	**4,400**	**1**	**649**	**5,050**

2024/25	Management Fee	Performance Related Fees	Transaction Costs	Total
	£000	£000	£000	£000
Equities	0	0	0	0
Pooled investments	1,802	0	683	2,485
Pooled property investments	536	1	16	553
Private equity	1,295	222	5	1,522
Direct property	881	0	0	881
Index linked gilts	0	0	0	0
Other	39	0	0	39
Total	**4,553**	**223**	**704**	**5,480**
Custody fees	42	0	0	42
Total	**4,595**	**223**	**704**	**5,522**

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

	2025/26	2024/25
	£000	£000
Index linked gilts	(279)	(286)
Equity dividends	(9)	5
Pooled property investments	(255)	(670)
Private equity	0	(24)
Interest on cash deposits	(728)	(2,604)
Rental income	(17,298)	(13,973)
Total	**(18,569)**	**(17,552)**
Taxes on income	0	0
Total	**(18,569)**	**(17,552)**

11. Movements in investments

Market value (MV)	1 April 2024	Purchases	Sales	Change in MV	31 March 2025	Purchases	Sales	Change in MV	31 March 2026
	£'000	£'000	£'000	£'000	**£'000**	£'000	£'000	£'000	**£'000**
Equities	**150**	0	(0)	0	**150**	70	0	0	**220**
Pooled investments	**1,313,957**	0	(1,050)	36,610	**1,349,517**	80	(83,831)	199,854	**1,465,620**
Pooled property investments	**14,778**	0	(4,933)	41	**9,886**	0	(7,969)	(1,112)	**805**
Private equity/infrastructure	**131,071**	15,842	(17,595)	2,401	**131,719**	19,242	(14,302)	14,614	**151,273**
Directly managed property	**167,135**	72,017	(0)	(3,777)	**235,375**	118,776	0	704	**354,855**
Index-linked gilts	**83,490**	0	(0)	(12,820)	**70,670**	0	(75,267)	4,597	**(0)**
Sub-total	**1,710,581**	**87,859**	**(23,578)**	**22,455**	**1,797,317**	**138,168**	**(181,369)**	**218,657**	**1,972,773**
Investment income due	**661**			0	**328**			0	**244**
Amount receivable for sales of investments	**0**			0	**0**			0	**0**
Spot FX contracts	**0**			1	**0**			(3)	**0**
Cash deposits	**92,625**			(23)	**23,916**			(13)	**50,984**
Amounts payable for purchases of investments	**0**			0	**0**			0	**0**
Net investment assets	**1,803,867**	**87,859**	**(23,578)**	**22,433**	**1,821,561**	**138,168**	**(181,369)**	**218,641**	**2,024,001**

12. Investments by Fund Manager

Fund manager (market value)	31 March 2026		31 March 2025	
	£'000	%	£'000	%
BlackRock	1,465,632	72.4%	963,233	52.9%
Baillie Gifford	0	0.0%	386,293	21.2%
Adams Street	151,815	7.5%	132,544	7.3%
Directly managed	354,855	17.5%	235,375	12.9%
KAMES	0	0.0%	7,958	0.4%
CBRE	804	0.0%	1,928	0.1%
London CIV	220	0.0%	150	0.0%
Index Linked Gilts	9	0.0%	70,713	3.9%
Total Fund Managers	**1,973,335**		**1,798,194**	
Cash held at custody	50,667	2.5%	23,368	1.3%
Total Investments	**2,024,002**	**100%**	**1,821,562**	**100%**

13. Investments exceeding 5% of Net Assets

Fund Manager (MV)	31 March 2026		31 March 2025	
	£'000	%	£'000	%
Aquila Life RBKC Global Equities	1,465,632	72.1%	963,233	53.2%
Baillie Gifford Global Alpha Growth Fund C *	0	0.0%	386,293	21.3%
Directly Managed Property	354,855	17.5%	235,375	13.0%
Total Fund Managers	**1,820,487**	**89.6%**	**1,584,901**	**87.5%**

Although several pooled investment funds held by the Fund exceed 5% of the Fund's net assets, each pooled fund comprises a diversified portfolio of underlying investments, none of which individually represents more than 5% of the Fund's net assets.

* As at 31 March 2025, the Fund's holding in the Baillie Gifford Global Alpha Fund represented 21.3% of total net assets. This holding was transitioned to the Aquila Life Fund in March 2026.

14. Investment property

	31 March 2026	31 March 2025
	£000	£000
Opening balance	**235,375**	**167,135**
Purchases	118,776	72,017
Net increase / (decrease) in MV	704	(3,777)
Total	**354,855**	**235,375**

The future minimum lease payments are as follows:

	31 March 2026	31 March 2025
	£000	£000
Within one year	20,826	12,670
Between one and five years	72,661	46,491
Later than five years	101,564	68,475
Total future lease payment due under existing contracts	**195,051**	**127,636**

Rental income includes all income investment properties held to earn rentals or for capital appreciation, as defined by IAS 40. Direct operating expenses include costs directly attributable to the operation and maintenance of investment properties, such as repairs, maintenance and property management fees. Rental income is recorded under "Investment Income" in the Fund Account, and direct operating expenses are included under "Investment Management Expenses". Investment properties are valued at fair value per IFRS 13, with changes recognised under " Profit and losses on disposal of investments and changes in market value of investments".

As at 31 March 2026, the Fund faces no restrictions on the realisability of its investment properties or on the remittance of related income and disposal proceeds. Additionally, the Fund has no contractual obligations to undertake repairs, maintenance, or enhancements.

	2025/26	2024/25
	£000	£000
Rental income from investment properties	(17,298)	(13,974)
Direct operating expenses	1,395	831
Net income from investment properties	**(15,903)**	**(13,143)**

15. Classification of Financial Instruments

Financial liabilities (creditors) at amortised cost totalled £4.972 million (£4.815 million at 31 March 2025). There were none designated as fair value through profit and loss (FVPL) as at 31 March 2026 or 31 March 2025.

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 2026	FVPL	Amortised Cost	Total
	£'000	£'000	£'000
Pooled funds - Investment Vehicles			
- Pooled Global Equities	1,465,620	0	**1,465,620**
- Pooled Property investment	804	0	**804**
- Pooled Private Equity (Unquoted)	151,274	0	**151,274**
Sub-total	**1,617,698**	**0**	**1,617,698**
UK Quoted	0	0	**0**
UK Unquoted	220	0	**220**
Cash with investment managers	50,984	0	**50,984**
Cash with administrating authority	0	9,057	**9,057**
Investment income due	244	0	**244**
Debtors	0	2,200	**2,200**
Total financial assets	**1,669,146**	**11,257**	**1,680,403**

31 March 2025	FVPL	Amortised Cost	Total
	£'000	£'000	£'000
Pooled funds - Investment Vehicles			
- Pooled Global Equities	1,349,517	0	**1,349,517**
- Pooled Property investment	9,886	0	**9,886**
- Pooled Private Equity (Unquoted)	131,720	0	**131,720**
Sub-total	**1,491,123**	**0**	1,491,123
UK Quoted	70,670	0	**70,670**
UK Unquoted	150	0	**150**
Cash with investment managers	23,916	0	**23,916**
Cash with administrating authority	0	5,087	**5,087**
Investment income due	328	0	**328**
Debtors	0	4,663	**4,663**
Total financial assets	**1,586,187**	**9,750**	1,595,937

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 2026	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	**£'000**
Financial assets				
- at fair value through profit and loss	51,227	1,466,425	151,494	**1,669,146**
Total financial assets	**51,227**	**1,466,425**	**151,494**	**1,669,146**
Non financial assets				
- at fair value through profit and loss	0	0	354,855	**354,855**
Total non financial assets	**0**	**0**	**354,855**	**354,855**
Total assets at FV through profit and loss	**51,227**	**1,466,425**	**506,349**	**2,024,001**

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

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

31 March 2026	Market Value	Purchases	Sales	Change in MV	Total
	£'000	£'000	£'000	£'000	£'000
London LGPS CIV	150	70	0	0	220
Overseas VC	131,719	19,242	(14,302)	14,614	151,273
Directly held property	235,375	118,776	0	704	354,855
Total	**367,244**	**138,088**	**(14,302)**	**15,318**	**506,348**

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

Sensitivities of Level 3 Assets

If the Valuation of the underlying companies within the private equity portfolio was out by 8.4% this would alter the value of the Fund's investment assets in this class by £12.7 million. For the private equity movement to be considered material, the valuation would have to change by 14.3%.

	Valuation Range	Value 31 March 2026	Value on increase	Value on decrease
	%	£'000	£'000	£'000
Private Equity	8.4	151,273	163,981	138,567
Direct Property	3.3	354,855	366,565	343,145
Total		**506,128**	**530,546**	**481,712**

For the private equity movement to be considered material, the valuation would have to change by 14.3%.

Description of asset	Valuation hierarchy 2025/26	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Pooled Global Equity Investments	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
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature	Not required	Not required

Description of asset	Valuation hierarchy 2025/26	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
		of these financial instruments		

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 2025 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 2026	1,972,553	2,159,681	1,785,425
At 31 March 2025	1,797,167	2,026,321	1,568,013

The following is a breakdown of total assets exposed to price risk as at 31 March 2026.

	Value	Volatility	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Equity	1,465,620	11.1	1,628,304	1,302,936
Private Equity	151,274	8.4	163,981	138,567
Property	355,659	3.3	367,396	343,923
Total	**1,972,553**		**2,159,681**	**1,785,426**

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

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

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 2026	50,984	52,003	49,964
At 31 March 2025	94,038	95,919	92,157

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	6.8	1,168,126	1,247,962	1,088,290
EURO	3.3	148,137	153,016	143,259
Japanese Yen	9.3	83,545	91,281	75,809
Canadian Dollar	4.5	52,414	54,775	50,053
Swiss Franc	7.2	40,286	43,171	37,401
Australian Dollar	6.1	24,786	26,296	23,275
Swedish Krona	6.3	11,786	12,531	11,042
Singapore Dollar	16.2	7,195	8,363	6,026
Hong Kong Dollar	0	7,061	7,061	7,061
Danish Krone	3.2	6,048	6,239	5,856
Israeli Shekel	5.7	4,103	4,339	3,868
Norwegian Krone	7	2,651	2,836	2,466
At 31 March 2026		**1,556,138**	**1,657,870**	**1,454,406**
At 31 March 2025		**1,308,794**	**1,407,238**	**1,210,350**

(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 and property assets.

18. Contractual Commitments

Private Equity Commitments

As at 31 December 2025, the Fund had outstanding commitments of $95.4m / £72.3m (31 December 2024: $91.8m / £71.1m) 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.

As at 31 March 2026, the Authority had entered into the following material contractual commitment:

Investment Property Acquisitions

The Authority has entered into binding contracts for the purchase of one commercial property, which will be accounted for as investment properties under Section 4.4 of the Code (IAS 40 Investment Property). The total committed expenditure is £12.8 million with payment due in the 2026/27 financial year.

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.
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 2025/26 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. At the Investment Committee meeting, held 4 February 2025, Members resolved unanimously that a zero percentage rate for the Council's contribution be set for one year for 2025/26.

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 asset of the Fund as at 31 March 2026. 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 asset, the actuary adopted methods and assumptions that are consistent with IAS 19. In conducting the 2025 actuarial valuation, the Actuary has taken into account the investment policy when determining the assumptions to be used.

	31 March 2026	31 March 2025
	£'m	£'m
Present value of promised retirement benefits	(1,082)	(984)
Fair value of scheme assets (bid value)	2,024	1,822
Net liability	**942**	**838**

Financial assumptions

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

Financial assumptions	31 March 2026	31 March 2025 (re-stated)
	%	%
Consumer Price Index (CPI) increases	3.00	2.75
Salary increases	4.00	3.75
Pension increases	3.00	2.75
Discount rate	6.20	5.80

Demographic Assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2025 model, with core parameterisation, initial adjustment of 0.25% and a long term rate of improvement of 1.5% per annum. 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 2026	31 March 2025
	Years	Years
Retiring today		
- Males	22.4	21.9
- Females	24.9	24.5
Retiring in 20 years		
- Males	23.2	22.7
- Females	26.0	25.6

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 2026	31 March 2025
	£'000	£'000
Debtors		
- Contributions due - employers	419	210
- Contributions due - employees	872	94
- Sundry debtors	2,049	4,663
- Prepayments	151	0
Sub-total	**3,491**	**4,967**
Cash balances	9,057	5,087
Total	**12,548**	**10,054**

Analysis of debtors	31 March 2026	31 March 2025
	£000	£000
RBKC	1,225	351
Other entities and individuals	2,266	4,616
Total	**3,491**	**4,967**

22. Current Liabilities

	31 March 2026	31 March 2025
	£'000	£'000
Creditors		
- Sundry creditors	(4,972)	(4,745)
- Benefits payable	(37)	(749)
Total	**(5,009)**	**(5,494)**

Analysis of creditors	31 March 2026	31 March 2025
	£'000	£'000
Central government bodies	0	(679)
Other local authorities	(108)	0
RBKC	(1,891)	(4,048)
Other entities and individuals	(3,010)	(767)
Total	**(5,009)**	**(5,494)**

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 2025/26 AVCs of £0.677 million were paid to the provider, Prudential, (£0.614 million in 2024/25). The market value of these funds at 31 March 2026 was £5.134 million (£4.468 million at 31 March 2025).

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 £1.653 million and £0.108 million respectively in the financial year 2025/26 (£1.420 million and £0.105 million respectively in 2024/25).

In year, following the Investment Committee's decision on 4 February 2025 to set a zero employer contribution rate for the year, the Council contributed £0 to the Fund, compared to £9.345 million in 2024/25. As at 31 March 2026 the Council owed the Pension Fund £1.225 million (£0.351 million at 31 March 2025).

25. Key Management Personnel

The key management personnel of the Fund are the Members of the Committee, the Executive Director of Resources (who left RBKC on 31 March 2026) and the Tri-Borough Director of Pensions and Treasury. During the year, £0.045 million (£0.041 million in 2024/25) 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 2026	31 March 2025
	£'000	£'000
Short term benefits	45	41
Post employment benefits	15	(13)
Total	**60**	**28**

26. 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 2025/26, the Fund paid the gross sum of £0.243 million (£0.233 million in 2024/25) on behalf of RBKC.

27. External Audit Costs

The proposed external audit fee payable to the Fund's external auditors, Grant Thornton UK LLP, is £0.109 million for 2025/26 (£0.102 million for 2024/25).

28. Contingent liabilities

Following the balance sheet date, ClientEarth commenced judicial review proceedings in relation to decisions concerning the Royal Borough of Kensington and Chelsea Pension Fund, including matters relating to the Fund's employer contribution rate and associated funding arrangements. The Council is vigorously defending the proceedings and is receiving specialist legal advice. At the date of approval of the financial statements, it is not possible to determine the outcome of the legal proceedings or the financial implications.

1. Executive Summary

1.1. Scope of responsibility

The Annual Governance Statement provides a review of the effectiveness of the Council's governance arrangements for 2025/26.

This 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 complies with Regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of the statement of internal control and also reflects the CIPFA Addendum published in May 2025, effective from 2025/26.

The Council's Audit and Transparency Committee reviews governance arrangements, risk registers and regular reports on the work of internal audit, fraud and other assurance functions.

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 risk management arrangements.

The Council remains committed to continuously strengthening governance through review, evaluation and alignment with the principles of good governance set out in the Delivering Good Governance in Local Government Framework 2016.

1.2. Overall opinion on level of assurance

The Council gains assurance from a wide range of sources, including its Internal Audit team, external audit (Grant Thornton UK LLP) and regulatory bodies such as the Social Housing Regulator, Building Safety Regulator, Care Quality Commission and Ofsted.

The Grenfell tragedy 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. In November 2024, The Grenfell Tower Inquiry agreed the Council's formal response to findings of its report which set out 45 commitments by the Council which have added further structure and focus to this work. These are regularly monitored by a dedicated group of officers, the Executive Management Team, the Leadership Team and the Overview and Scrutiny Committee. In 2025/26, the Overview and Scrutiny Committee considered two reports on progress against the commitments (in May and November 2025).

One of these commitments was to commission an independent review of the Council's organisational culture. The review will provide a robust, evidence-based assessment of the current environment, establish a baseline against which future progress can be measured and identify practical changes that would strengthen trust and improve resident experience. Independent, focused and forward-looking, the review will examine staff behaviours, ways of working, systems and decision-making and make practical recommendations for the Council to implement.

In July 2025 the Council underwent a Local Government Association (LGA) Corporate Peer Challenge, its first since 2020, conducted by a team of senior councillors and officers from other authorities. The peer team examined the Council against the LGA's five core themes:

- local priorities and outcomes
- organisational and place leadership
- governance and culture
- financial planning and management and
- capacity for improvement

The LGA published its report in October 2025 acknowledging significant progress since 2020 and made six recommendations:

- to develop a long-term place-based vision for the borough
- to adopt a more integrated approach to place-stewardship and neighbourhood working
- to use the refresh of the Charter for Public Participation to continue building relationships and trust
- to focus on a single set of values and behaviours supported by a dedicated implementation programme
- to articulate and deliver a more strategic and corporate approach to transformation and
- to ensure key Council processes support innovation and timely delivery

The Council accepted all six recommendations. A formal response and action plan was agreed by Leadership Team in December 2025. Progress against the action plan is monitored by the Executive Management Team and Leadership Team, with a follow-up peer review by the LGA commencing in July 2026.

Following extensive consultation and taking account of the Council's commitments in response to the Grenfell Inquiry Phase 2 report, the Leadership Team in April 2025 approved 'A Fairer Kensington and Chelsea: An Action Plan' to tackle inequality, celebrate diversity and promote inclusion 2025-2029. Alongside this, a detailed action plan was agreed and the first annual update is due to be considered by the Leadership Team in 2026/27.

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 2025/26 found that the Council's internal control systems in the areas audited were adequate, with 90% of the audits undertaken receiving a positive assurance opinion (87% in 2024/25). The annual report on internal audit and control for 2025/26 will be presented to the Audit and Transparency Committee at their meeting in July 2026 when it will be published on the Council's website.

The Chief Financial Officer has reviewed the Council's governance arrangements and is satisfied that financial management arrangements are effective and compliant with Financial Procedure Rules and the Code of Procurement.

Following the local elections in May 2026 and a new set of priorities from the elected administration, the Council has begun work to develop a new Council Plan, to be agreed in autumn 2026. There will be a programme of engagement taking place over the summer, including public consultation, questions included in our Resident Survey and engagement events with our Citizens

Panel and other key groups. The final plan will be reviewed by the Executive Management Team, Leadership Team and Overview and Scrutiny Committee. It will include a plan for monitoring delivery and performance.

The Council's Medium Term Financial Strategy for 2026/27 to 2029/30 was presented to Leadership Team in July 2025 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.

2. Identification of key governance arrangements

2.1. Governance arrangements

The Council's governance framework supports delivery of its strategic objectives through a system of internal control designed to manage risk at an acceptable 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.

Governance arrangements focus on achieving sustainable economic, social and environmental outcomes. This includes consideration of both internal controls and external risks affecting residents and communities. The Council has strengthened this approach following the Grenfell tragedy, with increased emphasis on safety, transparency and resident involvement. One of the commitments we made in response to the Grenfell Inquiry Phase 2 reports was to introduce Safety Impact Assessments (SIA) which are now completed for all key decisions taken by the Council, encompassing all aspects of resident safety. The assessment is published alongside the decision report. Executive Directors and Directors are responsible for ensuring that mitigating actions identified in SIAs are implemented and have the desired effect. An internal audit review of the implementation of SIAs has been concluded and received a Satisfactory Assurance rating. The outcome of the review will be reported to the Audit and Transparency Committee in due course.

In April 2025, the Council ended its partnership arrangement with Hampshire County Council who provided finance, procurement and Human Resources (HR) services. This was replaced by in-house teams and a new finance and HR system, Oracle.

Over the last two years, the Corporate Transformation Team has led on driving the Council's Transformation and Savings programme, playing a key role in the Council being in a position to set a balanced budget for 2026/27 in the 2025/26 financial year. The programme provides corporate infrastructure to develop and track the development and delivery of savings, as well as additional drive to move programmes forward.

This work is continuing and officers are working to manage the impacts of the Fair Funding Review which is being implemented from 2026/27 and will see Kensington and Chelsea receive significantly less government funding than it does currently. To manage this, the Transformation programme has developed five ambitious workstreams aimed at transforming the organisation and retaining good quality services within a smaller financial envelope. Details of these workstreams

will be set out in the Council's Medium Term Financial Strategy and is focused on ensuring a balanced budget for 2027/28 and beyond, as well supporting delivering of agreed savings for 2026/27.

To guide this work, the Council is developing a new target operating model that will guide how resources are prioritised across the Council and build new ways of working across the organisation. This will sit alongside a vision for the sort of borough that RBKC needs to play a role in building, which will help us review all services through the same lens and unlock longer-term transformation and savings. Work on this began in earnest in 2025/26.

The Capital Programme Project and Programme Management Office sets out the strategic framework that underpins the capital programme and the operational governance that informs the decision-making process as well as ensuring best practice. The approval process clearly sets out delegated limits and requirements for executive and key decision reports, and the capital handbook provides clear guidance for officers on options appraisal requirements for capital investment decisions. Effectiveness is monitored through the Capital Programme Board and the Capital Programme performance is reported to Leadership Team quarterly as part of the financial performance report.

In December 2024, the Audit and Transparency Committee considered a report setting out proposals to undertake a Review of Effectiveness of the Committee, taking into account the CIPFA Toolkit for Effective Audit Committees and the CIPFA Skills and Knowledge Framework for Audit Committee members. Overall, the Committee's assessment was that it scored favourably against each of the areas in the Toolkit and the Committee had a number of areas of strength, both in terms of the Toolkit and the Skills and Knowledge Framework. Nine actions to further enhance the Committee's effectiveness were reported to the Audit and Transparency Committee in June 2025, with seven having already been completed and the remainder to be addressed with the new Committee in 2026/27 and tracked to completion. The Committee will also review and update the self-assessment later in 2026/27.

The Council's Local Code of Corporate Governance is incorporated into the Council's Constitution and is available on its website in 'Part 8, Section One - Code of Corporate Governance'.

The Annual Governance Statement is based on more detailed reports presented to the Audit and Transparency Committee throughout 2025/26, copies of which can be found on the Council's website via the 'Council, Councillors and Democracy' page.

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 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 CIPFA FM Code Compliance Statement was presented to Audit and Transparency Committee in March 2026. This was the fifth review undertaken to ascertain the Council's level of compliance since the introduction of The Code in October 2019. The 2025/26 review demonstrated that the Council was fully compliant with The Code and gave an update to the Committee on progress against previous actions. It also provided assurance that good financial management and financial sustainability are embedded within the Council's overall governance arrangements. Of the

seventeen standards set out in The Code, all were demonstrated to have been fully compliant or compliant in 2025/26.

Good work is taking place overall, however there are some areas where further work may provide opportunities to enhance good practice still further. These are also set out in the 2025/26 Compliance Statement. There is an ongoing focus on embedding this work to improve corporate and cross-departmental processes.

3. Evaluation of the effectiveness of governance

3.1. Outline of assurance process

A review of the governance framework is undertaken annually, drawing on multiple sources of assurance, as set out in Annex 2.

3.2. Assessment of effectiveness of governance arrangements

The governance framework operated effectively throughout 2025/26 and up to the approval of the Statement of Accounts. Key governance boards and processes which were in place during 2025/26 are set out in Annex 1.

In preparation for the CIPFA Addendum which came into effect from 2025/26, officers updated the self-assessment of the effectiveness of the Council's governance arrangements in 2024/25, to reflect the arrangements in place in 2025/26. This was against the 7 Principles and 41 supporting core arrangements statements set out in the Good Governance Framework. The updated self-assessment did not identify any areas of concerns, although some actions to further improve the arrangements were identified and are being progressed, a number of which are aligned with the Council's Commitments in response to the Grenfell Inquiry Phase 2 report.

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

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

The Council's external auditors, 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. Following the completion of their 2024/25 review, the auditor's recommendations and management responses were presented to the Audit and Transparency Committee in September 2025.

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 budget 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.

The Council continues to work to change its organisational culture by embedding the principles of good governance as recommended by the Centre for Governance and Scrutiny. The Council Plan's central commitment to learn the lessons from Grenfell and to become the best Council by delivering safer, fairer and greener services further drives this broader culture change across the Council. The Council has also committed to making further specific changes to improve our organisational culture and strengthen our connection to communities in response to the findings of the Grenfell Tower Inquiry. This includes establishing an Independent Advisory Panel and commissioning an independent review of culture, which will take place in 2026.

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 2025/26 are set out below together with the Council's response:

Housing Regulatory Judgement

In August 2025, the Regulator of Social Housing carried out an inspection under the consumer Standards framework and issued the Council with a Consumer Grade of C3. The judgement concluded that there were serious failings requiring significant improvement in relation to stock quality and compliance with the Decent Homes Standard, arising principally from limitations in the Council's up-to-date understanding of the condition of its housing stock (40% of individual properties had been surveyed in the last 5 years) and that 33% of Council properties do not meet the Decent Homes Standard. The regulator found that health and safety compliance arrangements were operating effectively and recognised positive performance in repairs and maintenance, tenancy services, resident engagement and complaints handling.

Since the Regulator's judgement, officers have worked with the Regulator to understand the root causes of the weaknesses set out in the regulator's judgement and to develop and action plan to correct them. A clear plan to achieve full compliance with the Consumer Standards was approved by the Leadership Team in June 2026. The Housing Management Improvement Plan provides a clear and structured framework for embedding improvements across Housing Management. It focuses on strengthening assurance, compliance, governance and overall service quality. The plan sets out clear commitments to achieve full stock condition knowledge by the end of 2026 and establish a rolling programme of stock conditions thereafter and to achieve 100% compliance with the Decent Homes Standard by 2030, as well as measures designed to ensure that tenant voices are at the heart of decision making. Progress against the plan is monitored on a monthly basis at Housing Management's Service Improvement Board. Additionally, the Director of Housing Management along with other senior officers meet with the regulator every two months to review progress and general compliance with Consumer Standards.

Cyber attack

In November 2025, the Council was a victim of a significant cyber-attack. The Council's systems were affected and connectivity had to be broken in order to contain, assess and remedy the issues caused. Many servers had to be rebuilt with significant improvement work required to remedy the problems and bring security controls to accepted industry standard. The Council worked with NCC, its retained cyber security experts, and a full attestation of security and systems was gained at the end of January 2026. An investigation by the Information Commissioner's Office is underway which the Council is working openly with.

Civil contingency powers were enacted immediately to manage the response with daily Gold meetings established, transitioning to a weekly Cyber Recovery Board from the end of January. This Board has overseen a full programme of security and foundational improvements, whilst also overseeing the return of functionality and connectivity to the hundreds of systems and applications used by business areas across the Council. Owing to the level of change required in the Council's operating environment, SaaS system connectivity was easier to restore than systems that were maintained on our own estate.

As at the end of May 2026, all priority systems have been returned, with full return to business as usual expected by summer as per plans. A much longer programme of improvements, covering security, foundations, upgrades of legacy business systems and modernisation, along with the investment required, is planned and is in the process of being agreed through a new Digital Strategy which will be considered by Leadership Team in July 2026.

Some services have experienced backlogs from their systems being off-line for a considerable period. While many services operated workarounds to ensure services could be continued, these were often not as efficient as normal operating procedures, and in high volume transactional areas the backlogs were substantial. This is monitored at the Cyber Recovery Board with additional resource available where needed. Dedicated plans are in place to support the backlogs across Revenues and Benefits, Planning and Complaints. It is hoped that all backlogs will be resolved by the end of 2026. A review of Business Continuity Plans is being planned to ensure learning.

In the Cyber Attack, data held on the Council's servers was copied and taken away. This is being investigated by the police. All residents have been advised about this and provided with the National Cyber Security Centre's best practice advice on how to keep themselves safe online. Industry experts have been commissioned through our insurers to support the process of understanding and analysing the data that was copied so affected residents can be notified appropriately. Notifications should begin in later in the year and will be managed with care and sensitivity. Looking forward, work is being planned to review data retention and broader information governance arrangements to ensure we are operating compliantly and keeping resident's data safe.

Grenfell

In 2024/25, the Council launched a new four-year programme of direct support for bereaved, survivors and the immediate community. This formed part of the Restorative Justice programme (2024-2028) which was negotiated as part of the settling of the majority of the civil claims that were filed by the bereaved, survivors and local residents against the Council and a number of other organisations. In total £42 million has been pledged to the Restorative Justice programme by the

defendants, of which the Council's contribution is £12m.

The programme, which was designed with bereaved, survivors and residents in 2023/24, includes a dedicated service for bereaved and survivors, a programme of support for the immediate community living within a 500m radius of the Tower, and education and training support for both cohorts. Following feedback from bereaved, survivors and residents, some small changes to the programme were agreed by the Leadership Team in January 2026. The ongoing delivery of the programme is being externally scrutinised by an Independent Scrutiny Function and regular reports are considered by the Council's Overview and Scrutiny Committee. In 2025/26, quarterly reports were produced for the Independent Scrutiny Function and two reports were considered by the Overview and Scrutiny Committee (in May and November 2025).

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

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 this Statement, the latest iteration of the Council's Strategic Risk Register was presented to the Audit and Transparency Committee on 26 January 2026, setting out the current risks and planned mitigations agreed by the Executive Management Team. The next iteration of the Register was presented in July 2026, in line with the 6-monthly reporting agreed with the Committee.

Since the Grenfell tragedy, the Council has sought to ensure that its approach to decision making and risk management, including the maintenance and publication of the strategic risk register are outward facing and focussed on resident impacts.

3.6. Councillor conduct

During the period covered by this Statement, the Monitoring Officer received three complaints alleging a breach of the Councillor Code of Conduct. A complaint made by a councillor was investigated by an external investigator appointed by the Monitoring Officer. The conclusion of the investigation, accepted by the Monitoring Officer, was that the evidence did not demonstrate a breach of the Code. Two resident complaints were also investigated on behalf of the Monitoring Officer. Both complaints related to the same Councillor. 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 on 23 March 2026. The hearings were in public, and the Committee's decisions are on the Council's website. The Audit and Transparency Committee found the Councillor, the subject of the complaints, to have been in breach of the Code and imposed sanctions. The Councillor has appealed those decisions.

4. Accountability and action plans

4.1. Update on significant issues addressed in 2024/25 AGS

Grenfell was a key risk that was identified in last year's AGS and is discussed in 3.4 above.

Oracle Implementation

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

4.2. Action plan to address significant governance issues

The Council Plan and Medium-Term Financial Strategy will ensure that the Council's objectives and delivery of services are affordable and achievable within current and future budgets. Together these documents describe what the Council will focus on and how our activity will be resourced.

As set out elsewhere in the report, a number of plans have been approved and are being implemented, including:

- a new four-year programme of direct support for bereaved, survivors and the immediate community of the Grenfell tragedy, which formed part of the Restorative Justice programme (2024-2028) agreed through the global settlement of civil claims
- implementing the Council's Commitments in response to the Grenfell Inquiry Phase 2 report
- reviewing the Charter for Public Participation to evolve resident involvement in decision making
- the 'Fairer Action Plan 2025 to 2029' to tackle inequality, celebrate diversity and promote inclusion
- follow up of the corporate assessment through a Local Government Association Peer Review (July 2026)
- a new Council Plan due to be published in autumn 2026 which will be framed in context of a much tougher financial environment as set out in the MTFS. This will be instrumental in ensuring that financial resources are available for the delivery of Council Plan priorities.
- a Housing Management Improvement plan in response to the Regulator of Social Housing Consumer Inspection judgement, focusing on completion of stock condition surveys and Decent Homes Standard compliance, and ensuring that tenant voices are at the heart of decision making in the department
- following the cyber incident:
    - a Recovery Strategy and new Digital Strategy have been developed and are being implemented
    - a review of all the Council's Business Continuity Plans is being undertaken to ensure they reflect the potential for cyber disruption and long periods of outage
    - a specific audit of Business Continuity arrangements and learning from the cyber incident is also planned for 2026/27

5. Conclusion

The Council is satisfied that appropriate governance arrangements have been maintained in 2025/26. 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 continuous improvements through:

- Addressing issues identified by Internal Audit
- Addressing issues identified by External Review – including external inspections and the findings of the Grenfell Tower Inquiry Phase 2 Report, along with the Council's commitments and the steps being taken by Government to address the Inquiry's recommendation
- Focusing on key risks and areas for improvement
- Continuing regular, open and transparent engagement with local people



Maxine Holdsworth
Chief Executive

30 September 2026



Cllr Elizabeth Campbell
Leader

30 September 2026

Annex 1 – Governance arrangements – roles and responsibilities

Board/group/ function	Roles and responsibilities
Audit and Transparency Committee	Receives reports on key issues and areas requiring improvement, holds Directors and officers to account for systems, services and risks they manage, seeks assurance over implementation of risk and counter fraud policies and approves the annual accounts. The Audit and Transparency Committee provides an annual report to Full Council on its work and effectiveness.
Lead Members (Leadership Team)	The Leadership Team is responsible for most of the major service, financial and policy decisions, and undertake those Council functions not reserved to Full Council or delegated to Committees or officers. The Leadership Team takes key decisions (individually or collectively) and upholds Codes of Corporate Governance following the receipt of professional officer, including financial and legal advice, as set out in the Constitution. Lead Members provide political leadership and work with Chief Officers to develop and set policy.
Overview and Scrutiny Committee and four Select Committees	The Overview and Scrutiny Committee (OSC) leads on the preparation of the annual scrutiny work programme and the co-ordination of work. OSC reports annually to full Council and ensures statutory responsibilities are addressed either by OSC itself, or the relevant Select Committee. OSC and the four select committees hold the Leadership Team to account for decisions through pre-decision scrutiny and contribute to policy development and review. Scrutiny also has an important role in amplifying the voice and concerns of residents. The Annual Scrutiny Work Programme is developed using core corporate council documents, including the Council Plan and Strategic Risk register, and takes into account suggestions from councillors, officers and residents. Scrutiny councillors carry out their work in a number of different ways including scrutinising reports at committee meetings, setting up time limited working groups and holding evidence sessions and resident conferences.
Ethics Panel	Advises the Council on best practice and provides advice on complaints where Members are alleged to have breached the Code of Conduct.
Executive and Strategic Directors	Complete annual assurance statements detailing their confidence in arrangements for managing their recognised core risk areas, which have been subject to independent review. This reflects the Directors' responsibilities, including the management of strategic and operational risk, the effectiveness of controls, financial management, service delivery and continuity, information governance and compliance with other legislation relevant to their areas.
Executive Management Team	Executive and Strategic Directors providing assurance to the Chief Executive on operational and strategic matters for their areas of responsibility.
Monitoring Officer	Maintains the register of councillors' interests, deals with complaints where councillors are alleged to have breached the Councillor Code of Conduct and has a statutory duty to report breaches of the Council's legal obligations and findings of maladministration by the Local Government and Social Care Ombudsman to the Council.

Board/group/ function	Roles and responsibilities
Chief Financial Officer (CFO)	Delivers and oversees financial management arrangements, complies with requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government and is a member of the Council's Executive Management Team.
Information Governance	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. During 2025/26, the Executive Director for Environment and Neighbourhoods fulfilled the role of Senior Information Risk Owner and chairs the Information Assurance Board which provides oversight for the Council's information governance policy and strategy. The Council also has a Data Protection Officer. All Directors hold responsibility for their own area and designated Caldicott Guardians are responsible for ensuring that health and social care information is managed appropriately, and that the Council's annual Information Governance Toolkit submission meets the required levels of compliance.
Internal Audit	The Internal Audit Strategy and Charter are approved by the Audit and Transparency Committee who also consider the Internal Audit Plan. Internal Audit's work is governed by the Global Internal Audit Standards. Regular reports are provided to the Audit and Transparency Committee on work completed by Internal Audit, along with an Annual Report and Opinion covering the Council's governance, risk and control arrangements.
Anti-Fraud work	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 and formally considers and reviews the Strategic Risk Register twice a year (following review and update by risk owners), as well as considering new and emerging risks throughout the year, including new items to be added to the Strategic Risk Register. The Risk Management function works with risk owners to review their risks and planned mitigations.

Board/group/ function	Roles and responsibilities
	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 for consideration by the Risk and Control Board (EMT) for inclusion in the Strategic Risk Register. The Risk Management Strategy for 2025-2028 was approved by the Audit and Transparency Committee in March 2025. EMT agreed the Risk Policy in March 2026 and a council-wide Risk Management training programme for managers and project officers was rolled out in May 2026.
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
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, as well as the introduction of Oracle in April 2025 to enable system capability to complete and track appraisal compliance. The Corporate Strategy team reports regularly on a range of corporate performance metrics. A new, more focused action Council Plan Action Plan was agreed by the Council's Leadership Team in April 2025. The Council also continues to strengthen its approach to performance management and has developed a comprehensive performance management framework. 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 framework for monitoring performance and delivery will be reviewed in line with the work on the new Council Plan. Individual 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.
Our Public Participation Commitments	We have now launched our Public Participation Commitments. These replaced our Charter for Public Participation, written 5 years ago, which described how you could: • influence public services • get involved in decision-making • make a difference in your area

Board/group/ function	Roles and responsibilities
	The commitments follow a landmark consultation, where we co-designed the original charter with residents. The consultation was part of our ongoing commitment to become a more transparent and listening council, following the Grenfell Inquiry.
Citizen's Panel	The Citizen's Panel comprises approximately 2,000 residents, broadly representing the Borough's diverse population with membership drawn from all wards. During 2025/26, the Citizens' Panel members contributed 1,677 responses to 5 council surveys, 168 attended 13 in-person activities, and 46% agreed they could influence decisions affecting their area, a rise from 17% on joining prior.
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 the 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.

Annex 2 – Sources of Assurance

Corporate Governance	Management Team	Services are delivered economically, efficiently & effectively
• Constitution (incl. statutory officers, scheme of delegation, financial procedure, management and procurement rules) • Grenfell Commitments (reporting to OSC) • Corporate Performance Reporting • Statutory Officers Group • Recovery and Savings & Transformation programme boards • Audit and Transparency Committee • Internal Audit Strategy, Charter and Mandate • External audit (including the Audit Plan) • 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 • Public Participation Commitments • Medium Term Financial Strategy, including Capital Strategy and Treasury and Investment Strategy • Complaints system • HR policies and procedures • Whistleblowing and other counter fraud arrangements • Risk Management Strategy	• 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 and directorate risk registers • Audit and Transparency Committee	• Recording, reporting and management of risk • Effectiveness of internal controls • Implementation of internal and external audit recommendations • 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 Ombudsman reports • 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

Corporate Governance	Management Team	Services are delivered economically, efficiently & effectively
• Performance management system • Codes of conduct (Members and Officers)		

Glossary of Terms and Abbreviations

ACCOUNTING POLICIES are the specific principles, rules and procedures implemented by the Council to prepare its financial statements.

ACCRUALS are amounts included in the accounts for income or expenditure in relation to the financial year but not received or paid at year end.

AMORTISATION is the practice of reducing the value of certain types of assets to reflect their reduced worth over time.

ASSET CEILING is the limit on the amount of any net pensions asset that will be recoverable in the form of reductions in future contributions to the pension fund.

CAPITAL EXPENDITURE is spending on the acquisition or enhancement of non-current assets or advances and loans to other individuals or organisations.

CAPITAL RECEIPTS represent income received from the sale of fixed assets or the repayment of capital advances, subject to the Council's de minimis of £10,000, which may only be used to repay loan debt or to finance new capital expenditure. Certain flexibilities may be available in the Receipts, but this would only be through a Secretary of State Direction.

CIPFA (CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY) is the professional institute for accountants working in the public sector.

COMMUNITY ASSETS are a class of fixed assets that are expected to be held by the Council in perpetuity to deliver services (e.g. parks).

COUNCIL TAX is the local property tax on domestic dwellings within the borough.

COUNCIL TAX BASE converts the domestic properties in the Council's area by council tax band into an equivalent number of band D dwellings for the purpose of setting the council tax.

CREDITORS are owed money by the Council for goods and services it has received but not yet paid for at the end of the financial year.

DEBTORS owe money to the Council for goods and services they have received but not yet paid the Council for at the end of the financial year.

DEFINED BENEFIT SCHEME A pension scheme where the future benefits receivable by pensioners are guaranteed and sufficient contributions have to be paid into the fund to ensure that payments will be affordable.

DEFINED CONTRIBUTION SCHEME A pension scheme where the contributions payable into the fund are fixed and the benefits receivable by pensioners will depend on the assets that the fund has accumulated to pay them.

MINISTRY OF HOUSING, COMMUNITIES AND LOCAL GOVERNMENT (MHCLG) is the UK Government department for housing, communities, local government in England and the levelling up policy.

DEPRECIATION is a measure of the consumption of a fixed asset over its useful economic life, sometimes referred to as 'wear and tear'.

EXPECTED CREDIT LOSS (ECL) is the credit loss that is estimated will arise from the amounts owed to the Council. The impact of current and future economic conditions are taken into account when estimating the loss.

FINANCE LEASE is a lease that transfers substantially all the risks and rewards incidental to ownership of the property, plant, or equipment to the lessee.

HERITAGE ASSETS have historical, artistic, scientific, technological, geophysical, or environmental qualities and are held and maintained principally for their contribution to knowledge and culture.

IMPAIRMENT represents a reduction in the value of a fixed asset due to obsolescence, damage, or an adverse change in the statutory environment.

INFRASTRUCTURE ASSETS are fundamental facilities and technical structures, such as highways and footpaths.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) are a set of accounting standards developed by an independent, not-for-profit organisation called the International Accounting Standards Board (IASB).

INVESTMENT PROPERTIES are properties that are used solely to earn rental income and/or for capital appreciation. This definition does not apply if the property is used for the delivery of services or the production of goods.

NON-DOMESTIC RATES (NDR) is a levy on businesses, based on a national rate in the pound set by the Government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Council on behalf of itself, the Greater London Authority (GLA) and Central Government

NON-CURRENT ASSETS are assets that provide benefit to the Council and its services for a period of more than one year.

OPERATING LEASE is a lease that does not transfer substantially all the risks and rewards incidental to ownership of the leased asset.

PROPERTY PLANT AND EQUIPMENT (PPE) are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and are expected to be used during more than one year.

RELATED PARTIES are those bodies or individuals that have, through transacting with, performing services for or in any other way, the potential to control or influence the Council or be controlled or influenced by the Council.

REVENUE EXPENDITURE represents the Council's day-to-day spending on the provision of services including salaries, goods, and services.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS) is a type of expenditure which statutory law requires to be classified as capital for funding purposes, when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. Examples include works on property owned by other parties, renovation grants and capital grants to other organisations.

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