

Statement of Accounts

2022/23

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THE ROYAL BOROUGH OF
KENSINGTON
AND CHELSEA



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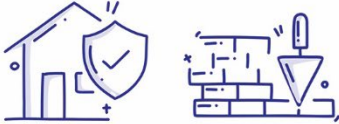
Narrative Report

Introduction


Over the last few years I have written in this report about how we, as a country and more locally in Kensington and Chelsea, have been experiencing unprecedented times as a result of the Covid-19 pandemic and recovery. During the past year we have continued to experience challenging times with rising inflation and the cost of living crisis impacting on our residents, partners and services. The Council has risen to the challenge to support the most vulnerable in our Borough over the last twelve months and will continue to do so over the year ahead.

In March 2023, the Council launched its new Council Plan. The plan has been formed through extensive conversations and consultation with residents, businesses, staff groups, and community groups across the borough. It contains an ambitious set of priorities and commitments for us to make Kensington and Chelsea Greener, Safer and Fairer across the coming four years.


Our Council Plan outlines that:




We will finish what we started on housing, by improving the safety of our homes, building more, and ensuring we learn the full lessons from Grenfell.



We will spend sensibly and keep taxes and fees low.



We will play our part in tackling climate change, through investment in schools, public buildings, and our Council fleet. And make it easier at every step for residents and businesses to support these ambitions.



We will do all of this with **care and competence**, making sure we take pride in our work every day.

Support has also been provided to those who need it the most and the Council has made a number of commitments to underpin the plan and support those who are most vulnerable to the rising cost of living crisis we are currently experiencing. Council Tax for 2023/24 has been frozen and residents living in properties that are council tax band A to D received a £100 Cost of Living Rebate for the year. This is putting a total of £1.700 million back into the pockets of residents at a time when they really need it in the wake of Covid-19 and in the face of increasing inflation and increasingly high living costs.

Further investment in tackling climate change will also be made. A £14 million fund has been established to accelerate net zero commitments in our own buildings and vehicles. This includes £8 million ringfenced for schools to achieve greater energy efficiency and £6 million for corporate buildings. We have also launched a programme to better connect our own staff with the communities we serve. Every officer at the Council is being asked to spend at least two days a year volunteering in the borough on local projects with local organisations.

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The Council set aside £8 million at the start of the pandemic to deliver its Covid-19 recovery programme and this budget was carried forward to 2022/23 to provide an evolving level of support emerging from the cost of living crisis that continues to adversely impact our communities. Through the Cost of Living Financial Resilience Group, the Council is utilising data insight and evidence to maximise its reach so support can be provided most effectively to those groups who need the most help. An online cost of living hub has been developed alongside a full directory of services available in the borough to enable those residents needing financial advice and support from us, our partners and the Voluntary and Community Sector (VCS) to be signposted appropriately.

We marked the fifth anniversary of the Grenfell Tower fire in June 2022 and memorial events were held across the borough to remember the bereaved and survivors whose lives were devastated by the tragedy. At the beginning of April 2023, a group of more than 900 bereaved family members, survivors and local residents agreed a settlement of their civil claims arising from the fire. The settlement is completely independent of, and has no impact upon, the ongoing public inquiry into the Grenfell Tower fire, which is due to publish its report in 2023, or the ongoing criminal investigation where it is anticipated that the Crown Prosecution Service will make a decision on whether to pursue criminal charges against those responsible for the fire after publication of the final Grenfell Tower Inquiry report. The Council, as the landlord of the Grenfell Tower, requested a capitalisation direction in January 2023 from the Department for Levelling Up, Housing and Communities (DLUHC) for up to £75 million. The purpose is to enable the Council to pay its share of the compensation due to the bereaved, survivors and first responders of the Grenfell Tower tragedy and associated legal costs. In January 2024, DLUHC gave approval for the capitalisation of £23.228m of the costs incurred in 2022/23 and approval for the remainder is expected by the end of March 2024. A provision for £72.706m was set aside in the 2021/22 accounts which remains in the 2022/23 accounts. This will be utilised as payments are made to claimants from 2023/24 onwards.

The Council continues to face significant financial pressures due to the economic climate. Brexit, Covid-19 and high levels of inflation mean that delivering services is more costly, and demand for essential services such as Housing, Children's and Adults Social Care continues to rise. This means difficult decisions must be made to ensure resources are managed effectively and the impact on residents and business in the borough is limited. During 2022/23 we spent £169 million on delivering services (excluding corporate items, such as taxation, non-specific grants and interest). Families continue to receive support and the additional funding made available to schools enabled us to provide free school meals to children in our primary schools. An [Ofsted report](#) published in July 2022 found teams and schemes at Kensington and Chelsea Council to be "excellent", "innovative" and "effective" at protecting children vulnerable to risk and harm both in and outside the home. The report notes the service's strengths: children are supported with "carefully-crafted" safety plans; "tireless" work with partner organisations and commissioned services; workers who are "passionate" about creating opportunities for children; and "well-considered" support for asylum-seeking children. The Household Support Fund, which is distributed to councils in England from the Government, continues to be used to provide financial support to children and families and those in the borough who need it most, both directly and through our voluntary and community sector partners. Funding of £2.360 million has been made available in 2022/23, and a further £2.360 million is to be distributed in 2023/24.

The Council's financial performance against the 2022/23 budget is set out in this Statement of Accounts and in the management accounts outturn report (available on the Council's website in Committee Meetings). Service budgets have underspent by £3.314 million primarily due to the recovery of income streams within Environment and Communities following Covid-19. The

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balance relates to net under spends on central budgets held to deal with in-year risks and unforeseen pressures. The Council's overall revenue position is an underspend of £0.890 million which has been transferred to the Special Projects Reserve for use in future years.

The end of year position on the Housing Revenue Account (HRA) is an in-year surplus of £7.342 million, which when added to the working balance gives £12.342 million. The Council's policy is to maintain a working balance of £5 million and therefore £7.342 million has been used to fund capital expenditure.

The overall position on the General Fund Capital Programme was an underspend of £20.162 million against a revised budget of £96.332 million, and the HRA Capital Programme underspent by £5.043 million against a revised budget of £64.782 million.

The outturn position is tabled in full in the Financial Performance 2022/23 section of this report.

The future of local government funding remains unknown and continues to generate a great deal of uncertainty and changes that aim to create a more equitable means of funding for all local authorities who are likely to see some of that funding being diverted away from inner London boroughs. This coupled with the 2021 census, which reflected a reduction in our population, is likely to mean an eventual reduction in funding but not necessarily a corresponding and timely reduction in costs.

The identification and delivery of savings beyond 2023/24 remains challenging. The [2023/24 Revenue Budget Report](#) was approved by Full Council in March 2023 and at the time of reporting there was a budget gap of £27 million over the four years from 2023/24 to 2026/27. This is based on the assumption that government funding announced in the 2023/24 settlement does not continue beyond the two years announced. If the funding were to continue at the same rate the budget gap would reduce to £17 million over the same time period. The Council's approach for aligning its limited financial resources to priorities will be set out in further detail in the next Medium Term Financial Strategy that will be published in the summer of 2023.

The Council's reserve balances are prudent and many of these are ringfenced or committed to providing targeted support – such as delivery of the Grenfell Recovery Strategy, invest to save opportunities to deliver savings, and managing fluctuations if government funding is reduced over the next few years as expected. As such we must not and cannot rely on reserves to ensure we have a sustainable financial position and must meet budgetary pressures by ensuring we deliver the right services that are the best value for money. We must continue to meet our financial challenges by ensuring we deliver efficiently and effectively, while also increasing our opportunities for income generation.

The new Council Plan, which is touched on throughout this report, details the Council's commitment to ensuring the borough is fairer, safer, and greener, and the [2023/24 Revenue Budget](#) has been set with this firmly in mind. In 2023/24, the Council will spend £649.100 million on the day to day running of core services for the 143,940 people who live in the borough (as per the mid-year 2021 census estimate), 15,770 businesses and the 25,800 visitors (during 2022) that visit the borough each day in order to realise this ambition. This includes £108.700 million to be spent on Housing Benefit, which the Council administers on behalf of the Government, and £76.500 million Dedicated Schools Grant that is ringfenced for education and passported to schools and early years childcare and education providers.

Between 2022/23 and 2025/26 the Council is investing general fund capital expenditure of £298.400 million in the borough's housing needs, schools and early years provision, highways,

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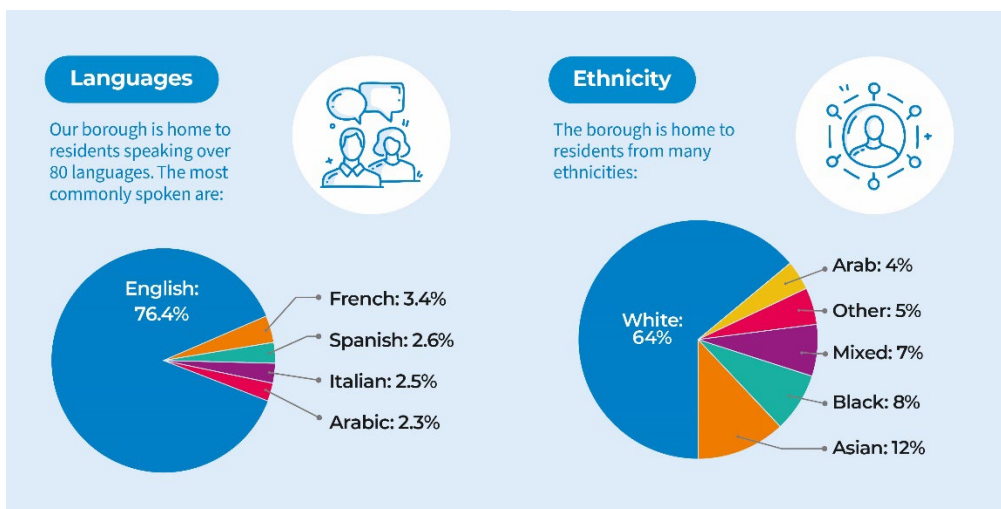
transport, environment and open spaces, council buildings, and digital infrastructure. In addition, £280.100 million will be invested into the Council's housing stock through the Housing Revenue Account.

In 2023/24 an additional £6.700 million will be invested in core services to manage known financial pressures and budget savings of £13.650 million will be implemented - of which £11.900 million is within core services and £1.750 million on corporate budgets.

Basic council tax has been frozen for 2023/24 - with the exception of a 0.18% increase on the headline figure including garden squares and a 2.00% increase for the adult social care precept. This means a total increase in council tax of 2.18% including Garden Squares, or 2% excluding Garden Squares. This increase is below the referendum thresholds outlined by the Government for 2023/24 in the Local Government Finance Settlement.

About the Borough

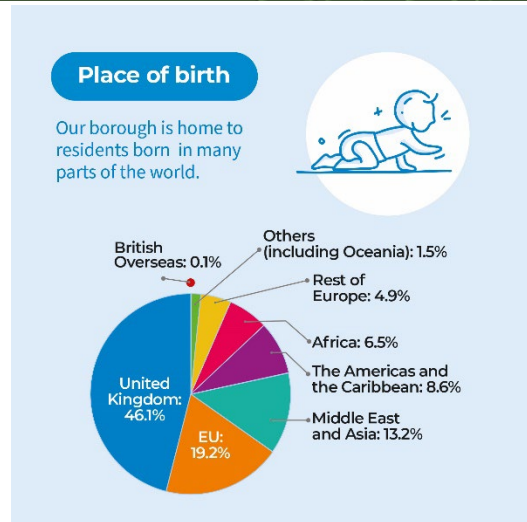
Kensington and Chelsea is the smallest borough in London, covering just five square miles. It's home to many of London's landmarks and boasts a vibrant cultural heritage. Kensington and Chelsea is a unique and diverse central London borough, which is rich in culture and heritage. With a population of almost 144,000 residents, the borough is home to residents of over 50 different nationalities who speak over 80 languages. Residents of Kensington and Chelsea have told us that they love and are proud of the mix of cultures and backgrounds in the area.



As a central London borough, Kensington and Chelsea has a large visitor economy with 136,000 jobs and nearly 16,000 businesses. We want to promote our borough, attracting the right types of jobs, investment and facilities for our communities, while continuing to provide the conditions and support for existing businesses to succeed.

Kensington and Chelsea is an area of huge social and cultural diversity, which includes significant differences in income, employment, and skills levels. Most employed residents are in highly skilled professional jobs, but the borough has areas where people are on low incomes, particularly in north Kensington and parts of the south and west of the borough.

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The cost of housing means that deprivation is often concentrated in areas with a large proportion of social housing. While many residents in these areas face challenges, these are also areas bursting with creativity and community life. We have heard many ideas from residents in these communities about how the Council can work with them to provide support.

Overall our borough continues to have the highest life expectancy in the country, however this varies between the north and the south, between people from different ethnic backgrounds and between homeowners, private renters, and those in social housing. These existing inequalities have been exacerbated by the pandemic and rising cost of living. While there are limits to the extent we can affect overall inequality, by focusing efforts on partnership and providing more joined up support in community settings, we can improve access to opportunities and ensure people have access to the help they need. We continue to make progress. We have more schools graded as outstanding than any other borough and attainment levels in our schools continue to be above national and London averages, with the most disadvantaged pupils outperforming their peers in other areas of the country.

More information on the borough can be found in the new [Council Plan](#).



Mike Curtis
Executive Director of Resources

Political Structure

The Council consists of 50 councillors, who are elected for four-year terms (most recently in May 2022), with most electoral wards represented by three local councillors. The current political make-up is: 35 Conservative councillors making up a majority, 12 Labour councillors making up the principal opposition group, 2 Liberal Democrat councillors and 1 independent councillor.

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

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

The 8 Leadership Team portfolios as at 31 March 2023 are:

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

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

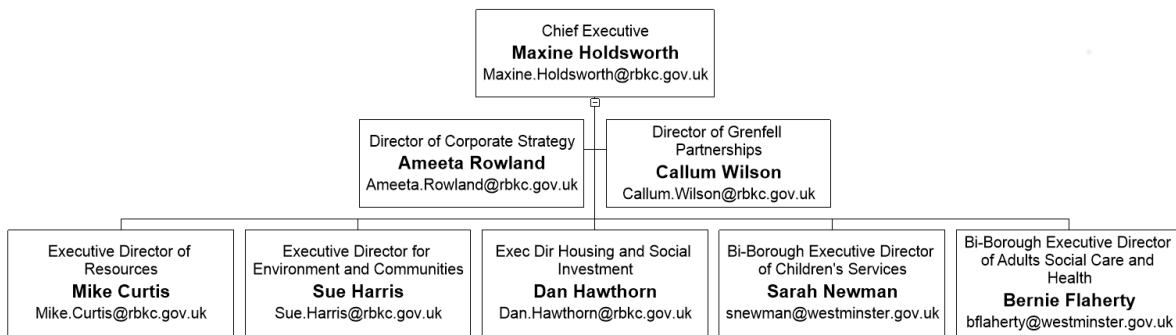
- Setting the strategic direction of the Council, usually linked to a political document such as a manifesto.
- Being a leader within our communities, (promoting the Council's direction of travel as detailed in our Council Plan, developing partnerships, and consulting on policy proposals).
- Being the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

Operational Model

Supporting the work of the elected members is the Council's Executive Management Team (EMT), which is led by Maxine Holdsworth, Chief Executive.

This is the structure that is in effect at the time of writing, which consolidates all services into five operational directorates, as shown overleaf:

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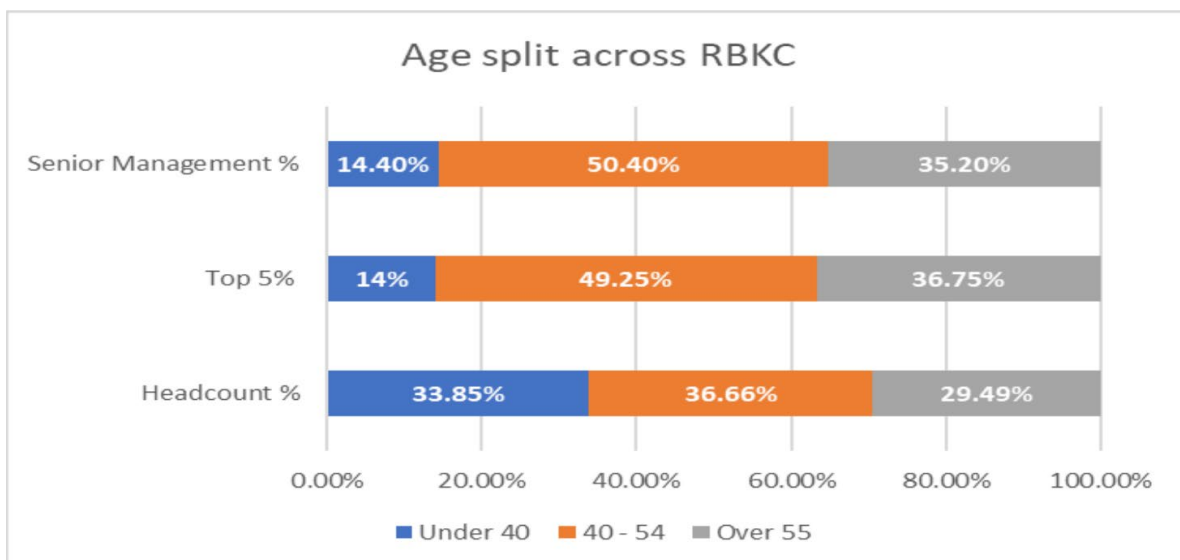
Across these five Directorates, the Council employs 2,570 staff (2,453 FTE), including those working for shared services.

The Council operates several shared services with Westminster City Council in respect of Adult Social Care, Public Health, Children’s Services. Tri-Borough arrangements are still in place for some services; Audit, Risk, Fraud and Insurance, Fostering and Adoption, Pensions and Treasury.

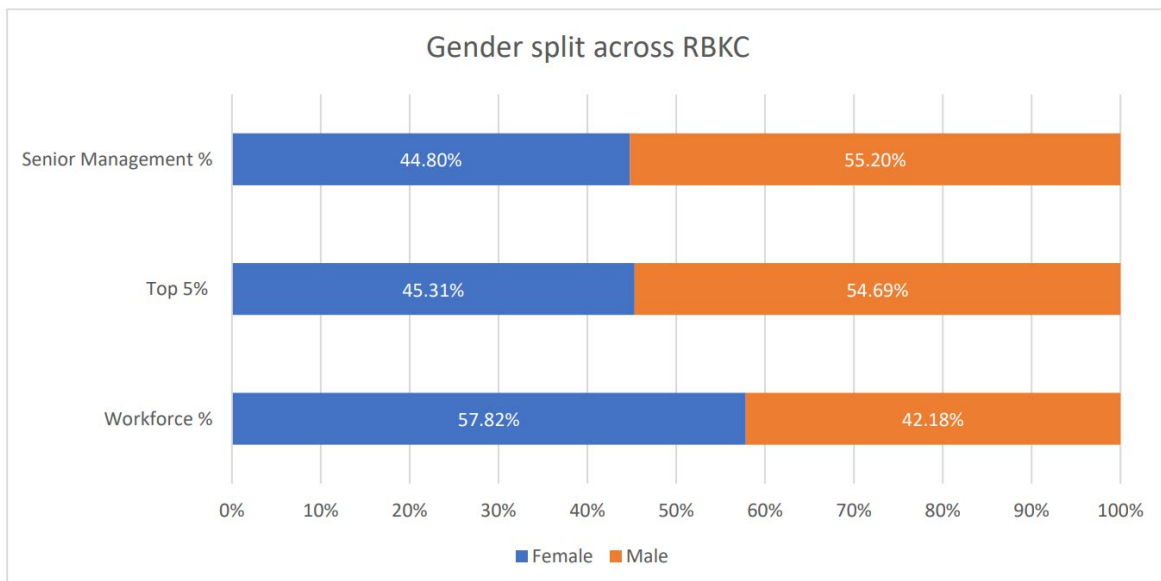
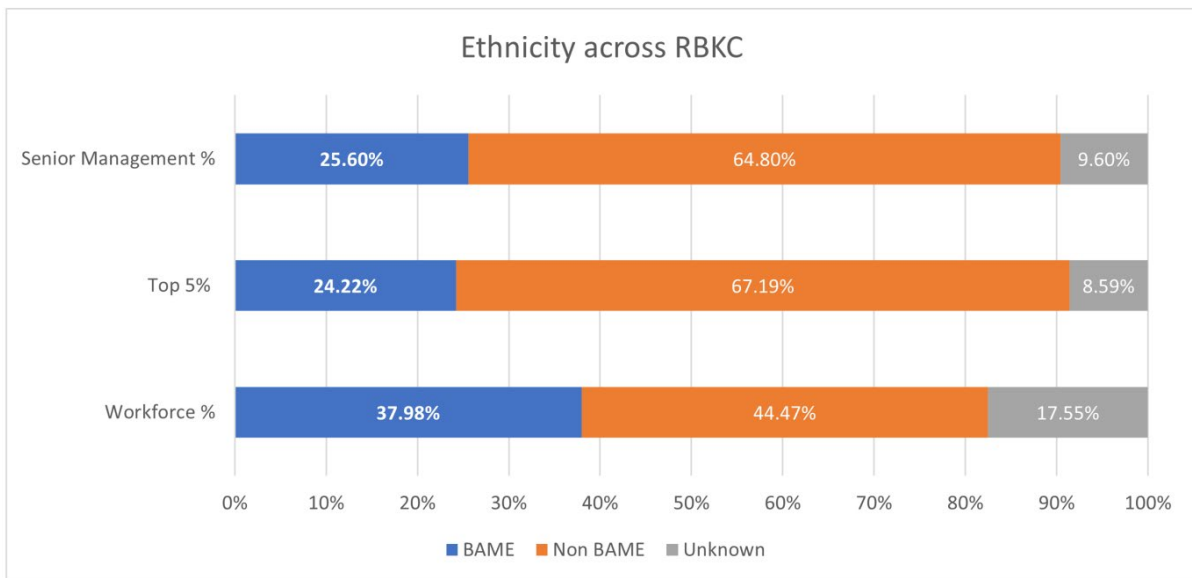
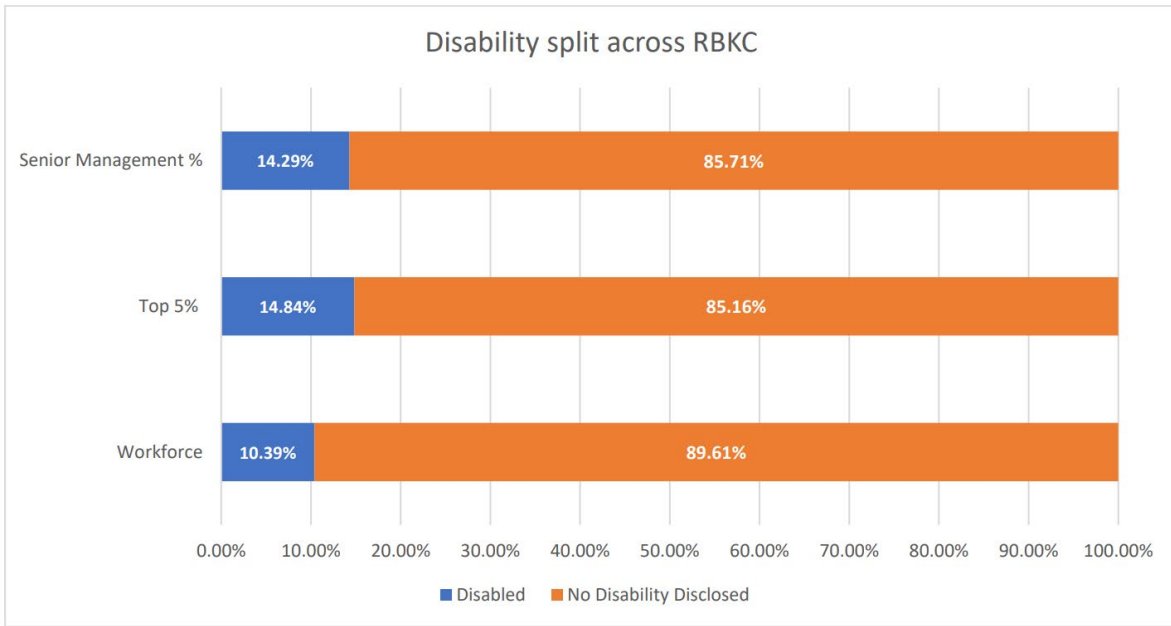
Who works for the Council?

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 charts below show this broken down by age, disability, ethnicity and gender with data captured for Senior Management (all staff working at Head of Service level and above), the top 5% of earners, and the total employee headcount.

Further data (not captured in the charts below) indicates that the mean average gender pay gap is now 4.0%, which is 3.6% lower than the previous year’s figure of 7.6%. The median average gender pay gap is now 5.8%. This is 2.1% lower than the previous year’s figure of 7.9%.



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Council Plan 2023 to 2027

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

The Council plan sets the priorities for the Council and guides what we do and our budget sets out how we will fund delivery of these priorities. The Plan, combined with our [Charter for Public Participation](#), values, People Plan and budget give direction to what every Council team does. Councillors and staff are central to achieving the vision and change and we will support them so they can do the best possible job for our communities.

Becoming the Best Council

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

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

A Greener Kensington and Chelsea

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

Air pollution in Kensington and Chelsea has reduced by half over the last 15 years. Reducing emissions from vehicles and buildings is an important part of achieving better air quality. The Council has supported more electric vehicle chargers than almost anywhere else in the country. Making our own buildings greener and supporting others to do so is at the forefront of our approach. We have invested £8 million into our schools and council homes to make them more energy efficient and greener. Work is underway on the Lancaster West Estate to make it carbon neutral by 2030.

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

A Safer Kensington and Chelsea

For many residents, tackling crime and antisocial behaviour is important for a safer Kensington and Chelsea. While primary responsibility for crime lies with the Police, the Council works with them and partners to address and prevent crime and disorder in the borough. We are also a

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responder alongside other emergency services when there are emergencies in the borough that require support and care for the local and wider community.

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

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

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

A Fairer Kensington and Chelsea

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

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

To become the best council also means creating the conditions for the borough to be a thriving place where all residents can enjoy beautiful and welcoming spaces and live well. People live in and visit the borough because of our heritage, world famous places and shops and restaurants. We want to invest in our borough and its destinations, including through our own capital programme, to ensure visitors keep coming to spend time and money here. This work ranges from promoting and supporting al fresco dining to working with landowners to create

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new and exciting places that add to and capture the essence of Kensington and Chelsea. Investment and visitors create employment and opportunities for our residents. As a critical part of central London, we must do all we can to provide more housing, particularly for the elderly, disadvantaged and those with complex needs alongside creating more and better jobs across sectors and skills levels.

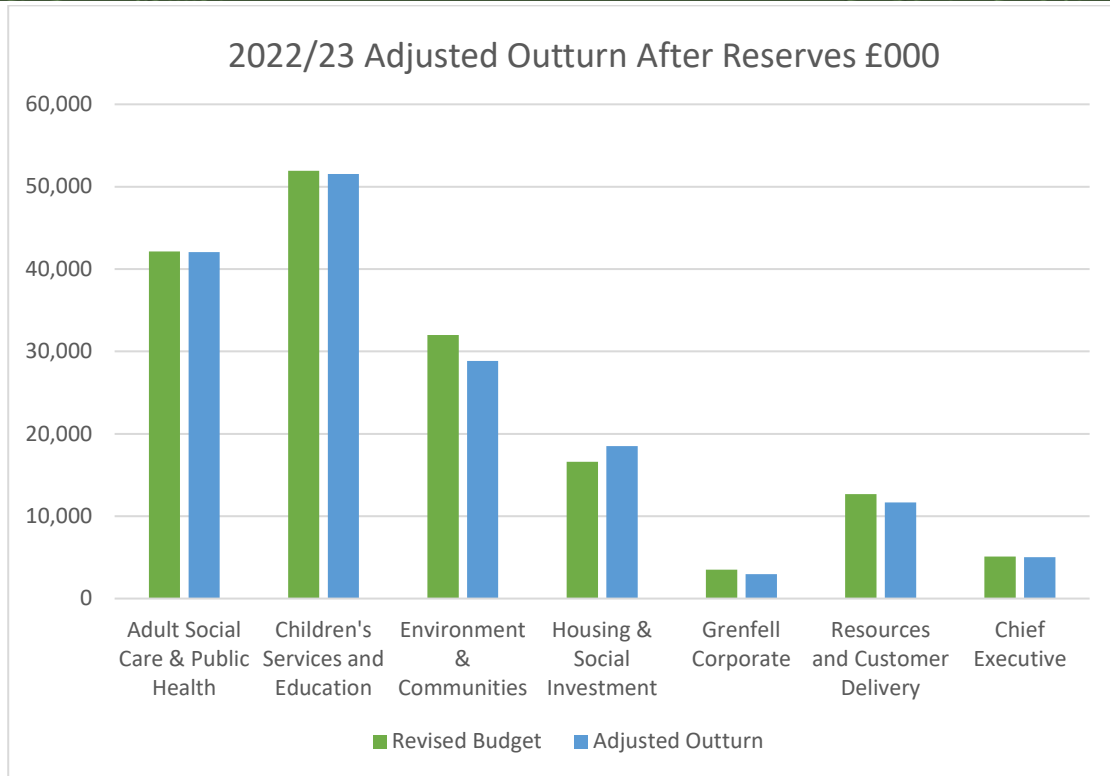
Financial Performance 2022/23: Revenue

The Council's day-to-day spending on services is known as revenue expenditure. The Council's overall revenue position is an underspend of £10.236 million and this has been transferred to reserves as shown in the table below. In 2022/23, budgets for the delivery of services underspent by £3.314 million primarily due to the recovery of income streams within Environment and Communities following Covid-19. The balance relates to net underspends on central budgets held to deal with in-year risks and unforeseen pressures.

Service area	Revised Budget 2022/23	Outturn 2022/23	Net Cont To/(From) Reserves / Corporate Funds	Adjusted Outturn after Reserves 2022/23	Over / (Under) Spend
	£'000	£'000	£'000	£'000	£'000
Adult Social Care & Public Health	42,158	39,827	2,225	42,052	(106)
Children's Services and Education	51,938	50,697	858	51,555	(383)
Environment & Communities	31,994	30,773	(1,918)	28,855	(3,139)
Housing & Social Investment	16,590	20,153	(1,629)	18,524	1,934
Grenfell Corporate	3,522	6,010	(3,033)	2,977	(545)
Resources and Customer Delivery	12,680	16,606	(4,933)	11,673	(1,007)
Chief Executive	5,087	5,169	(150)	5,019	(68)
Services Budgets Total	163,969	169,235	(8,580)	160,655	(3,314)
Centrally Held Budget	614	0	0	0	(614)
Net Cost of Services	164,583	169,235	(8,580)	160,655	(3,928)
Grenfell Recovery	9,502	7,784	1,759	9,543	41
Interest	2,928	1,217	0	1,217	(1,711)
Contingency	5,359	0	0	0	(5,359)
Net Operating Expenditure	182,372	178,236	(6,821)	171,415	(10,957)
Levies	9,245	9,109	0	9,109	(136)
Other Corporate Budgets	(9,258)	(8,872)	0	(8,872)	386
Use of Reserves - Other	(8,231)	(14,433)	6,204	(8,229)	2
Use of Reserves - Collection Fund	(3,060)	(41,748)	38,688	(3,060)	0
Resourcing	(171,068)	(132,528)	(38,071)	(170,599)	469
Total Underspend	0	(10,236)	0	(10,236)	(10,236)
Transfer to Reserves					
Parking Surplus transferred to Reserve	0	0	3,987	3,987	3,987
Creation of Contingency Reserve	0	0	5,359	5,359	5,359
Transfer to Special Projects Reserve	0	0	890	890	890
General Fund Deficit/(Surplus)	0	(10,236)	10,236	0	0

The chart overleaf illustrates the position against service budgets. Further details are also available in the 2022/23 Financial Outturn Report which is available on the Council's website.

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The end of year position on the Housing Revenue Account (HRA) is an in-year surplus of £7.342 million, which when added to the working balance gives £12.342 million. The Council's policy is to maintain a working balance of £5 million and therefore £7.342 million has been used to fund capital expenditure.

Financial Performance 2022/23: Capital (including HRA)

The Capital Programme was presented to Full Council for approval in March 2023 as part of the [2023/24 Revenue Budget Report](#). The Capital Strategy is being revised and it will be presented to Full Council in the summer along with the Medium Term Financial Strategy, providing a framework for the allocation of resources to fund capital projects.

Total General Fund capital expenditure in 2022/23 was £76.170 million against a revised budget of £96.332 million. The underspend relates largely to schemes that have been delayed and project budgets will be rephased in most cases. Any remaining balances are held in capital contingency to mitigate against future risks to the Capital Programme.

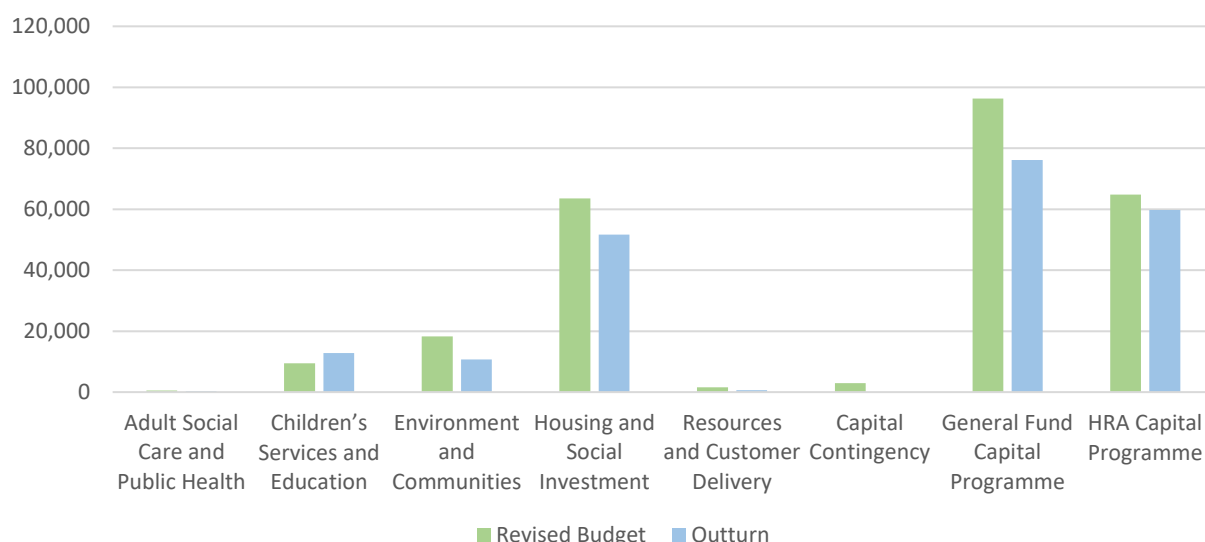
General Fund capital expenditure includes £1.100 million on enhancing housing options and support for Care Leavers and £2 million on the development of early years provision at Grenfell Nursery, both delivered by Children and Family Services. £1.700 million has been spent on Street Scene improvements and the Parks Strategy in Environment & Communities, and £24.200 million was spent on the New Homes Delivery Programme in Housing and Social Investment.

Total HRA capital expenditure was £59.739 million against a revised budget of £64.782 million. £44 million of this was spent on the main capital programme as set out in the business plan and £15 million was spent on the Lancaster West refurbishment. The £5 million underspend relates to slippage on the Lancaster West refurbishment, which is a continuing scheme.

The following graph illustrates the capital expenditure against budget, split by directorate. The tables show the over / under spend against capital budgets and how the spend was financed.

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2022/23 Capital Programme Outturn '£000



CAPITAL SPEND

Directorate	Revised Budget 2022/23	Outturn 2022/23	Over/ (Under) Spend
	£'000	£'000	£'000
Adult Social Care and Public Health	577	334	(243)
Children's Services and Education	9,491	12,769	3,278
Environment and Communities	18,235	10,762	(7,473)
Housing and Social Investment	63,527	51,665	(11,862)
Resources and Customer Delivery	1,567	640	(927)
Capital Contingency	2,935	0	(2,935)
General Fund Capital Programme	96,332	76,170	(20,162)
HRA Capital Programme	64,782	59,739	(5,043)
Total Capital Programme	161,114	135,909	(25,205)

CAPITAL FINANCING

Directorate	Outturn 2022/23	Capital Grants Reserve	Capital Grants & Conds	S106 / CIL	Reserves	RCCO	Borrowing	Total Funding
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care and Public Health	334	(300)	0	0	(0)	0	(34)	(334)
Children's Services and Education	12,769	(1,201)	(2,675)	(1,962)	(115)	0	(6,816)	(12,769)
Environment and Communities	10,762	(302)	(458)	(1,245)	(2,083)	0	(6,674)	(10,762)
Housing and Social Investment	51,664	(985)	(10,046)	(5,122)	0	0	(35,511)	(51,664)
Resources and Customer Delivery	640	(640)	0	0	0	0	0	(640)
Capital Contingency	0	0	0	0	0	0	0	0
General Fund Capital Programme	76,170	(3,428)	(13,179)	(8,329)	(2,199)	0	(49,035)	(76,170)
HRA Capital Programme	59,739	(953)	(118)	(7)	(58,452)	(210)	0	(59,739)
Total Capital Programme	135,909	(4,381)	(13,297)	(8,336)	(60,650)	(210)	(49,035)	(135,909)

The Council's funding assumptions are based on borrowing in the long-term to finance capital expenditure. The principal source of long-term borrowing is the Public Works Loans Board (PWLB). A total of £5 million of PWLB debt was repaid in 2022/23, which reduced the

Narrative Report

Council's borrowing from £234.237 million to £229.228 million and the average total interest rate on remaining loans to 3.32% from 3.42%. £49.035 million of existing borrowing was used to fund delivery of the General Fund capital programme in 2022/23. No additional external borrowing was undertaken due to the high levels of cash balances held by the Council.

The Council's capital receipts in year totalled £8.883 million primarily arising from the renewal of leaseholder agreements and Right To Buy sales. There were no significant sales of Council assets during the year.

Risk Management

Although a balanced budget is reported for 2023/24, a number of inherent risks remain across the coming years:

- Economic factors including recovery from COVID-19
- Local authority funding for future years
- Grenfell recovery and future costs
- Demographic and demand pressures
- Delivery of savings

The very nature of uncertainties means it is important that the Council takes a prudent approach to assumptions made when setting the budget and planning for the future. Building a sufficient level of contingency funding into the budget and maintaining a prudent level of reserves provides a safety net in the event of unforeseen circumstances that risk adversely impacting the Council's financial position.

The Council's financial risks are published in full as part of the [2023/24 Revenue Budget Report](#). Strategic risks and the overall approach to risk and governance are set out in full in the Annual Governance Statement (AGS).

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 2023. 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 2022/23, 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.

Narrative Report

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 2023 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

Narrative Report

from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

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

The **Supplementary Financial Statements** on pages 109 to 115 provide details of the HRA and Collection Fund. These are provided to aid interpretation and understanding of the key financial statements and notes, to provide additional statutory information and to disclose information of use to other parties.

The Supplementary Financial Statements are:

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

The **Pension Fund Account** on pages 120 to 143 reports the contributions received, payments to pensioners and the value of net assets invested in the Local Government Pension Scheme on behalf of Council employees.

The **Annual Governance Statement** on pages 144 to 155 sets out the governance structures of the Council and its key internal controls. This statement is not formally part of the accounts but published alongside to provide details of the risk and control framework within which the Council operates.

Feedback

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

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

Copies of these financial statements can be obtained by contacting:

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

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

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

The Chief Financial Officer's Responsibilities

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

In preparing this Statement of Accounts, the CFO has:

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

I certify that the Statement of Accounts for 2022/23 (set out on pages 27 to 115 and 121 to 144) gives a true and fair view of the financial position of the Council as at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.



Mike Curtis
Executive Director of Resources (CFO)

18 March 2024



Cllr Gerard Hargreaves
Chair of Audit and Transparency Committee

18 March 2024

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Royal Borough of Kensington and Chelsea (the 'Authority') for the year ended 31 March 2023, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the HRA Income and Expenditure Statement, the Movement on the HRA Statement, the Collection Fund Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 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 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

In our evaluation of the Executive Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the 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 of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Independent Auditor's Report to Members

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

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

Other information

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

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, 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

Independent Auditor's Report to Members

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority and the Executive Director of Resources

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Resources. The Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, 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

Independent Auditor's Report to Members

financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to:

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

Our audit procedures involved:

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

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

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

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

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

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

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

Independent Auditor's Report to Members

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 2023.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

Responsibilities of the Authority

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

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

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

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

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

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

Independent Auditor's Report to Members

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 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

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

John Paul Cuttle

John Paul Cuttle, Key Audit Partner

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

London

20 March 2024



Primary Financial Statements

Movement in Reserves Statement

Movement in Reserves Statement	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2022	(155,275)	(5,987)	(49,616)	0	(38,978)	(249,856)	(1,339,991)	(1,589,847)
<u>Movement in reserves during 2022/23</u>								
Total Comprehensive Income and Expenditure	70,663	52,192	0	0	0	122,855	(414,926)	(292,071)
Adjustments between accounting basis and funding basis under regulations (Note 6)	(47,774)	(52,192)	38,317	(61)	1,488	(60,222)	60,222	0
Net (increase) / decrease in 2022/23	22,889	0	38,317	(61)	1,488	62,633	(354,704)	(292,071)
Balance at 31 March 2023	(132,386)	(5,987)	(11,299)	(61)	(37,490)	(187,223)	(1,694,695)	(1,881,918)
Balance at 31 March 2021	(228,530)	(9,424)	(61,691)	0	(32,226)	(331,871)	(1,093,972)	(1,425,843)
<u>Movement in reserves during 2021/22</u>								
Total Comprehensive Income and Expenditure	87,487	36,401	0	0	0	123,888	(287,892)	(164,004)
Adjustments between accounting basis and funding basis under regulations (Note 6)	(14,232)	(32,964)	12,075	0	(6,752)	(41,873)	41,873	0
Net (increase) / decrease in 2021/22	73,255	3,437	12,075	0	(6,752)	82,015	(246,019)	(164,004)
Balance at 31 March 2022	(155,275)	(5,987)	(49,616)	0	(38,978)	(249,856)	(1,339,991)	(1,589,847)

Comprehensive Income and Expenditure Statement

Comprehensive Income and Expenditure Statement	2022/23			2021/22		
	Gross	Gross	Net	Gross	Gross	Net
	Expenditure	Income	Expenditure	Expenditure	Income	Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care and Public Health	79,772	(56,087)	23,685	88,518	(56,555)	31,963
Children's Services and Education	215,183	(121,246)	93,937	166,125	(111,838)	54,287
Environment and Communities	94,150	(77,904)	16,246	90,498	(73,720)	16,778
Housing and Social Investment	77,590	(42,105)	35,485	62,361	(42,932)	19,429
Resources and Customer Delivery	213,223	(136,443)	76,780	239,635	(147,827)	91,808
Chief Executive*	5,107	(1,363)	3,744	0	0	0
Grenfell - Recovery	10,580	(1,634)	8,946	16,089	(1,623)	14,466
Grenfell - Corporate	13,486	(6,316)	7,170	7,955	(6,224)	1,731
Housing Revenue Account	117,701	(57,845)	59,856	88,430	(54,868)	33,562
Grenfell Settlement	0	0	0	72,706	(31,478)	41,228
Cost of Services	826,792	(500,943)	325,849	832,317	(527,065)	305,252
Other operating income and expenditure (Note 12)			(3,603)			2,134
Financing and investment income and expenditure (Note 13)			(1,782)			15,447
Taxation and non-specific grant income and expenditure (Note 14)			(197,608)			(198,945)
(Surplus) or Deficit on Provision of Services			122,856			123,888
(Surplus) / deficit on revaluation of non current assets (Note 8)			(13,099)			(55,154)
Remeasurement of net defined benefit liability (Note 36)			(401,827)			(232,738)
Other Comprehensive Income and Expenditure			(414,926)			(287,892)
Total Comprehensive Income and Expenditure			(292,070)			(164,004)

*The Council separated the Chief Executive service from the Resources and Customer Delivery service during 2022/23. The 2021/22 comparators for the Chief Executive service are Gross Expenditure of £5.715 million and Gross Income of £1.905 million.

Balance Sheet

Balance Sheet	Note	31 March 2023	31 March 2022
		£'000	£'000
Property, Plant and Equipment	24	1,543,512	1,524,827
Intangible Assets	26	6,827	7,650
Heritage Assets	27	46,063	46,360
Investment Property	25	230,677	234,970
Long Term Investments	33	22,540	24,086
Long Term Debtors	29	623	36,579
Other Long Term Assets	36	446,888	79,887
Long Term Assets		2,297,130	1,954,359
Short Term Investments	33	10,134	45,020
Inventories		22	22
Debtors	29	146,023	151,726
Cash and Cash Equivalents	41	25,208	66,718
Current Assets		181,387	263,486
Short Term Borrowing	33	(2,368)	(7,520)
Creditors	30	(173,405)	(217,465)
Capital Grants Receipts in Advance	15	(16,903)	(29,899)
Revenue Grants Receipts in Advance	15	(11,095)	(7,854)
Provisions	31	(51,466)	(18,419)
Current Liabilities		(255,237)	(281,157)
Provisions	31	(45,473)	(75,771)
Long Term Borrowing	33	(229,219)	(229,228)
Long Term Creditors	30	(914)	(1,711)
Revenue Grants Receipts in Advance	15	(10,094)	(11,577)
Capital Grants Receipts in Advance	15	(55,663)	(28,554)
Long Term Liabilities		(341,363)	(346,841)
Net Assets		1,881,917	1,589,847
Usable Reserves	7	(187,223)	(249,856)
Unusable Reserves	8	(1,694,694)	(1,339,991)
Total Reserves		(1,881,917)	(1,589,847)

Cash Flow Statement

Cash Flow Statement	Note	2022/23	2021/22
		£'000	£'000
Net Surplus or (Deficit) on Provision of Services		(122,856)	(123,888)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	38	61,255	92,766
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	38	(18,254)	(21,764)
Net cash flows from Operating Activities		(79,855)	(52,886)
Investing Activities	39	(28,405)	(34,875)
Financing Activities	40	66,750	74,720
Net increase or (decrease) in cash and cash equivalents		(41,510)	(13,041)
Cash and cash equivalents at the beginning of the reporting period		66,718	79,759
Cash and cash equivalents at the end of the reporting period	41	25,208	66,718

A group of performers in red and orange flame-like costumes are marching in a parade, carrying large rainbow flags. The scene is set outdoors on a paved street with trees in the background. The performers are wearing red long-sleeved shirts and pants, with orange and yellow flame-like accents. They are holding long wooden poles that support large, flowing rainbow flags. The flags are vibrant with stripes of red, orange, yellow, and green. The performers are walking in a line, and the flags are waving in the air. In the background, there are green trees and a crowd of spectators watching the parade. The overall atmosphere is festive and celebratory.

Notes to the Accounts

1. Critical judgements in applying accounting policies

The Council made one critical judgement that may have a significant effect on the amounts recognised in the accounts, (apart from those involving estimations which are shown in note 2), in applying its accounting policies.

Valuation of pension asset/liability

The defined benefit liability as at 31 March 2023 is negative i.e. an asset. The Council has reviewed IAS 19 paragraph 64 and IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction to determine if any restrictions apply to the amount disclosed in the Balance Sheet.

The actuary's calculation is based upon estimates and has found that the asset ceiling for LGPS is higher than the defined net asset as at 31 March 2023 and therefore a net asset restriction does not apply. The net defined benefit asset for LPFA has been reduced to the value of the asset ceiling.

Further information on the valuation basis, risks and assumptions made is shown in the Employee Benefits accounting policy and note 36.

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

The accounts contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results in 2022/23 could be materially different from these estimates.

Pensions 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 and 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.

The liability is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds using the iBoxx AA corporate bond. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The assumptions selected and associated sensitivity analysis are disclosed in note 36.

To assess the value of the Council's liabilities at 31 March 2023, we have rolled forward the value calculated for the funding valuation as at 31 March 2022, using financial assumptions that comply with IAS 19. The full actuarial valuation involved projecting future cashflows to be paid from the Pensions Fund (the 'Fund') and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

Property Plant and Equipment

The value of the Council's Property Plant and Equipment is determined by professional valuers who apply the appropriate valuation methodology, according to RICS regulations, to each asset on an individual basis. This involves a number of assumptions and estimates which can be affected by external factors such as economic and political changes. The value of the individual assets is used to depreciate them over their remaining useful lives.

Investment Property

The value of the Council's Property Plant and Equipment is determined by professional valuers who apply the appropriate valuation methodology, according to RICS regulations, to each asset on an individual basis. This involves a number of assumptions and estimates which can be affected by external factors such as economic and political changes. The value of the individual assets is used to depreciate them over their remaining useful lives.

3. Material items of income and expenditure

The Council received the Social Housing Decarbonisation Fund grant in 2020/21 from the Department for Energy Security and Net Zero (DESNZ). The Council did not use £19.703 million of the grant and has reflected this as a creditor in the balance sheet as at 31 March 2023. The Council is expecting to be re-awarded £15.800 million of this grant in 2023/24.

In 2022/23, the Council deposited £22.850 million into a legal escrow account. This will be used to pay compensation for the civil claim relating to the Grenfell tragedy. As at 31 March 2023, no payments had been made out of the escrow account.

4. Events after the reporting period

Between 1 April 2022 and 18 March 2024, when these financial statements were approved by the CFO / Audit and Transparency Committee, the Council is expecting approval for the capitalisation direction of £51.772m towards expenditure incurred in settling the Grenfell compensation claims in 2023/24 and 2024/25.

This will allow the Council to fully repay the earmarked reserves which were temporarily used in 2021/22 until the directions could be applied. Since the reserves will be replaced with borrowing, the general fund will begin to incur a minimum revenue provision from 2023/24 - an amount set aside each year to repay the debt.

5. Accounting standards issued but not yet adopted

As at the Balance Sheet date, there are no new changes in accounting standards and amendments that are expected to have any significant impact for the Council.

A photograph of a red brick building with a prominent dome and arched windows, serving as a background for the text. The building features a large, tiled dome with a small finial on top. Below the dome, there are several arched windows with decorative brickwork. The main body of the building is constructed of red bricks with decorative horizontal bands. A large window with a decorative glass pattern is visible on the right side. The building is surrounded by green foliage and trees, suggesting a campus or institutional setting.

Notes to the Movement in Reserves Statement

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

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

General Fund Balance

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

HRA Balance

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

Capital Receipts Reserve (CRR)

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

Major Repairs Reserve (MRR)

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

Capital Grants Unapplied Reserve (CGUR)

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

Notes to the Movement in Reserves Statement

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

Notes to the Movement in Reserves Statement

Movement on Usable Reserves (with contra to Unusable Reserves) during 2021/22	GF	HRA	CRR	MRR	CGUR	Unusable
	£'000	£'000	£'000	£'000	£'000	
Adjustments to Revenue Resources						
<u>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements</u>						
- Pensions costs (transferred to / from the Pensions Reserve)	(37,181)	(5,548)	0	0	0	42,729
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	119	0	0	0	0	(119)
- Gain/losses on pooled investments (transferred to Pooled Investment Fund Adjustment Account)	(914)	0	0	0	0	914
- Council Tax and NDR (transfers to or from the Collection Fund)	37,169	0	0	0	0	(37,169)
- Holiday pay (transferred to the Accumulated Absence Reserve)	1,933	266	0	0	0	(2,199)
- Transfer in-year Dedicated Schools Grant deficit (to DSG Deficit Reserve)	(2,215)	0	0	0	0	2,215
- Reversal of entries included in the (Surplus) or Deficit on Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account)	(15,823)	(42,994)	0	0	(23,728)	82,545
Total Adjustments to Revenue Resources	(16,912)	(48,276)	0	0	(23,728)	88,916
Adjustments between Revenue and Capital Resources						
- Transfer of non-current asset sale proceeds from revenue to the CRR	130	3,901	(4,032)	0	0	1
- Payments to the government housing receipts pool (funded by a transfer from the CRR)	(1,161)	0	1,161	0	0	0
- Posting of HRA resources from revenue to the MRR	0	11,410	0	(11,410)	0	0
- Statutory provision for the repayment of debt (transfer from the CAA)	1,857	0	0	0	0	(1,857)
- Capital expenditure financed from revenue balances (transfer to the CAA)	1,855	0	0	0	0	(1,855)
Total Adjustments between Revenue and Capital Resources	2,681	15,311	(2,871)	(11,410)	0	(3,711)
Adjustments to Capital Resources						
- Use of the CRR to finance capital expenditure	0	0	14,947	0	0	(14,947)
- Use of the MRR to finance capital expenditure	0	0	0	11,410	0	(11,410)
- Application of capital grants to finance capital expenditure	0	0	0	0	16,976	(16,976)
- Cash payments in relation to deferred capital receipts	0	0	(1)	0	0	1
Total Adjustments between Revenue and Capital Resources	0	0	14,946	11,410	16,976	(43,332)
Total Adjustments during 2021/22	(14,231)	(32,965)	12,075	0	(6,752)	41,873

Notes to the Movement in Reserves Statement

7. Movements in earmarked reserves

A usable reserve represents resources that the Council might use to support service delivery. This note shows the amounts set aside from the GF and HRA usable reserve balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet GF and HRA expenditure so that there is no net charge against council tax for the expenditure.

	Note	Balance at 31 March 2021	Transfer Out 2021/22	Transfer In 2021/22	Balance at 31 March 2022	Transfer Out 2022/23	Transfer In 2022/23	Balance at 31 March 2023
General Fund:								
Grenfell	i	(23,145)	8,536	(4,230)	(18,839)	7,177	(1,845)	(13,507)
Special Projects	ii	(17,637)	11,677	(84)	(6,044)	6,062	(10,054)	(10,036)
Car Parking	iii	(19,412)	2,147	(2,628)	(19,893)	1,504	(3,985)	(22,374)
Budget Carry Forward	iv	(4,082)	3,454	(14,237)	(14,865)	2,088	(2,025)	(14,802)
Budget Stabilisation	v	(39,283)	45,559	(6,276)	0	4,512	(14,613)	(10,101)
Reorganisation	vi	(7,526)	3,026	0	(4,500)	4,368	0	(132)
Schools Balances	vii	(5,755)	916	(2,005)	(6,844)	1,197	(2,216)	(7,863)
Insurance	viii	(3,167)	1,087	0	(2,080)	3,033	(976)	(23)
Public Health	ix	(4,332)	0	(1,913)	(6,245)	50	(465)	(6,660)
Public Health - Cost of Living	x	0	0	0	0	0	(2,000)	(2,000)
Notting Hill Carnival	xi	(375)	0	0	(375)	0	0	(375)
Street Trading	xii	(242)	161	(11)	(92)	11	(102)	(183)
Affordable Housing	xiii	(9,900)	0	0	(9,900)	0	0	(9,900)
Local Projects	xiv	(346)	0	(189)	(535)	0	(175)	(710)
Troubled Families	xv	(653)	240	0	(413)	0	(616)	(1,029)
Proceeds of Crime Act	xvi	(110)	0	0	(110)	0	(32)	(142)
Dedicated Schools Grant Surplus	xvii	0	0	0	0	0	(1,336)	(1,336)
Contingency	xviii	0	0	0	0	0	(5,359)	(5,359)
Collection Fund (timing difference)	xix	(82,565)	68,244	(40,219)	(54,540)	49,210	(10,522)	(15,852)
Sub-total of usable earmarked reserves		(218,530)	145,047	(71,792)	(145,275)	79,212	(56,321)	(122,384)
General Fund Working Balance		(10,000)			(10,000)			(10,000)
Total General Fund reserves per MIRS		(228,530)			(155,275)			(132,384)

Notes to the Movement in Reserves Statement

Note	Balance at 31 March 2021	Transfer Out 2021/22	Transfer In 2021/22	Balance at 31 March 2022	Transfer Out 2022/23	Transfer In 2022/23	Balance at 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
HRA:							
HRA Controlled Repairs	(988)	0	0	(988)	0	0	(988)
HRA Working Balance	(8,436)	3,436	0	(5,000)	0	0	(5,000)
Total HRA Reserves per MIRS	(9,424)	3,436	0	(5,988)	0	0	(5,988)

- i. This reserve is held to support the Grenfell Recovery Strategy.
- ii. The funds are primarily available for one-off costs associated with service re-design and transformation, supporting the delivery of long-term savings or unexpected spending needs. As a result of applying the capitalisation direction, £8.717m was transferred into the reserve in 2022/23. This replaces the amount taken from the reserve in 2021/22 for the Grenfell settlement costs.
- iii. 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.
- iv. This reserve contains earmarked funds for budgets carried forward from prior years to meet planned spend in future years and for specific named projects. 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. Most balances are carried forward for a maximum of two years.
- v. The Budget Stabilisation Reserve was established manage the impact of uncertainty in government funding. In 2021/22 £32.511m was temporarily used towards Grenfell settlement costs. As a result of applying the capitalisation direction, £14.511m was transferred back to this reserve in 2022/23.
- vi. This reserve has been established to support one-off costs associated with workforce planning.
- vii. Schools' balances are held on behalf of maintained schools across the Borough.
- viii. The Insurance Fund is held to cover future insurance liabilities.
- ix. This reserve holds unspent Public Health grant income and is earmarked for use in future years.
- x. This reserve contains £2m of the Public Health Grant income which has been earmarked for strategic investment across the Council which meet public health outcomes such as supporting those affected by the cost of living crisis.
- xi. This reserve holds funding that will be used to support the annual Notting Hill Carnival.
- xii. Street Trading operates as a ring-fenced account and this reserve is maintained to offset any losses on that account.
- xiii. This reserve contains funding ring-fenced for investment into affordable housing in the borough.

Notes to the Movement in Reserves Statement

- xiv. An annual sum equivalent to council tax receivable from the bereaved and survivors of the Grenfell Tower fire will be ringfenced to support opportunities for disadvantaged young people or those who need help with employment and skills.
- xv. This reserve has been created to carry forward unspent Troubled Families grant balances to allow the initiatives to continue into future years.
- xvi. This reserve has been created for fraud recoveries arising from the Proceeds of Crime Act. The money will be ringfenced to fund asset recovery work and local fraud-fighting initiatives.
- xvii. This is the 2022/23 in-year DSG surplus which is ringfenced under statute to be spent only on the Schools' Budget. In 2021/22, the net position was a deficit and was therefore transferred to the DSG Deficit unusable reserve (see note 8) to be funded from future DSG income.
- xviii. The Council intends to use this reserve to mitigate any unexpected one-off budget pressures in future years.
- xix. The government granted business rates relief to retail, hospitality, and leisure services during 2020/21 and 2021/22, and compensated Councils for these reliefs with a Section 31 grant. These reliefs must be shown as a deficit on the Council's share of income within the Collection Fund Adjustment Account reserve (see note 8), while the grant income must be shown within the Council's General Fund. The drawdown in 2022/23 covers the repayment of such reliefs to the Collection Fund and the second instalment of the 2020/21 deficits. The balance at 31 March 2023 includes the remaining one third of the 2020/21 Collection Fund deficits to be repaid in 2023/24 and residual deficits at end of 2022/23 to be repaid in 2024/25.
- xx. This reserve is used to fund housing repair projects in the HRA.

Notes to the Movement in Reserves Statement

8. Movements in unusable reserves

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

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

	31 March 2023	31 March 2022
	£'000	£'000
Revaluation Reserve	(735,273)	(726,737)
Capital Adjustment Account	(535,343)	(597,930)
Collection Fund Adjustment Account	11,735	52,922
Pensions Reserve	(446,888)	(79,887)
Dedicated Schools Grant Adjustment Account	7,606	7,606
Deferred Capital Receipts	(1)	(3)
Financial Instruments Adjustment Account	296	362
Pooled Investment Fund Adjustment Account	2,460	914
Accumulated Absences Adjustment Account	714	2,763
Total unusable reserves	(1,694,694)	(1,339,990)

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.

	2022/23		2021/22	
	£'000	£'000	£'000	£'000
Balance at 1 April		(726,737)		(677,918)
Upward revaluation of assets	(146,788)		(68,501)	
Downward revaluation of assets	133,689		13,347	
Revaluation not posted to the (Surplus) or Deficit on Provision of Services		(13,099)		(55,154)
Difference between current and historic cost depreciation		4,317		6,181
Accumulated depreciation on assets sold or scrapped		246		154
Balance at 31 March		(735,273)		(726,737)

Notes to the Movement in Reserves Statement

Capital Adjustment Account (CAA)

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

	2022/23	2021/22
	£'000	£'000
Balance at 1 April	(597,930)	(627,096)
<i>Reversal of items debited or credited to the CIES:</i>		
Impairment / Revaluation charged to the CIES	109,376	48,307
Charges for depreciation	11,163	10,436
Reversal of depreciation charged in respect of dwellings	3,914	3,565
Amortisation of intangible assets	2,295	1,837
Revenue expenditure funded from capital under statute	27,404	6,194
Amounts written off on disposal or sale as part of the gain / loss on disposal to the CIES	515	332
<i>Adjusting amounts written out of the Revaluation Reserve:</i>		
Accumulated revaluation gains on assets sold or scrapped	(246)	(154)
Difference between fair value depreciation and historic cost depreciation	(4,317)	(6,181)
<i>Capital financing applied in the year:</i>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(47,202)	(14,947)
Use of the MRR to finance new capital expenditure	(11,250)	(11,410)
Capital grants and contributions credited to the CIES that have been applied to capital financing	(21,209)	(10,991)
Application of grants to capital financing from the Capital Grants Unapplied Account	(5,899)	(5,092)
Statutory provision for the repayment of debt - MRP	(4,473)	(1,856)
Capital expenditure charged against the General Fund and HRA balances	(1,188)	(1,856)
<i>Other Movements:</i>		
Movements in the market value of investment properties	3,704	10,982
Movement in year	62,587	29,166
Closing balance at 31 March	(535,343)	(597,930)

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.

Notes to the Movement in Reserves Statement

	2022/23	2021/22
	£'000	£'000
Balance at 1 April	52,922	90,091
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	(41,187)	(37,169)
Balance at 31 March	11,735	52,922

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.

	2022/23	2021/22
	£'000	£'000
Balance at 1 April	(79,887)	110,122
Remeasurements recognised in Other Comprehensive Income and Expenditure	(401,827)	(232,738)
Reversal of items relating to retirement benefits debited or credited to (Surplus) or Deficit on the Provision of Services	54,820	60,948
Employers contributions payable to scheme	(19,994)	(18,219)
Balance at 31 March	(446,888)	(79,887)

Dedicated Schools Grant (DSG)

In line with the School and Early Years Finance (England) Regulations 2020, so that for the financial years beginning on 1 April 2020, 2021 and 2022, the Council must carry forward its overall DSG deficit in an account established, charged and used solely for the purpose of recognising deficits in respect of its schools budget.

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.

Pooled Investment Fund Adjustment Account

The balance on this unusable reserve represents an unrealised loss on a long-term investment grade bond fund that the Council invested into in November 2021. The bond under-performed due to an unexpected rise in the two year yield which had not been priced in. The Council continues to receive income from the fund.

Notes to the Movement in Reserves Statement

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.

	2022/23	2021/22
	£'000	£'000
Balance at 1 April	2,763	4,962
Settlement or cancellation of accrual made at the end of the preceding year	(2,763)	(4,962)
Amounts accrued at the end of the current year	714	2,763
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	(2,049)	(2,199)
Balance at 31 March	714	2,763

The Council's standard annual leave policy allows employees to take five days leave forward into the following financial year. This is a reduction from the ten days the Council allowed in the previous year, as at 31 March 2022, due to restrictions during the COVID-19 pandemic. This caused a reduction on the Accumulated Absences Account.



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.

Services under Chief Executive include supporting the Chief Executive's Office and democratic representation. Also included here is Corporate Strategy and Economic Development which are responsible for delivering the Council's Corporate strategy programme, driving transformational change across the Council, Economic Development and Adult and Family Learning services.

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.

Communications covers the Council's internal and external communications and is the first contact point for all media enquiries.

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

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

The Human Resources function supports 2,570 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 the Comprehensive Income and Expenditure Statement

Expenditure and Funding Analysis	2022/23					2021/22		
	As reported in the Narrative Report	Adjustments to arrive at exp charged to GF and HRA balances	Expenditure charged to GF and HRA balances	Adjustments between accounting and funding (note 10)	Net Expenditure in the CIES	Expenditure charged to GF and HRA balances	Adjustments between accounting and funding (note 10)	Net Expenditure in the CIES
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care and Public Health	42,052	(2,380)	39,672	(15,987)	23,685	37,677	(5,714)	31,963
Children's Services and Education	51,555	(2,671)	48,884	45,053	93,937	45,102	9,185	54,287
Environment and Communities	28,855	(4,515)	24,340	(8,094)	16,246	24,029	(7,251)	16,778
Housing and Social Investment	18,524	1,321	19,845	15,640	35,485	11,570	7,859	19,429
Resources and Customer Delivery	11,673	(541)	11,132	65,648	76,780	27,506	64,302	91,808
Chief Executive	5,019	149	5,168	(1,424)	3,744	0	0	0
Grenfell - Recovery	9,543	(1,758)	7,785	1,162	8,947	8,256	1,232	9,488
Grenfell - Corporate	2,977	2,794	5,771	1,399	7,170	4,688	2,021	6,709
Housing Revenue Account	0	0	0	59,855	59,855	3,437	30,125	33,562
Grenfell Settlement	0	0	0	0	0	41,228	0	41,228
Net Costs of Services	170,198	(7,601)	162,597	163,252	325,849	203,493	101,759	305,252
Other GF income and expenditure	(170,198)	53,720	(116,478)	(78,198)	(194,676)	(126,801)	(56,555)	(183,356)
Other HRA income and expenditure	0	0	0	(8,317)	(8,317)	0	1,992	1,992
(Surplus) / Deficit on Services	0	46,119	46,119	76,737	122,856	76,692	47,196	123,888

Movement on GF and HRA balances	2022/23			2021/22		
	GF	HRA	Total	GF	HRA	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance:	(155,275)	(5,988)	(161,263)	(228,530)	(9,424)	(237,954)
(Surplus) / Deficit on Balance in Year	22,889	0	22,889	73,255	3,436	76,691
Closing Balance:	(132,386)	(5,988)	(138,374)	(155,275)	(5,988)	(161,263)

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

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

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

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

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

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

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

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

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

Notes to the Comprehensive Income and Expenditure Statement

	2022/23				2021/22			
	Capital	Pension	Other	Total	Capital	Pension	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care and Public Health	(10,441)	2,402	(7,948)	(15,987)	807	2,493	(9,014)	(5,714)
Children's Services and Education	49,063	10,874	(14,884)	45,053	7,316	12,187	(10,318)	9,185
Environment and Communities	6,704	5,302	(20,100)	(8,094)	5,800	6,382	(19,433)	(7,251)
Housing and Social Investment	(752)	1,871	14,521	15,640	(681)	1,874	6,666	7,859
Resources and Customer Delivery	18,046	9,697	37,905	65,648	17,704	10,820	35,778	64,302
Chief Executive	0	174	(1,598)	(1,424)	0	0	0	0
Grenfell - Recovery	0	878	284	1,162	0	1,063	169	1,232
Grenfell - Corporate	2,288	79	(968)	1,399	2,867	100	(946)	2,021
Housing Revenue Account	47,306	4,991	7,558	59,855	27,682	5,549	(3,106)	30,125
Net Cost of Services	112,214	36,268	14,770	163,252	61,495	40,468	(204)	101,759
Other income and expenditure (GF)	(28,544)	(1,442)	(48,212)	(78,198)	(20,670)	2,262	(38,147)	(56,555)
Other income and expenditure (HRA)	0	0	(8,317)	(8,317)	0	0	1,992	1,992
Total Adjustments	83,670	34,826	(41,759)	76,737	40,825	42,730	(36,359)	47,196

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.

	2022/23	2021/22
	£'000	£'000
<u>Expenditure</u>		
Employee benefits expenses	246,475	239,860
Other service expenses	460,537	536,100
Depreciation, amortisation and impairment	126,747	64,145
Interest Payments	7,854	8,943
Net interest on net defined benefit liability	(1,667)	2,596
Payments to the Government Housing Capital Receipts Pool	0	1,161
Precepts and Levies	4,766	4,672
Total expenditure	844,712	857,477
<u>Income</u>		
Fees, charges and other service income	(236,413)	(255,577)
Loss / (Gain) on disposal of non-current assets	(8,369)	(3,699)
Government grants & contributions	(349,509)	(374,605)
Interest Income	(2,448)	(307)
Net income from Council Tax and Business Rates	(128,821)	(110,382)
Change in Fair Value of Investment Properties	3,704	10,981
Total income	(721,856)	(733,589)
(Surplus) or Deficit on Provision of Services	122,856	123,888

12. Other operating income and expenditure

	2022/23	2021/22
	£'000	£'000
Levies	4,766	4,672
Payments to the government Housing Capital Receipts Pool	0	1,161
(Gains) / losses on the disposal of non-current assets	(8,369)	(3,699)
Total other operating expenditure	(3,603)	2,134

13. Financing and investment income and expenditure

	2022/23	2021/22
	£'000	£'000
Interest payable and similar charges	7,854	8,943
Net interest on the net defined benefit liability	(1,667)	2,596
Interest receivable and similar income	(2,448)	(307)
Income and expenditure in relation to investment properties	(13,428)	(12,234)
Changes in fair values of investment properties	3,704	10,981
Changes in fair values of financial instruments	1,545	914
Expected Credit Loss - impairment allowance	2,658	4,554
Total financing and investment income and expenditure	(1,782)	15,447

14. Taxation and non-specific grant income and expenditure

	2022/23	2021/22
	£'000	£'000
Council tax income	(95,621)	(96,464)
Non domestic rates	(86,872)	(67,591)
Business rates tariff	53,672	53,672
COVID-19 Non-ringfenced government grants		
- COVID-19 Business Rate Retail/Nursery Discount	(12,994)	(37,619)
- COVID-19 LA Support Grant	0	(5,564)
- COVID-19 Additional Relief Fund	(3,231)	0
- COVID-19 Other Grants	(275)	(1,657)
Other Non-ringfenced government grants		
- Revenue Support Grant	(10,480)	(10,164)
- Social Care Support Grant	(8,530)	(6,225)
- S31 Business Rate Relief	(3,956)	(3,875)
- Services Grant	(3,635)	0
- Other general grants / contributions	(2,821)	(2,180)
Capital grants and contributions		
- Community Infrastructure Levy	(3,357)	(13,310)
- Building Council Houses for Londoners	(7,485)	0
- Section 106 contributions	(6,251)	(968)
- Social Housing Decarbonisation Fund	0	(3,479)
- Other capital grants and contributions	(5,772)	(3,521)
Total taxation and non-specific grants	(197,608)	(198,945)

15. Grant income

The following revenue grants, contributions and donations were credited to Net Cost of Services in the CIES during 2022/23.

Net Cost of Services	2022/23	2021/22
	£'000	£'000
Housing Benefit Subsidy	(113,478)	(116,118)
Dedicated Schools Grant	(80,823)	(76,300)
Public Health Grant	(22,166)	(21,561)
Improved Better Care Fund	(7,662)	(7,437)
Homelessness Prevention Grant	(4,732)	(5,660)
Pupil Premium Grant	(3,638)	(3,385)
UASC and Leaving Care Fund	(3,080)	(3,147)
Homes for Ukraine	(1,374)	0
Asylum Dispersal Grant	(943)	(820)
Other Grants (under £1 million each)	(20,067)	(17,952)
Revenue contributions	(21,869)	(19,873)
COVID-19 Grants		
- Additional Restrictions Grant	0	(3,026)
- Contain Outbreak Management Fund	0	(3,331)
- Local Restrictions Support Grant (Open)	0	(117)
- Other Covid-19 Grants (under £2 million each)	(890)	(7,315)
Total	(280,722)	(286,042)

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

Capital	2022/23	2021/22
	£'000	£'000
<u>Current Liabilities</u>		
Social Housing Decarbonisation Fund	0	(19,703)
GLA Building Council Homes Programme	(2,896)	(4,465)
DFE High Needs Provision	(7,268)	(2,125)
Other Grants (under £500k)	(6,739)	(3,606)
	<u>(16,903)</u>	<u>(29,899)</u>
<u>Long-Term Liabilities</u>		
Section 106 and private contributions	(34,103)	(26,092)
Section 278 contributions	(21,560)	(2,462)
	<u>(55,663)</u>	<u>(28,554)</u>
Balance as at 31 March	(72,566)	(58,453)

Notes to the Comprehensive Income and Expenditure Statement

<u>Revenue</u>	2022/23	2021/22
	£'000	£'000
<u>Current Liabilities</u>		
Afghan Hotel Wraparound Grant	(1,874)	(3,122)
Homes for Ukraine	(4,472)	0
Dedicated Schools Grant	(1,137)	0
Homes for Ukraine Education & Childcare	(748)	0
Council Tax Rebate Grant - Discretionary	(484)	(2,019)
Other Grants (under £500k)	(2,380)	(2,713)
	(11,095)	(7,854)
<u>Long Term Liabilities</u>		
Section 106 and Private Contributions	(10,094)	(11,577)
Balance as at 31 March	(21,189)	(19,431)

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 ring-fenced 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 2022/23 are below.

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

Notes to the Comprehensive Income and Expenditure Statement

2021/22	Central		Total
	Expenditure	ISB	
	£'000	£'000	£'000
Final DSG for 2021/22 before academy and high needs recoupment			(108,822)
Less academy and high needs figure recouped for 2021/22			32,763
DSG after academy and high needs recoupment			(76,059)
Plus brought forward from 2020/21			0
Less carry forward to 2022/23 agreed in advance			0
Agreed initial budget distribution in 2021/22	(16,750)	(59,309)	(76,059)
In year adjustments	0	0	0
Final budget distribution for 2021/22	(16,750)	(59,309)	(76,059)
Less actual central expenditure	18,488		18,488
Less actual ISB deployed to schools		59,787	59,787
Carried forward to 2022/23	1,738	478	2,216
Balance on DSG unusable reserve brought forward at 1 April			5,390
Addition to DSG unusable reserve at the end of 2021/22			2,216
Balance on DSG unusable reserve carried forward at 31 March			7,606

The DSG deficit has reduced in 2022/23 by £1.335 million to £6.271 million at 31 March 2023 as a result of additional funding provided during 2022/23, the reduction in post-16 placement costs relating to 2021/22 and amendments as a result of the recalibration of the allocated bands via the Education Banding Tool (EBT). Despite additional funding from central government, the increasing number of children and young people with SEND requiring specialist placements means that it will be difficult to eliminate the full deficit.

The Council was not eligible for safety valve funding but has been selected for the DfE's Delivering Better Value (DBV) in SEND programme. DBV is a programme that is part of the DfE's support package to help Local Authorities maintain effective SEND services while functioning sustainably. In March 2023, the Council received notification that it had been awarded £1 million for transformation activity to address the root causes of pressures facing the high needs block and to mitigate future cost pressures through two workstreams.

The accumulated DSG deficit of £7.606 million, at the end of 2021/22, has been disclosed as a statutory unusable reserve in note 8. There is no legislation to offset DSG surpluses against prior year deficits in the DSG unusable reserve. The surplus of £1.335 million in 2022/23 was therefore transferred to the DSG earmarked reserve disclosed in note 7. The net deficit will be carried forward and recovered from future years DSG settlements, rather than from wider General Fund reserves.

The Council's last Deficit Management Plan was agreed in June 2022 and an updated version will be presented at the November 2023 Schools Forum.

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.

	2022/23	2021/22
	£'000	£'000
Social Housing Rentals	(52,673)	(50,533)
Temporary Accommodation Rentals	(33,045)	(33,925)
Shared Services Income	(19,704)	(18,999)
On Street Parking	(23,726)	(22,732)
Commercial Property	(16,193)	(14,555)
Parking Suspensions	(10,006)	(9,497)
Commercial Waste	(6,536)	(5,587)
Residents' Parking	(6,171)	(6,122)
Other (below £5m)	(40,608)	(38,334)
Total income	(208,662)	(200,284)

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 2022/23 was £1.139 million (£1.155 million in 2021/22). Full details of individual Members' allowances are published on the Council's website annually.

Notes to the Comprehensive Income and Expenditure Statement

19. Officer remuneration

Senior officers

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

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

Notes

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

Senior Officer shared posts employed by other local authorities

The following officers are formally employed by Westminster City Council but provide services for both councils. The Council paid £123,642 (£113,022 in 2021/22) for the Bi-Borough Executive Director of Adults Social Care being 50% of the total remuneration. The Council paid

Notes to the Comprehensive Income and Expenditure Statement

£85,966 (£78,002 in 2021/22) for the Bi-Borough Director of Public Health, being 44% of the total remuneration. Remuneration details for these officers can be found within WCC's Statement of Accounts, available on their Council website.

2021/22	Note	Salary, Fees and Allowances	Expenses	Total Remuneration (excluding employer pension contribution)	Employer Pension Contribution	Total Remuneration (including employer pension contribution)
Job Title		£	£	£	£	£
Chief Executive (Barry Quirk)		219,318	0	219,318	0	219,318
Executive Director of Resources (Mike Curtis)	1	183,084	0	183,084	29,477	212,561
Executive Director for Environment and Communities (Sue Harris)		172,521	0	172,521	27,232	199,753
Executive Director for Housing and Social Investment (Dan Hawthorn)		169,140	0	169,140	27,776	196,916
Director of Grenfell Partnerships		119,187	0	119,187	19,189	138,376
Director of Financial Management		122,550	99	122,649	19,730	142,379
Director of Corporate Strategy	2	60,782	0	60,782	13,690	74,472

Notes

1. The Council received £12,218 as a 5% contribution from the Pension Fund for the work carried out in this area by the Executive Director of Resources.
2. An interim director was appointed whilst the permanent post-holder was on maternity leave. This amount is not disclosed in the note as it was part of a contract with PricewaterhouseCoopers (PwC) for general corporate support services.

Senior Officer shared posts employed by other local authorities 2021/22

The following officers are formally employed by WCC but provide services for both councils. The Council paid £113,022 (£125,902 in 2020/21) for the Bi-Borough Executive Director of Adults Social Care and Health and £104,416 (£107,454 in 2020/21) for the Bi-Borough Executive Director of Childrens Services, being 50% of their total remuneration. The Council paid £78,002 (£175,499 for three officers covering the post in 2020/21) for the Bi-Borough Director of Public Health, being 44% of their total remuneration.

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.

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.

	2022/23	2021/22
	No. of employees	No. of employees
£50,000 - £54,999	244	218
£55,000 - £59,999	187	120
£60,000 - £64,999	107	130
£65,000 - £69,999	97	64
£70,000 - £74,999	55	40
£75,000 - £79,999	37	28
£80,000 - £84,999	16	22
£85,000 - £89,999	23	26
£90,000 - £94,999	11	9
£95,000 - £99,999	7	5
£100,000 - £104,999	7	9
£105,000 - £109,999	5	6
£110,000 - £114,999	3	4
£115,000 - £119,999	2	3
£120,000 - £124,999	3	1
£125,000 - £129,999	4	6
£130,000 - £134,999	0	2
£135,000 - £139,999	3	2
£140,000 - £144,999	3	1
£145,000 - £149,999	0	2
£150,000 - £154,999	0	1
£155,000 - £159,999	0	0
£160,000 - £164,999	0	0
£165,000 - £169,999	0	1
Total	814	700

The number of officers within the disclosure threshold has increased as a result of the £2,355 national wage increase for all employees and also due to general recruitment.

20. Termination benefits

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

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

Notes to the Comprehensive Income and Expenditure Statement

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

2021/22				
Exit Package Cost Band	Redundancies (all compulsory)	Other agreed departures	Total departures	Total cost of exit packages
£'000	Number	Number	Number	£
0 - 20	29	9	38	353,647
21 - 40	7	3	10	311,742
41 - 60	1	4	5	245,301
61 - 80	2	1	3	208,711
81 - 100	1	1	2	182,305
101 - 150	2	0	2	218,280
151 - 200	1	1	2	364,334
251 - 300	1	0	1	291,945
Total	44	19	63	2,176,265

21. External audit costs

	2022/23	2021/22
	£'000	£'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	161	174
Fees payable for the certification of grant claims and returns for the year	78	48
Fees payable in respect of other services provided during the year	0	6
Total audit costs	239	228

22. Joint Funding Arrangements

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

The aim is to meet the needs of people living in RBKC. Expenditure funded from this budget includes the provision of care in residential settings, community services enabling people to remain in their own homes and a community independence service which supports the enablement of residents. This arrangement is made in accordance with Section 75 of the

Notes to the Comprehensive Income and Expenditure Statement

National Health Service Act 2006 and is funded primarily by the Better Care Fund (BCF). Any surplus or deficit generated will be the responsibility of the respective partner to whom it is attributed.

The pooled budget includes all income and expenditure relating to the BCF, whether funded by the Council or the health service. It is hosted by RBKC although some activities are not pooled and therefore not all transactions pass through the Council's accounting system.

	2022/23	2021/22
	£'000	£'000
RBKC contributions to the pooled budget	(17,571)	(16,797)
NWLCCG contributions to the pooled budget	(5,981)	(5,648)
Total contributions into the pooled budget	(23,552)	(22,445)
Costs relating to care provided in residential or community settings	15,372	14,369
Support Services and programme management relating to the BCF	1,057	894
iBCF Programme	7,662	7,436
Total expenditure met by the pooled budget	24,091	22,699
Net in-year (surplus) / deficit	539	254
Comprising shares due to:		
RBKC	184	22
NWLCCG	355	232

Net in-year deficit on the pooled budget

There is a current deficit of £0.539 million of which £0.508 million relates to the Occupational Therapy Equipment Shared Service. The Council's share is £0.153 million with NWLCCG's being £0.355 million.

Over the last few years there has been increased spend on costs due to acute needs and high demand for services as a result of hospital discharges, complexity of care and an ageing population.

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 2022/23 is shown in note 18.

Day-to-day responsibility lies with the Council's Leadership Team which in 2022/23 comprised nine Members with authority within their respective portfolios to approve decisions of a value less than £500,000. Decisions with a value greater than £500,000 are taken by Leadership Team collectively or by Full Council, as appropriate.

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

Seventeen Members and one officer held positions of control or significant influence in related parties to the Council during 2022/23 (fifteen Members and one officer in 2021/22). These include charitable organisations which received funds from the Council of £3.241 million in 2022/23 (£2.519 million in 2021/22).

At the time of publication, nine former Members and one former officer 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. Both were dormant during 2022/23. 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. There are three Directors of the limited company, being three independent people.

Notting Dale Heat Network Ltd (Company ref 13882225 incorporated 31 January 2022) was established for the provision of heating, energy and hot water services. As at 31 March 2023, the company had not started trading. There are six Directors of the limited company, being two Council employees and four independent people.

Other Public Bodies

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

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

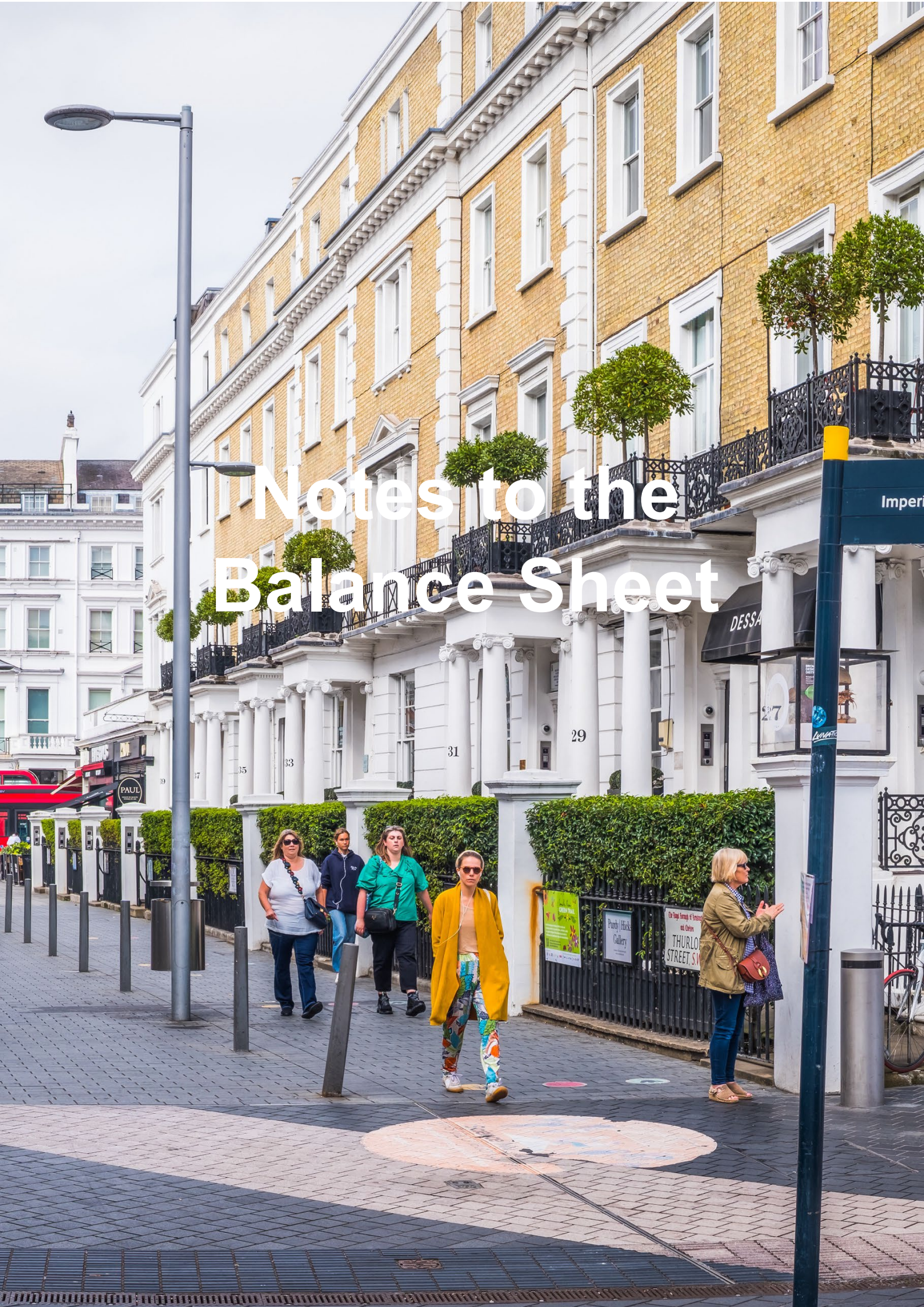
The Council entered into a Tri-Borough shared services joint working arrangement with Westminster City Council (WCC) and the London Borough of Hammersmith and Fulham (LBHF)

from 1 April 2012. During 2019/20, LBHF formally withdrew from the Tri-Borough arrangement. The Council and WCC continue to work together to deliver some Bi-Borough services for the benefit of local people. The nature of these arrangements means that each borough influences the others whilst maintaining its sovereignty. The net payments between the councils are not material.

During 2018/19, the Council entered a partnership arrangement with Hampshire County Council (HCC), Hampshire Constabulary, Hampshire Fire and Rescue Service, Oxfordshire County Council, WCC and LBHF. These working agreements are hosted by HCC and involve joint use of the assets and resources of each organisation, collectively delivering greater efficiency, better value, sharing costs, risks and benefits. The Council recognises the assets that it controls and the liabilities that it incurs on its Balance Sheet, and the expenditure it incurs and the share of income it earns from the activity of the operation in its CIES.

In February 2023 the Council issued notice to HCC of its intention to leave the partnership by 30 September 2024. A leadership decision was approved in February 2023 to implement Oracle as a standalone ERP system for the Council.

Notes to the Balance Sheet



24. Property, plant and equipment

The Council currently carries out annual valuations on a rolling programme that ensures all operational assets required to be measured at market value are revalued at least every five years and reviewed as appropriate. The latest valuation was during 2022/23 with an effective valuation date of 31 March 2023. All valuations of dwellings and other land and buildings have been undertaken by external surveyors (Sanderson Weatherall) who are fully qualified with the Royal Institute of Chartered Surveyors (RICS) and agreed by the Council's Property Services department.

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

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

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

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

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

	2022/23	2021/22
	£'000	£'000
Infrastructure Assets	23,657	23,987
Other Property Plant and Equipment	1,519,855	1,500,840
Total Property, Plant and Equipment	1,543,512	1,524,827

Details of the movement in Infrastructure Assets are shown below.

	2022/23	2021/22
	£'000	£'000
Balance at 1 April	23,987	26,515
Additions	3,392	1,295
Depreciation	(3,722)	(3,823)
Balance at 31 March	23,657	23,987

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

Notes to the Balance Sheet

Movement in balances	Council Dwellings*	Other Land and Buildings	Plant, Furniture and Equipment	Community Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Movements in cost or values						
Gross Book Value at 1 April 2021	817,889	520,498	19,812	19,147	45,940	1,423,286
Additions and enhancement	37,010	11,076	4,599	1,412	30,092	84,189
Revaluation increases / (decreases) recognised in Revaluation Reserve	38,642	10,901	0	0	0	49,543
Revaluation increases / (decreases) recognised in (Surplus) or Deficit on Provision of Services	(38,781)	(9,621)	0	0	0	(48,402)
Derecognition - disposals	(336)	0	0	0	0	(336)
Reclassifications and transfers	(496)	32,629	0	0	(26,856)	5,277
Gross Book Value 31 March 2022	853,928	565,483	24,411	20,559	49,176	1,513,557
Additions and enhancement	60,891	33,392	693	2,772	26,996	124,744
Revaluation increases / (decreases) recognised in Revaluation Reserve	20,666	(12,628)	0	0	0	8,038
Revaluation increases / (decreases) recognised in (Surplus) or Deficit on Provision of Services	(65,056)	(46,066)	0	0	0	(111,122)
Derecognition - disposals	(495)	0	(201)	0	0	(696)
Reclassifications and transfers	0	4,302	0	0	(4,076)	226
Gross Book Value 31 March 2023	869,934	544,483	24,903	23,331	72,096	1,534,747
Movements in depreciation and impairment						
Accumulated Depreciation at 1 April 2021	(1)	1	(11,226)	0	0	(11,226)
Depreciation charge	(3,527)	(4,990)	(1,491)	0	0	(10,008)
Depreciation / Impairment written out to the Revaluation Reserve	3,233	2,342	0	0	0	5,575
Depreciation / Impairment written out to (Surplus) or Deficit on Provision of Services	279	2,659	0	0	0	2,938
Derecognition - disposals	4	0	0	0	0	4
Reclassification and transfers	12	(12)	0	0	0	0
Accumulated Depreciation at 31 March 2022	0	0	(12,717)	0	0	(12,717)
Depreciation charge	(3,840)	(4,965)	(2,376)	0	0	(11,181)
Depreciation / Impairment written out to the Revaluation Reserve	3,467	1,705	0	0	0	5,172
Depreciation / Impairment written out to (Surplus) or Deficit on Provision of Services	367	3,260	0	0	0	3,627
Derecognition - disposals	6	0	201	0	0	207
Reclassification and transfers	0	0	0	0	0	0
Accumulated Depreciation at 31 March 2023	0	0	(14,892)	0	0	(14,892)
Net Book Value (NBV):						
- At 31 March 2022	853,928	565,483	11,694	20,559	49,176	1,500,840
- At 31 March 2023	869,934	544,483	10,011	23,331	72,096	1,519,855

*Council dwellings at 31 March 2023 include 246 properties held within the GF with a NBV of £42.675 million (246 properties held within the GF with a NBV of £44.740 million at 31 March 2022).

Notes to the Balance Sheet

In 2022/23, the Council commissioned a full portfolio valuation by external valuers, Sanderson Weatherall (SW), to undertake the year-end asset valuation, in accordance with the RICS valuation standards, of the General Fund and Housing Revenue Account operational portfolio. In prior years this role was fulfilled by Jones Lang LaSalle.

Whilst the current and historic valuations have adopted the same required principles, there are some significant movements in values on certain individual assets in 2022/23. The overall movement is immaterial.

The movement is due to a combination of factors including economic impact on build costs and market prices, different yield percentage rates used for existing use value assessments, change in estimation techniques used to derive land values in relation to depreciated replacement cost valuations, differing judgements and assumptions made by the valuer and used to calculate modern equivalent asset values in relation to building valuations.

Disposals

The Council sold one non-Right To Buy and twelve Right To Buy properties with a NBV of £0.495 million.

The Council disposed of Intangible Assets (£0.153 million) and Equipment (£0.201 million) that were no longer in use. No intangible assets and equipment assets were disposed of in 2021/22.

Capital Commitments

As at 31 March 2023 the Council had outstanding capital commitments of £63.743 million GF (£24.718 million at 31 March 2022) and £4.828 million HRA (£12.504 million at 31 March 2022) in respect of contracted schemes.

The major commitments as at 31 March 2023 were:

- New Homes Delivery Programme
 - Acklam Road - £12.1 million
 - Barlby Road - £43.4 million
 - St Helens Gardens - £2.9 million
 - Silchester Archers - £5.3 million
- Smoke and Heat Alarms - £1.0 million
- Cremorne Heating - £1.2 million
- Emergency Lighting - £1.4 million
- Fire Suppression - £1.2 million.

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.

Notes to the Balance Sheet

The values at 31 March are analysed as follows:

	2022/23	2021/22
	£'000	£'000
Office units	9,910	9,001
Commercial units	204,107	207,150
Land	16,470	18,470
Other investment property	190	349
Total fair value	230,677	234,970

There were no transfers between any of the three levels of the fair value hierarchy during 2022/23 or the preceding year. During 2022/23, five investment sites transferred from investment properties to Operational Other Land and Building assets.

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

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

	2022/23	2021/22
	£'000	£'000
Rental income from investment property	(16,193)	(14,555)
Direct operating expenses arising from investment property	2,765	2,321
Net (gain) / loss	(13,428)	(12,234)

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:

	2022/23	2021/22
	£'000	£'000
Balance at 1 April	234,970	250,576
Additions		
- Subsequent expenditure	180	814
Net gains / (losses) from fair value adjustments	(3,705)	(10,981)
Transfers (to) / from Property, Plant and Equipment	(768)	(5,439)
Balance at 31 March	230,677	234,970

Notes to the Balance Sheet

26. Intangible assets

Software Licences	2022/23	2021/22
	£'000	£'000
Gross carrying amount at 1 April	19,378	16,731
- Purchases	1,497	2,647
- Disposals	(153)	0
Gross carrying amount at 31 March	20,722	19,378
Accumulated amortisation at 1 April	(11,728)	(9,891)
- Amortisation for the period	(2,295)	(1,837)
- Disposals	128	0
Accumulated amortisation at 31 March	(13,895)	(11,728)
Net carrying amount at 1 April	7,650	6,840
Net carrying amount at 31 March	6,827	7,650

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. The Council self-insures assets valued below £250,000 and it therefore does not have valuation certificates for all items worth less than this amount. Acquisitions are recognised at cost. The museum collections and art are deemed to have indeterminate lives and high residual value. Hence the Council does not deem it appropriate to charge depreciation for these assets.

The local regalia and the local studies and archive collection are not disclosed on the Balance Sheet because the collections are of low Balance Sheet value due to individual items either

Notes to the Balance Sheet

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.

	2022/23				2021/22			
	Heritage Properties	Museum Collections	Art in Parks	Total	Heritage Properties	Museum Collections	Art in Parks	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost/Valuation at 1 April	19,993	24,361	2,006	46,360	19,993	24,322	2,006	46,321
Additions	1,656	0	213	1,869	2,977	39	0	3,016
Revaluations	(2,166)	0	0	(2,166)	(2,977)	0	0	(2,977)
Cost/Valuation at 31 March	19,483	24,361	2,219	46,063	19,993	24,361	2,006	46,360

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

	2022/23	2021/22
	£'000	£'000
Depreciation and impairment charge	174	169
Depreciation written out on revaluations recognised in the Revaluation Reserve	(93)	(90)
Depreciation written out on revaluations recognised in the Surplus / Deficit on Provision of Services	(81)	(79)
Total	0	0

Notes to the Balance Sheet

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.

	2022/23	2021/22
	£'000	£'000
Opening Capital Financing Requirement	489,139	437,729
Adjustment to Historic MRP*	0	(431)
<u>Capital investment</u>		
Property, Plant and Equipment	127,595	85,484
Heritage Assets	1,869	3,016
Investment Properties	180	814
Intangible Assets	1,497	2,647
Revenue Expenditure Funded from Capital Under Statute	4,176	6,194
Grenfell settlement - capitalisation of prior year revenue costs	23,228	0
<u>Sources of finance</u>		
Capital receipts	(47,202)	(14,947)
Government grants and other contributions	(27,108)	(16,161)
Sums set aside from revenue:		
- Direct revenue contributions	(1,188)	(1,939)
- Direct Revenue Funding (Major Repairs Reserve)	(11,250)	(11,410)
- MRP / loans fund principal	(4,472)	(1,857)
Closing Capital Financing Requirement	556,464	489,139

	2022/23	2021/22
	£'000	£'000
Provision to reduce the underlying need to borrow (MRP)		
- Supported borrowing	(708)	(738)
- Unsupported borrowing	19,464	(1,119)
Increase in underlying need to borrow (supported by capital receipts)	48,569	53,698
Adjustment to historic MRP	0	(431)
Increase / (decrease) in the Capital Financing Requirement	67,325	51,410

* The 2021/22 opening balance adjustment relates to historic internal borrowing balances from prior years that cannot be traced on the Council's previous financial accounting system.

Notes to the Balance Sheet

29. Debtors

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

Category of debt (all at amortised cost)	31 March 2023			31 March 2022		
	Gross Debtor	ECL	Net Debtor	Gross Debtor	ECL	Net Debtor
	£000	£000	£000	£000	£000	£000
Current Debtors						
Trade receivables	22,516	(4,650)	17,866	15,267	(6,239)	9,028
Other receivables	4,302	(2,238)	2,064	3,190	(2,100)	1,090
Central government - Grenfell	12,489	0	12,489	11,768	0	11,768
Central government - Other	26,862	0	26,862	43,803	0	43,803
Health Authorities	2,160	0	2,160	1,465	0	1,465
Other Local Authorities	9,034	0	9,034	65,708	0	65,708
Temporary Accommodation	3,149	(2,123)	1,026	3,667	(2,054)	1,613
Commercial Waste	132	(14)	118	86	(18)	68
Housing Benefit Overpayments	7,052	(4,359)	2,693	7,439	(6,345)	1,094
Local Taxation	28,227	(21,307)	6,920	29,779	(21,065)	8,714
HRA Rent Payers	4,421	(2,359)	2,062	4,080	(3,168)	912
HRA Service Charge	3,870	(1,254)	2,616	4,659	(1,267)	3,392
Parking	18,064	(16,730)	1,334	19,037	(17,614)	1,423
Service loans	75	0	75	0	0	0
Grenfell Settlement	31,478	0	31,478	0	0	0
Payments in advance and deposits	27,226	0	27,226	1,648	0	1,648
Total Current Debtors	201,057	(55,034)	146,023	211,596	(59,870)	151,726
Long Term Debtors						
Trade receivables	0	0	0	0	0	0
Service loans	12		12	380	(210)	170
HRA Service Charge	300	0	300	0	0	0
Advances and deposits	311	0	311	525	(215)	310
Central government - Other	0	0	0	2,040	0	2,040
Other Local Authorities	0	0	0	2,277	0	2,277
Grenfell Settlement	0	0	0	31,478	0	31,478
Payments in advance and deposits	0	0	0	304	0	304
Total Long Term Debtors	623	0	623	37,004	(425)	36,579

The 'Grenfell Settlement' debtor refers to the amount due from the Council's insurer towards the settlement of the Grenfell compensation claims.

In 2021/22, the Council paid out far more income than it received in respect of the retail, hospitality and leisure service relief to preceptors, which was reflected in the debtor's position for the Collection Fund with £36 million due from DLUHC and £43 million from GLA. In 2022/23, the Government continued with the relief (at 50%) and the payments to these preceptors was matched to the expected lower income thus there were no debtors in respect of this in.

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 53% to 100%; the average

Notes to the Balance Sheet

loss rate for parking is 93%; trade receivables include ECL for commercial rents with a loss rate ranging from 10% to 100%.

30. Creditors

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

	31 March 2023		31 March 2022	
	Current	Long Term	Current	Long Term
	£'000	£'000	£'000	£'000
Trade payables	(43,672)	(914)	(42,216)	(770)
Receipts in advance	(28,029)	0	(23,405)	0
Central government bodies*	(57,345)	0	(115,895)	0
Other local authorities	(30,244)	0	(13,380)	(387)
NHS bodies	(3,588)	0	(11,025)	0
Other payables	(10,527)	0	(11,544)	(554)
Total creditors	(173,405)	(914)	(217,465)	(1,711)

*The 2021/22 figure contained £31.063 million due to The Department for Energy Security and Net Zero (DESNZ) which was paid in 2022/23. The 2022/23 figure includes £19.703 million Social Housing Decarbonisation Fund grant due back to DESNZ.

In order for the Council to facilitate cash payments to the Collection Fund preceptors, where reliefs had been granted to businesses, DLUHC paid the Council a Section 31 grant. £5.232 million of this grant is repayable to DLUHC in 2023/24 and is included within the 'Central government bodies' figure above. This is due to the estimated income being more closely in line with the actual payments to preceptors compared to 2021/22.

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.

	Insurance	NNDR Appeals	Grenfell Settlement	Thames Water	Disputed Invoices	Other	Total
2022/23	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April	(4,851)	(15,734)	(72,706)	(336)	(335)	(228)	(94,190)
Additional provisions made	(52)	(8,622)	0	0	0	(23)	(8,697)
Amounts used	2,038	3,439	0	0	70	50	5,597
Unused amounts reversed	0	0	0	336	15	0	351
Balance at 31 March	(2,865)	(20,917)	(72,706)	0	(250)	(201)	(96,939)
Of which:							
Long Term	(1,995)	0	(43,478)	0	0	0	(45,473)

Insurance

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

NNDR Appeals

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

The Valuation Office Agency continues to process appeals to the 2010 and 2017 lists. The Council's share of NDR assets and liabilities was 30% in 2021/22 and this share remains the same in 2022/23.

Grenfell Settlement

A provision has been set aside to meet estimated costs relating to the settlement of the Grenfell civil claim arising from the tragic fire at Grenfell Tower on 14 June 2017. A settlement was announced in May 2023 for claims brought forward for a number of claimants affected by the Grenfell tragedy. The provision is an estimate of this and any other potential liability that can be reasonably quantified. These payments are expected to be made during 2023/24 and 2024/25 and includes payments made by the Council's insurer.

Disputed Invoices

The balance relates to an HRA contractor payment that the Council is disputing.

Other Provisions

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

32. Contingent liabilities

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

Grenfell

The Council has a contingent liability in respect of the tragic fire at Grenfell Tower on the 14th June 2017.

The provision created for these costs is in note 31. The outcome of other claims and associated costs is as yet unknown or no reliable estimate can be made.

There could be potential criminal charges arising from the tragedy.

Procurement Challenge

A procurement challenge has been brought to court against the Council who is the lead contracting authority for a consortium with 21 other local authority members. If this proceeds to a full hearing and the Council's defence is unsuccessful, the court has a number of sanctions it can apply, including awarding a significant amount in damages to the claimant. The extent of the Council's liability cannot be quantified at this stage and will be determined in due course. The Council disputes the validity of this claim.

Notes to the Balance Sheet

33. Financial instruments

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

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

Financial Assets

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

Financial Assets	31 March 2023		31 March 2022	
	Long-term	Current	Long-term	Current
	£'000	£'000	£'000	£'000
<u>Investments</u>				
At Fair Value through Profit and Loss - principal amount	22,540	0	24,086	0
At amortised cost - principal amount	0	10,000	0	45,000
At amortised cost - accrued interest	0	134	0	20
Total investments	22,540	10,134	24,086	45,020
<u>Debtors</u>				
Loans at amortised cost	12	75	170	364
Other receivables at amortised cost	311	21,022	310	15,132
Total included in debtors	323	21,097	480	15,496
<u>Cash and Cash Equivalents (CCE)</u>				
At amortised cost - principal amount	0	12,442	0	0
At Fair Value through Profit and Loss - principal amount	0	12,700	0	66,718
At Fair Value through Profit and Loss - accrued interest	0	66	0	28
Total included in CCE	0	25,208	0	66,746
Total financial assets	22,863	56,439	24,566	127,262
Other Assets*	2,284,141	93,471	1,929,793	136,224
Total Assets per Balance Sheet	2,307,004	149,910	1,954,359	263,486

Notes to the Balance Sheet

Financial Liabilities

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

Financial Liabilities	31 March 2023		31 March 2022	
	Long-term	Current	Long-term	Current
	£'000	£'000	£'000	£'000
Borrowings				
Amortised cost - principal amount	(229,219)	(9)	(229,228)	(5,009)
Amortised cost - accrued interest	0	(2,359)	0	(2,511)
Total borrowings	(229,219)	(2,368)	(229,228)	(7,520)
Creditors				
Financial liabilities carried at contract amounts	(914)	(42,653)	(770)	(42,216)
Total included in creditors	(914)	(42,653)	(770)	(42,216)
Total financial liabilities	(230,133)	(45,021)	(229,998)	(49,736)
Other liabilities	(67,752)	(180,988)	(116,843)	(231,421)
Total Liabilities per Balance Sheet	(297,885)	(226,009)	(346,841)	(281,157)

*Included in the current figure is the Council's obligation in respect of its defined benefit pension plans, which do not meet the definition of a financial asset or liability. The net pension asset is shown on the Balance Sheet under Other Long Term Assets at 31 March 2023 and at 31 March 2022. Further information can be found in note 36. The long-term figure includes the asset and liability relating to the settlement of the Grenfell compensation claims.

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:

	2022/23				2021/22			
	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	7,854	7,854	0	0	8,943	8,943
Interest and investment income in CIES	(817)	(1,631)	0	(2,448)	(240)	(67)	0	(307)
Losses on revaluation	0	1,545	0	1,545	0	914	0	914
Net (gain) / loss for the year	(817)	(86)	7,854	6,951	(240)	847	8,943	9,550

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 (financial assets) which are carried at Fair Value through Profit and Loss.

Notes to the Balance Sheet

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 2023, 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 2023		31 March 2022	
		Fair Value	Carrying Amount	Fair Value	Carrying Amount
		£'000	£'000	£'000	£'000
PWLB loans	2	(179,554)	(231,587)	(245,101)	(236,748)
Fair value deemed equivalent to carrying amount			(291,288)		(316,094)
		(179,554)	(522,875)	(245,101)	(552,842)

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

Notes to the Balance Sheet

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

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

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

The Council's Annual Treasury Management Strategy Statement 2022/23 can be found on the Council's website. See Full Council committee meeting documents for 2 March 2022:

<https://rbkc.moderngov.co.uk/Committees/CeListDocuments.aspx?CommitteeId=175&MeetingId=1173&DF=02%2f03%2f2022&Ver=2>

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:

	Credit Rating	2022/23	2021/22
		£'000	£'000
Other local authorities	UNRATED	10,000	0
Money Market Funds	AAA	12,700	55,860
Banks	A+ or above	0	45,000
Investment Grade Bond Fund	UNRATED	22,540	24,086
Total		45,240	124,946

All investments as at 31 March 2023 are with UK domiciliary institutions.

Notes to the Balance Sheet

Loss allowances are calculated on the Council's investments based on externally assessed risk of default by individual counterparties. In 2022/23 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.

The Council does not have any significant loans with other organisations.

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

Borrower	Exposure Type	Loan	ECL	Risk	Loan	ECL	Risk
		2022/23			2021/22		
		£'000	£'000	£'000	£'000	£'000	£'000
GLL	Loan at zero rate	0	0	0	366	(210)	0
GLL	Loan Commitment	0	0	0	0	0	0
Total		0	0	0	366	(210)	0

Liquidity risk

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

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

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

At 31 March 2023, the Council had £45.270 million (£124.946 million in 2021/22) invested externally which was due to be paid back in less than a year, and could borrow a further £304.008 million (£252.452 million in 2021/22) from the PWLB to finance its capital programme.

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

Notes to the Balance Sheet

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

Maturity Period	2022/23		2021/22	
	Principal £'000	Interest £'000	Principal £'000	Interest £'000
Maturing in under one year	9	7,613	5,009	8,001
Maturing between one and two years	12,709	7,613	9	7,613
Maturing between two and five years	13,026	19,710	22,728	20,898
Maturing between five and ten years	22,525	29,085	25,527	30,220
Maturing between ten and 20 years	55,047	47,980	30,047	48,877
Maturing between 20 and 30 years	90,047	25,016	90,047	29,408
Maturing after 30 years	35,865	4,090	60,870	4,090
Total	229,228	141,107	234,237	149,107

Market Risk

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

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

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

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

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

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

The Council has several strategies for managing interest rate risk. The Council forecasts its expected interest rate movements within the Treasury Management Strategy. The Prudential indicators include a maximum and minimum indicator for fixed and variable interest rate exposure and monitors the actual levels periodically.

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

Notes to the Balance Sheet

	£'000
Increase in interest receivable on variable rate investments	<u>(1,486)</u>
Impact on CIES	<u>(1,486)</u>
Share of overall impact debited to the HRA	<u>555</u>
Decrease in fair value of fixed rate borrowing liabilities	<u>(19,420)</u>

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 2022/23, the Council paid £5.484 million (£5.392 million in 2021/22) to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. Contributions of £0.183 million were payable at the year-end.

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

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

36. Defined benefit pension schemes

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

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

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

Notes to the Balance Sheet

Transactions made in the CIES	2022/23	2021/22	2022/23	2021/22
	RBKC Pension Scheme	RBKC Pension Scheme	LPFA Pension Scheme	LPFA Pension Scheme
	£'000	£'000	£'000	£'000
<u>Service cost comprising:</u>				
- Current service cost	55,071	56,787	38	10
- Past service costs	410	644	0	0
- (Gain) / loss on settlements	0	0	0	0
<u>Financing and Investment Income and Expenditure:</u>				
- Net interest expense / (gain)	(1,576)	2,573	(91)	23
- Administration expenses	958	871	10	40
Post Employment Benefits charged to the (Surplus)/Deficit on Services in the CIES	54,863	60,875	(43)	73
<u>Remeasurement of the net defined benefit liability / asset comprising:</u>				
- Return on plan assets	86,111	(208,995)	(76)	(3,954)
- Actuarial gains and losses arising on changes in demographic assumptions	(23,539)	(36,052)	(881)	0
- Actuarial gains and losses arising on change in financial assumptions	(553,518)	(94,540)	(7,746)	(764)
- Experience (gain) / loss	86,971	111,735	1,231	71
- Changes in effect of asset ceiling / Other (gains) / losses	(226)	(239)	9,846	0
Total Post Employment Benefits charged to Other Income and Expenditure in the CIES	(404,201)	(228,091)	2,374	(4,647)
Total Post Employment Benefits charged to the CIES	(349,338)	(167,216)	2,331	(4,574)

Transactions made in the MIRS	2022/23	2021/22	2022/23	2021/22
	RBKC Pension Scheme	RBKC Pension Scheme	LPFA Pension Scheme	LPFA Pension Scheme
	£'000	£'000	£'000	£'000
Reversal of net IAS 19 charges	(54,863)	(60,875)	43	(73)
Actual amount charged to GF/HRA	19,859	18,084	135	135

Notes to the Balance Sheet

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

	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Pension Assets and Liabilities recognised in the Balance Sheet	RBKC Pension Scheme		LPFA Pension Scheme	
	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(1,054,196)	(1,471,627)	(21,372)	(29,388)
Fair value of plan assets	1,502,201	1,551,022	33,468	34,091
Sub-total	448,005	79,395	12,096	4,703
Present value of unfunded obligation	(2,339)	(2,926)	(1,000)	(1,285)
Impact of asset ceiling	0	0	(9,874)	0
Net (liability)/asset arising from defined benefit obligation	445,666	76,469	1,222	3,418

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.

The net defined benefit liability as at 31 March 2023 is negative i.e. an asset. IAS 19 and IFRIC 14 guidelines require this asset to be recognised up to the level of the asset ceiling. Further to the asset ceiling calculations provided by the actuaries, the Council's has determined that:

- no restrictions apply to the amount disclosed in the Balance Sheet for the RBKC Pension Scheme,
- the LPFA net defined benefit asset of £11.096m should be adjusted to the asset ceiling value of £1.222m. This has the effect of a £9.874m reduction in the pension reserve and an increase the pension scheme obligations of the same value.

Reconciliation of Present Value of Scheme Liabilities	31 March	31 March	31 March	31 March
	2023	2022	2023	2022
	RBKC Pension Scheme		LPFA Pension Scheme	
	£'000	£'000	£'000	£'000
Opening balance at 1 April	(1,474,553)	(1,508,875)	(30,673)	(32,371)
Current service cost	(55,071)	(56,787)	(38)	(10)
Administration expenses*	(958)	(871)		
Interest cost	(40,212)	(30,474)	(775)	(600)
Change in financial assumptions	553,518	94,540	7,746	764
Change in demographic assumptions	23,539	36,052	881	0
Experience (loss) / gain	(86,971)	(33,873)	(1,231)	(71)
Liabilities assumed / (extinguished) on settlements	0	0	0	0
Estimated benefits paid net of transfers in	33,303	34,191	1,614	1,488
Past service costs and curtailments	(410)	(644)	0	0
Contributions - scheme participants	(8,946)	(8,051)	(6)	(1)
Unfunded pension payments	226	239	110	128
Closing balance at 31 March	(1,056,535)	(1,474,553)	(22,372)	(30,673)

Notes to the Balance Sheet

Reconciliation of Movement in the Fair Value of Scheme Assets	31 March	31 March	31 March	31 March
	2023	2022	2023	2022
	RBKC Pension Scheme		LPFA Pension Scheme	
	£'000	£'000	£'000	£'000
Opening balance at 1 April	1,551,022	1,400,044	34,091	31,080
Interest on assets	41,788	27,901	866	577
Return on assets less interest	(86,111)	208,995	76	3,954
Administration expenses*			(10)	(40)
Contributions - employer	19,859	18,084	135	135
Contributions - scheme participants	8,946	8,051	6	1
Estimated benefits paid plus unfunded net of transfers in	(33,303)	(34,191)	(1,724)	(1,616)
Other experience gains / (losses)	0	(77,862)	28	0
Settlement prices received / (paid)	0	0	0	0
Closing balance at 31 March	1,502,201	1,551,022	33,468	34,091

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

The below table shows the fair value of scheme assets. The LGPS scheme includes UK equities and property assets of £256.031 million (£210.163 million at 31 March 2022) that do not have a quoted market price in an active market.

	31 March 2023		31 March 2022		31 March 2023		31 March 2022	
	RBKC Pension Scheme				LPFA Pension Scheme			
	£'000	%	£'000	%	£'000	%	£'000	%
Equities	1,233,684	82	1,170,844	76	18,940	56	18,928	56
Property	137,876	9	94,307	6	3,240	10	3,053	9
Cash and equivalents	130,641	9	285,871	18	643	2	1,135	3
Target return portfolio	0	0	0	0	6,384	19	7,490	22
Infrastructure	0	0	0	0	4,261	13	3,485	10
Total	1,502,201	100	1,551,022	100	33,468	100	34,091	100

Basis for estimating assets and liabilities

The Council has engaged the services of Hymans Robertson LLP to assess the Local Government Pension Scheme assets and liabilities as at 31 March 2023. The LPFA Pension Scheme continues to use Barnett Waddingham LLP.

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

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

Notes to the Balance Sheet

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.

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

Demographic / statistical assumptions

Life expectancy data is based on the Continuous Mortality Investigation's model, CMI 2021.

The average life expectations from age 65 for LGPS are:

Life expectancy in years	31 March 2023 (after CMI_2021 update)	31 March 2022 (after CMI_2020 update)	31 March 2021 (after CMI_2020 update)
Retiring today			
- Males	22.1	22.4	21.6
- Females	24.7	24.9	24.3
Retiring in 20 years			
- Males	23.0	23.3	22.9
- Females	25.9	26.1	25.7

The assumed life expectations from age 65 for LPFA are:

Life expectancy in years	31 March 2023 (after CMI_2021 update)	31 March 2022 (after CMI_2020 update)	31 March 2021 (after CMI_2020 update)
Retiring today			
- Males	21.1	21.8	21.7
- Females	23.6	24.0	24.0
Retiring in 20 years			
- Males	22.1	23.2	23.1
- Females	25.5	26.0	25.9

Financial assumptions

The financial assumptions used are set with reference to market conditions at 31 March 2023.

	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	RBKC		LPFA	
Discount rate (% p.a.)	4.75	2.70	4.80	2.60
Pension increases (% p.a.)	2.95	3.20	2.90	3.40
Salary increases (% p.a.)	3.95	4.20	3.90	4.40

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

Notes to the Balance Sheet

major assumptions occurring at 31 March 2023 and assumes for each change that the assumption varied while all the other assumptions remain constant.

RBKC Pension Scheme	Approximate % increase	Approximate monetary	
	in liability	amount	
	%	£'000	
0.1% decrease in real discount rate	2	18,364	
1 year increase in member life expectancy	4	42,261	
0.1% increase in the salary increase rate	0	1,522	
0.1% increase in the pension increase rate (CPI)	2	17,115	

LPFA Pension Scheme	Increase	No change	Decrease
	£'000	£'000	£'000
Life expectancy (increase or decrease of 1 year):			
- Present value of total obligation	23,685	22,372	21,136
- Projected service cost	24	24	23
Long term increase in salaries (increase or decrease of 0.1%)			
- Present value of total obligation	22,373	22,372	22,371
- Projected service cost	24	24	24
Increase in pensions (increase or decrease of 0.1%)			
- Present value of total obligation	22,594	22,372	22,154
- Projected service cost	24	24	24
Adjustment to discount rate (increase or decrease of 0.1%)			
- Present value of total obligation	22,157	22,372	22,591
- Projected service cost	23	24	24

The last triennial actuarial valuation, as at 31 March 2022, indicated that the RBKC Pension Fund was 154% funded, with a whole fund primary employer contribution rate of 15.0%. The funding level is estimated to be approximately 150% at 31 March 2025 (128% at 31 March 2021).

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

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

Projected as at:	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	RBKC Pension Scheme		LPFA Pension Scheme	
	£'000	£'000	£'000	£'000
Projected current service cost	23,740	52,071	24	10
Net interest (gain)/cost	(20,806)	(1,611)	(536)	(90)
Administration expenses	958	891	10	44
Total loss / (profit)	3,892	51,351	(502)	(36)
Projected employer contributions	8,979	17,932	13	6

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

Impact of the McCloud and Sargeant transitional protection pensions ruling

The above disclosures include an allowance to reflect the Court of Appeal judgement in respect of the McCloud and Sargeant cases which relate to age discrimination within the Judicial and Fire Pension schemes, respectively. The remedy to resolve the McCloud case is yet to be formalised in regulations. In their letter dated March 2022, DLUHC directed Pension Funds to include an allowance for this expected benefit change at the 2022 valuation. However, this allowance was already incorporated by the Council into the accounting results as at 31 March 2019. We do not believe there are any material differences between the approach underlying our estimated allowance and the proposed remedy.

Guaranteed Minimum Pension (GMP) Equalisation

As a result of the High Court's Lloyds ruling on the equalisation of GMP between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities.

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016.

The valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that the Fund will be required to pay the entire inflationary increase. Therefore we have not made any adjustments to the value placed on the liabilities as a result of the above outcome.

Goodwin case

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

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

Notes to the Balance Sheet

- Longevity risk: If the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

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

37. Leases

The Council as Lessee

Assets acquired under finance leases were held as PPE (Other Land and Buildings) in the Balance Sheet at £1.200 million as at 31 March 2023 (£0.825 million 31 March 2022).

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

	31 March 2023	31 March 2022
	£'000	£'000
Not later than one year	19	73
Later than one year and not later than five years	16	98
Later than five years	72	62
Total minimum lease payments	107	233

Minimum lease payments of £0.110 million were charged to the CIES in 2022/23 (£0.102 million in 2021/22).

The Council as Lessor

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

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

Operating Leases

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

Notes to the Balance Sheet

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

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

	31 March 2023	31 March 2022
	£'000	£'000
Not later than one year	12,591	13,775
Later than one year and not later than five years	45,239	42,386
Later than five years	113,503	135,736
Total future minimum lease payments	171,333	191,897

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

Changes to accounting standards: IFRS 16 Leases

The implementation of IFRS 16 Leases in the Code has been deferred until the 2024/25 financial year. This aligns with the decision at the Government's Financial Reporting Advisory Board to establish a new effective date of 1 April 2024 for the implementation of IFRS 16.

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

SCIENCE MUSEUM

Notes to the Cash Flow Statement

SCIENCE MUSEUM

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Notes to the Cash Flow Statement

38. Cash Flow Statement - Operating Activities

	2022/23	2021/22
	£'000	£'000
Net Surplus / (Deficit) on the Provision of Services	(122,856)	(123,888)
Remove non-cash movements		
Depreciation and amortisation	17,371	15,837
Impairment and downward revaluations	109,375	48,307
Increase / (decrease) in creditors	(81,795)	(78,017)
(Increase) / decrease in debtors	(27,575)	(16,291)
Increase / (decrease) in provisions	0	67,811
Movement in pension liability	34,826	42,729
Carrying amount of non-current assets and assets held for sale, sold or derecognised	514	334
Other non-cash items	8,539	12,056
Sub-total	61,255	92,766
Adjust for items that are investing and financing activities		
Proceeds from the sale of non-current assets	(8,883)	(4,032)
Grants for the financing of capital expenditure	(9,371)	(17,732)
Sub-total	(18,254)	(21,764)
Net cash flows from revenue activities	(79,855)	(52,886)

39. Cash Flow Statement - Investing Activities

	2022/23	2021/22
	£'000	£'000
Purchase of non-current assets	(128,401)	(93,140)
(Purchase) / disposal of short-term and long-term investments	35,000	12,500
Other (payments) / receipts for investing activities	0	0
Proceeds from the sale of non-current assets	8,883	4,032
Capital grants and contributions received	56,113	41,733
Net cash flows from investing activities	(28,405)	(34,875)

40. Cash Flow Statement - Financing Activities

	2022/23	2021/22
	£'000	£'000
Cash receipts / (repayments) of borrowing	(5,009)	(18,009)
Cash receipts / (repayments) of other liabilities	(32,299)	4,657
Collection Fund adjustments	104,058	88,072
Net cash flows from financing activities	66,750	74,720

Notes to the Cash Flow Statement

41. Cash and cash equivalents

The Council held the following cash and cash equivalent balances at 31 March 2023.

	31 March 2023	31 March 2022
	£'000	£'000
Cash held by the Council	1,121	334
Bank current accounts	11,321	10,496
Short-term deposits	12,766	55,888
Total cash and cash equivalents	25,208	66,718

1. General Principles

The Statement of Accounts summarises the Council's financial transactions for the 2022/23 financial year and its position at 31 March 2023. 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 2022/23 (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 £10k 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 that an 'annuity' approach is used for calculating repayments. This ensures payments are spread equally over the life of the asset, which matches more closely the value the council gets from the asset, than loading payments in the early years of the asset life as would happen under the equal instalment method. It is also considered that this option is more cost effective as provision is not required until the year following actual capital expenditure.
- for assets acquired to rehouse families affected by the Grenfell Tower fire, a direction has been given by the Secretary of State to hold these properties within the GF, rather than the HRA. In line with the treatment of HRA assets, nil MRP will be made for those properties that are transferred to the HRA. Any properties retained within the General Fund will be subject to MRP provision up to the time of transfer to the HRA. Until 31 March 2022, such properties held in the GF were subject to nil MRP. The policy was changed to meet the requirements of statutory guidance which would require a compensatory charge from the HRA to the Major Repairs Reserve if the properties had been part of the HRA. The impact of this change is that the MRP charge for these properties in the GF was £1.744m in 2022/23 whereas under the previous policy the MRP charge would be nil.

5. Community Infrastructure Levy (CIL)

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

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

6. Collection Fund – council tax and business rates

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

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

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

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

7. Employee benefits

Benefits payable during employment

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

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

Termination benefits

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

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

Post-Employment Benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE); or

Accounting Policies

- The Local Government Pension Scheme (LGPS), which was brought in-house and now administered by RBKC for most staff, and for a relatively small number, by the London Pension Fund Authority.

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

The Local Government Pension Scheme

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

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

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

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

Service cost, comprising:

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

Re-measurements, comprising:

- Return on plan assets: investment returns, excluding amounts included in net interest on the net defined benefit liability (asset); debited to the Pensions Reserve
- Actuarial gains and losses: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions; debited to the Pensions Reserve
- Contributions paid to the Kensington and Chelsea Pension Fund: cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

8. Events after the Balance Sheet date

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

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

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

9. Fair value measurement

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

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

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

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

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

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

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

10. Financial instruments

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

Accounting Policies

- loans to other local authorities and commercial banks
- loans to other organisations
- trade receivables
- Fair value through profit or loss (FVPL)
 - money market funds.

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

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

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

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

Expected Credit Loss (ECL) model

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

11. Government grants and contributions

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

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

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that must be met by the recipient as specified or the grant must be repaid. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant income (non-ring-fenced revenue grants and all capital grants) in the CIES.

Accounting Policies

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

12. Heritage assets

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

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

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

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

13. Intangible assets

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

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

15. Investment properties

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

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

16. Leases

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

The Council as Lessee

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

Lease payments are apportioned between:

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

Accounting Policies

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

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

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.

Operating Leases

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

17. Overheads and support services

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

18. Property, plant, and equipment (PPE)

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

Accounting Policies

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

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

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

Subsequent changes in value

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

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

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

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

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

The significant assumptions applied in estimating the fair values are:

- 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

Accounting Policies

- In relation to Council dwellings, the valuation takes account of plant and machinery normally associated with valuation of land and buildings, including mains services, heating and permanent structures and other relevant installations.

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

Impairment

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

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

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

Depreciation

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

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

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

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

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

Componentisation of valuations

Where beneficial to the accuracy of the accounts the Council may opt to recognise each of the component parts of a material asset. This may be necessary to reflect the fact that some

Accounting Policies

components may have an appreciably shorter useful life than the wider asset and will therefore need replacing sooner.

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

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

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

Disposals and non-current assets held for sale

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the MIRS.

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

Accounting Policies

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

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

Assets under construction

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

Schools

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

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

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

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

Schools' non-current assets (school buildings and playing fields) are recognised on the Council's Balance Sheet where the Council directly owns the assets, where the Council holds the balance of control of the assets or where the school or the school governing body owns the assets or have had rights to use the assets transferred to them through licence arrangement.

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

The written off asset value is not charged against the GF, as the cost of non-current asset disposal resulting from schools transferring to an Academy is fully provided for under separate

arrangements for capital financing. Amounts are appropriated to the CAA from the GF balance in the MIRS.

19. Provisions, contingent liabilities and contingent assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

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

Expenditure incurred during the year that may be capitalised under statutory provisions, but that does not result in the creation of a non-current asset, has been charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of

this expenditure from existing capital resources or by borrowing, a transfer in the MIRS from the GF Balance to the CAA then reverses out the amounts charged so that there is no impact on the level of council tax.

21. Revenue from service contracts

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

22. Reserves

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

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

23. Rounding

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

24. VAT

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

A photograph of a wooden playground with a sandpit and trees with autumn foliage. The playground features various wooden structures, including a sandpit, a climbing structure, and a slide. The ground is covered in fallen leaves, and the sky is overcast. The text "Supplementary Financial Statements" is overlaid in the center of the image.

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 2023	31 March 2022
	£'000	£'000
Expenditure		
Repairs and maintenance	15,064	14,590
Supervision and management	36,908	33,638
Rents, rates, taxes and other charges	511	383
Dwellings Depreciation	3,617	3,268
Depreciation of other non current assets	351	323
(Gains) / Losses as a result of revaluation or impairment	63,303	38,090
Debt Management Costs	52	52
Total Expenditure	119,806	90,344
Income		
Dwelling rents	(44,475)	(42,630)
Non-dwelling rents	(622)	(642)
Charges for services and facilities	(13,606)	(12,496)
Contributions towards expenditure	(15)	(7)
Total Income	(58,718)	(55,775)
Net Cost of HRA Services as included in the CIES	61,088	34,569
HRA service share of Corporate and Democratic Core	0	0
Net (Income) / Cost for HRA Services	61,088	34,569
HRA share of operating income and expenditure included in the CIES		
(Gain) or loss on sale of HRA non-current assets	(8,139)	(3,569)
Interest payable and similar charges	4,819	6,903
Movement in Expected Credit Loss (ECL) impairment provision	(687)	1,229
Interest and net investment income	(856)	(62)
Changes to fair value of investment properties	(306)	4,269
Income and expenditure relating to investment properties	(3,517)	(3,649)
Capital grants and contributions receivable	(210)	(3,289)
HRA share of operating income and expenditure	(8,896)	1,832
(Surplus) or deficit for the year on HRA services	52,192	36,401

Housing Revenue Account and Notes

Movement on the HRA Statement	31 March 2023	31 March 2022
HRA balance at the end of the previous year	(4,999)	(8,436)
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	52,192	36,401
Adjustments between accounting basis and funding basis under statute		
Reversal of gain or (loss) on sale of HRA non-current assets	8,139	3,569
Reversal of revaluation losses	(63,303)	(38,090)
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HR requirements	(8,338)	(9,853)
Transfer to / (from) Major Repairs Reserve	11,310	11,410
Net (increase) or decrease before transfers to or from earmarked reserves	0	3,437
Transfers to / (from) reserves		
HRA Controlled Repairs Reserve	0	0
(Increase) or decrease in year on the HRA	0	3,437
HRA balance at the end of the year	(4,999)	(4,999)
HRA general balance	(4,999)	(4,999)
HRA earmarked reserves	(988)	(988)
Total HRA reserves at the end of the year	(5,987)	(5,987)

1. Value of assets held on the Balance Sheet

	31 March 2023	31 March 2022
	£'000	£'000
Council dwellings	827,260	809,189
Intangible assets	352	0
Other land and buildings	13,692	13,894
Assets under construction	523	523
Investment properties	41,996	46,545
Plant, Furniture and Equipment	107	0
Total	883,930	870,151

Housing Revenue Account and Notes

2. Number and types of dwelling

Archetype description	1 April 2023	1 April 2022	Movement
Houses Semi Detached <1945	1	1	0
Houses Other <1945	54	54	0
Houses SD/Large Terraced 1945-1964	7	7	0
Houses 1965-1974	10	10	0
Houses >1974	65	65	0
Bungalows	11	11	0
Low-Rise Flats <1945	212	212	0
Low-Rise Flats >1945	187	187	0
Medium	3,599	3,608	(9)
High Rise	2,507	2,511	(4)
Multi-Occupancy	47	47	0
Total	6,700	6,713	(13)

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 2023 the vacant possession value of dwellings within the HRA was £3,309.040 million (£3,236.756 million as at 31 March 2022). The difference of £2,481.780 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

	2022/23	2021/22
	£'000	£'000
Capital expenditure		
- dwellings	59,632	35,058
- assets under construction	107	0
	59,739	35,058
Funded by:		
Usable capital receipts	(47,202)	(14,981)
Capital grants and contributions	(1,078)	(6,217)
Major Repairs Reserve	(11,250)	(11,410)
Borrowing	0	(2,450)
Revenue Contribution	(209)	0
	(59,739)	(35,058)

Housing Revenue Account and Notes

6. Capital Receipts in Year

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

	2022/23	2021/22
	£'000	£'000
Dwellings (net of sale expenses)	(3,549)	(2,573)
Other property	(5,079)	(1,328)
Total	(8,628)	(3,901)

7. Cost of Borrowing

The HRA paid interest on borrowing of £5.043 million during 2022/23 (£6.569 million in 2021/22).

8. Rent Arrears and Provision for Expected Credit Loss

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

Tenant Arrears	2022/23	2021/22
	£'000	£'000
Gross arrears	4,421	4,080
Net arrears (including credit balances)		
- Former tenants	1,204	1,163
- Current tenants	224	(248)
Net arrears at 31 March	1,428	915

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

Other Arrears	2022/23	2021/22
	£'000	£'000
Gross arrears	4,891	6,046
Net arrears (including credit balances)		
- Leaseholder charges	3,514	4,036
- Commercial properties	720	1,387
Net arrears at 31 March	4,234	5,423

The total provision included in the Balance Sheet in respect of all HRA ECL is £3.833 million (£4.823 million at 31 March 2022).

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.

	2022/23				2021/22			
	BRS £'000	NNDR £'000	Council Tax £'000	Total £'000	BRS £'000	NNDR £'000	Council Tax £'000	Total £'000
Income								
Council Tax Receivable	0	0	(135,691)	(135,691)	0	0	(131,130)	(131,130)
Business Rates Receivable	0	(280,239)	0	(280,239)	0	(214,419)	0	(214,419)
Business Rates Supplement (BRS)	(9,238)	0	0	(9,238)	(5,142)	0	0	(5,142)
Transactional Protection Payments	0	1,119	0	1,119	0	1,820	0	1,820
	(9,238)	(279,120)	(135,691)	(424,049)	(5,142)	(212,599)	(131,130)	(348,871)
Expenditure								
Precepts, Demands and Shares								
Central Government	0	97,574	0	97,574	0	115,766	0	115,766
Greater London Authority	0	109,401	38,483	147,884	0	129,798	35,275	165,073
Billing Authority	0	88,704	95,977	184,681	0	105,241	93,831	199,072
	0	295,679	134,460	430,139	0	350,805	129,106	479,911
Apportionment of Prior Year Surplus / (Deficit)								
Central Government	0	(54,062)	0	(54,062)	0	(78,286)	0	(78,286)
Greater London Authority	0	(60,615)	(990)	(61,605)	0	(87,836)	(879)	(88,715)
Billing Authority	0	(49,147)	(2,710)	(51,857)	0	(69,682)	(2,440)	(72,122)
	0	(163,824)	(3,700)	(167,524)	0	(235,804)	(3,319)	(239,123)
BRS - Payment to Levying authorities	9,192	0	0	9,192	5,329	0	0	5,329
Charges to Collection Fund								
Increase / (Decrease) in Impairment	27	(81)	1,725	1,671	(206)	(1,489)	(1,664)	(3,359)
Increase / (Decrease) in Provision for Appeals	0	17,275	0	17,275	0	(12,061)	0	(12,061)
Cost of Collection	19	626	0	645	19	632	0	651
	46	17,820	1,725	19,591	(187)	(12,918)	(1,664)	(14,769)
(Surplus) / Deficit arising during the year	0	(129,445)	(3,206)	(132,651)	0	(110,516)	(7,007)	(117,523)
(Surplus) / Deficit at start of year	0	169,974	2,533	172,507	0	280,490	9,540	290,030
(Surplus) / Deficit at end of year	0	40,529	(673)	39,856	0	169,974	2,533	172,507

Collection Fund Account and Notes

1. Council Tax

In 2022/23, the tax base for the Council was 97,280 properties (97,001 in 2021/22) which was used to calculate the Band D council tax of £1,364.47 (£1,313.60 in 2021/22), excluding Garden Squares. This includes the GLA Band D precept of £395.59 (£363.66 in 2021/22).

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 Dwellings		Band Ratio	Band D Equivalent No.	
	£	£	2022/23	2021/22		2022/23	2021/22
A	up to	40,000	773	606	0.67	515	404
B	40,001	52,000	1,671	1,142	0.78	1,300	888
C	52,001	68,000	5,414	4,865	0.89	4,812	4,324
D	68,001	88,000	8,814	8,701	1.00	8,814	8,701
E	88,001	120,000	9,892	10,091	1.22	12,090	12,333
F	120,001	160,000	9,658	9,918	1.44	13,950	14,326
G	160,001	320,000	17,287	17,486	1.67	28,812	29,143
H	320,001	and above	14,612	14,556	2.00	29,224	29,112
			68,121	67,365		99,518	99,232
					Collection rate after allowance for non-collection	97.75%	97.75%
					Council Tax base used to calculate Band D	97,280	97,001

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 2017 Revaluation, the Non-Domestic Rateable Value was £758 million at 31 March 2023 (£777 million at 31 March 2022). The standard NDR multiplier for 2022/23 and 2021/22 was 51.2 pence. The Small Business Rate Relief multiplier for 2022/23 and 2021/22 was 49.9 pence.

The Government continued its Expanded Retail Discount for retail properties but the relief has been reduced to 50% and capped 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 £0.070 million multiplied by the designated rate poundage. The total amount, less reliefs and deductions, is paid to the Greater London Authority on whose behalf it is collected.

Collection Fund Account and Notes

The Business Rate Supplement Rateable Value at 31 March 2023 was £611 million (£629 million at 31 March 2022). The standard BRS multiplier for 2022/23 was 2 pence, unchanged from previous years.

4. Debtors for Local Taxation

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

	Long Term		Current	
	2022/23	2021/22	2022/23	2021/22
	£'000	£'000	£'000	£'000
Council tax arrears	7,800	7,296	5,161	5,308
Business rates arrears	9,630	8,860	5,636	8,312
Gross tax payers arrears at 31 March	17,430	16,156	10,797	13,620
Council tax prepayments	(6,170)	(5,597)	(7,553)	(5,813)
Business rates prepayments	(3,730)	(3,312)	(4,178)	(2,576)
Gross tax payers prepayments at 31 March	(9,900)	(8,909)	(11,731)	(8,389)
Net taxpayers arrears at 31 March	7,530	7,247	(934)	5,231
<u>Allowance for bad debts</u>				
Council tax	(6,710)	(6,679)	(2,735)	(2,539)
Business rates	(8,638)	(8,098)	(3,224)	(3,749)
Total taxpayers bad debt allowance	(15,348)	(14,777)	(5,959)	(6,288)

5. Apportionment of Balance Sheet items

	2022/23				2021/22			
	RBKC	GLA	Govt.	Total	RBKC	GLA	Govt.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Council Tax</u>								
Debtors	12,961	5,581	0	18,542	12,064	5,054	0	17,118
Bad debt allowance	(9,445)	(4,067)	0	(13,512)	(9,218)	(3,696)	0	(12,914)
Prepayments and overpayments	(13,723)	(5,910)	0	(19,633)	(11,410)	(4,575)	0	(15,985)
(Surplus) / Deficit at 31 March	(424)	(249)	0	(673)	1,930	602	0	2,532
<u>Business Rates</u>								
Debtors	15,266	18,829	16,793	50,888	17,172	21,179	18,889	57,240
Bad debt allowance	(11,862)	(14,630)	(13,048)	(39,540)	(11,846)	(14,611)	(13,031)	(39,488)
Prepayments and overpayments	(7,908)	(9,753)	(8,699)	(26,360)	(5,889)	(7,263)	(6,477)	(19,629)
Provision for appeals	(20,916)	(25,796)	(23,007)	(69,719)	(15,733)	(19,404)	(17,307)	(52,444)
(Surplus) / Deficit at 31 March	12,159	14,997	13,373	40,529	50,992	62,892	56,090	169,974

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

Opinion on financial statements

We have audited the financial statements of Royal Borough of Kensington and Chelsea Pension Fund (the 'Pension Fund') administered by Royal Borough of Kensington and Chelsea (the 'Authority') for the year ended 31 March 2023 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23.

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 2023 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 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

In our evaluation of the Executive Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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

Independent Auditor's Report on the Pension Fund

the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

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

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

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

Other information

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

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

We have nothing to report in this regard.

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

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

Matters on which we are required to report by exception

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

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

Independent Auditor's Report on the Pension Fund

- 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, the Executive Director of Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Resources. The Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice

Independent Auditor's Report on the Pension Fund

on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).

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

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

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

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

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

Our audit procedures involved:

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

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

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, the significant

Independent Auditor's Report on the Pension Fund

accounting estimates related to the valuation of level 3 investments, including directly held investments in property, and the Actuarial Present Value of Promised Retirement Benefits.

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

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

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

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

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

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Paul Cuttle, Key Audit Partner

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

London

20 March 2024

Pension Fund Account and Notes

Fund Account	Note	2022/23	2021/22
		£000	£000
Dealings with members, employers and others directly involved in the fund			
Contributions	7	(31,867)	(29,103)
Individual transfer in from other pension funds		(7,420)	(6,532)
		(39,287)	(35,635)
Benefits	8	36,464	34,775
Payments to and on account of leavers			
- Refunds to members leaving service		131	107
- Individual transfers out to other pension funds		6,558	6,809
- Payments in respect of tax		0	0
Other expenditure		0	163
		43,153	41,854
Net (additions)/withdrawals from dealing with members		3,866	6,219
Management expenses	9	5,928	6,010
Net (additions) / withdrawals including fund management expenses		9,794	12,229
Returns on Investments:			
Investment income	10	(8,650)	(4,433)
Other income		(37)	(238)
Profit and losses on disposal of investments and changes in market value of investments	11	45,871	(157,151)
Taxes on income	10	0	0
Net return on investments		37,184	(161,822)
Net (increase) / decrease in the net assets available for benefits during the year		46,978	(149,593)
Opening net assets of the scheme		(1,630,844)	(1,481,251)
Closing net assets of the scheme		(1,583,866)	(1,630,844)

Net Assets Statement	Note	31 March 2023	31 March 2022
		£'000	£'000
Investment assets	12	1,578,508	1,626,949
Current assets	21	8,815	6,290
Current liabilities	22	(3,387)	(2,325)
Long-term liabilities		(70)	(70)
		1,583,866	1,630,844

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:

	2022/23	2021/22
Active members	3,902	4,030
Pensioners receiving benefits	3,602	3,481
Deferred pensioners*	5,661	5,345
Total	13,165	12,856

*In 2022/23, there were an additional 74 leavers (58 in 2021/22) who had not yet decided whether to defer their pension or to obtain a refund.

(c) Funding

The Fund is financed by employee and employer contributions and from interest and dividends on the Fund’s investments. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employer contributions are set based on the triennial actuarial funding valuation (see note 20) and the current contribution rates range from 16.1% to 25.2% of pensionable pay.

(d) Benefits

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

(e) Governance

Investment Committee

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

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

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

Local Pension Board

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

(f) Investment Policy

In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the Committee approved an Investment Strategy on 4 July 2022 (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 seven 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 2022/23 and its position at the year-end as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (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).

It is recognised that the current environment gives rise to a risk of uncertainty and volatility in investment markets and the Fund has reviewed fund managers assessments and no material uncertainty has been identified. The Fund continues to monitor cashflows and invests in a diverse range of investment vehicles including availability to liquid assets.

Going Concern

The LGPS is a statutory, state backed scheme and as at March 2023 was 178% funded on a conservative basis and backed by an administering authority with tax raising powers. As such, the Pension Fund Accounts have been prepared on a going concern basis, with the assumption that the functions of the Council will continue in operational existence for the foreseeable future.

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

3. Summary of significant accounting policies

Fund Account – revenue recognition

(a) Contribution Income

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

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

Employer's augmentation and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as a current financial asset.

(b) Transfers to and from other schemes

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

Pension Fund Account and Notes

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.

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

Pension fund management expenses are accounted for in accordance with the CIPFA guidance "Accounting for Local Government Pension Scheme Management Costs 2016".

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.

Pension Fund Account and Notes

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

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

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

Net Assets statement

(g) Financial Assets

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

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

(h) Foreign Currency Transactions

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

(i) Cash and Cash Equivalents

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

(j) Financial Liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

(k) Actuarial present value of promised retirement benefits

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

(l) Additional Voluntary Contributions

Members of the Fund may choose to make Additional Voluntary Contributions (AVC) into a separate scheme run by Prudential Assurance to obtain additional pensions benefits. The company is responsible for providing the investors with an annual statement showing their holding and movements in the year. AVC are not included within the accounts in accordance

with Regulation 4 (2)(b) of the LGPS (Management and Investment of Funds) Regulations 2016. They are disclosed in note 23.

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

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

The items in the Net Asset Statement as at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

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 £19 million.
- a 0.1% increase in assumed earnings would increase the liabilities by approximately £2 million.
- a one-year increase in assumed life expectancy would increase the liability by approximately £44 million.

Present Value of Promised Retirement Benefits comprise of £1,303 million as at 31 March 2023, (2021/22: £1,553 million). 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 is unavoidably subjective. The valuations are based on forward-looking estimates and judgements involving many factors. Unquoted private equity assets are valued by the investment managers in accordance with industry standards.

The value of private equity investments at the balance sheet date was £124.0 million (£121.4 million on 31 March 2022). If these assets are under or over valued by 14.7%, this would affect the overall value of the fund by £18.2 million. Further sensitivities of level 3 assets are detailed in note 16. Management have taken the valuations of the Fund Manager (Adams Street) which

Pension Fund Account and Notes

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 2022 rolled forward to 31 March 2023 with a market value adjustment.

Property Investments

As at the date of valuation and at the time this report was drafted, there are several negative factors recognised as influencing real estate markets:

- Global Activity – The wider global economy continues to face challenges that cumulatively contribute to cost inflation, interest rate changes and consumer confidence thereby resulting in a more volatile transactional market. Issues in the banking and financial services sectors may prove to exacerbate an already volatile situation.
- Market Activity - Real estate markets can mostly be described as functioning but there is reduced transaction activity and the sentiment of buyers and sellers across some markets has been impacted. These factors have led to softer pricing across all sectors. There is a general perception and expectation of continued changes, and there is a risk that continued volatility, coupled with changes in debt costs, will have a direct impact on pricing as yields continue to evolve. There remains evidence of wide bid spreads, price renegotiations and transactions taking a long time to complete, which all add to the market dynamics.
- Ukraine - The war in Ukraine is continuing and its wider long-term implications remain unknown. At the present time, certain locations within Europe are facing difficult investment market conditions as a direct result of the war.

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 2023 of the directly held property investments was £126.2 million. It is estimated that a change in valuation of the order of 11.8% would be likely to be considered material to the Fund's accounts.

5. Events after the Balance Sheet date

Following Committee approval and successful bidding, the Fund is progressing with the acquisition of a commercial property, costing £12.0 million.

6. Accounting Standards issued but not yet adopted

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

Pension Fund Account and Notes

7. Contributions receivable

By category	2022/23	2021/22
	£000	£000
Employee contributions	(9,814)	(8,811)
Employer contributions		
- Normal contributions	(21,307)	(19,439)
- Deficit recovery contributions	(6)	(6)
- Augmentation contributions	(740)	(847)
Total employers' contributions	(22,053)	(20,292)
Total	(31,867)	(29,103)

By authority	2022/23	2021/22
	£000	£000
Administering authority	(29,010)	(26,453)
Scheduled bodies	(2,702)	(2,479)
Admitted bodies	(155)	(171)
Total	(31,867)	(29,103)

8. Benefits payable

By category	2022/23	2021/22
	£000	£000
Pensions	30,728	29,329
Commutation and lump sum retirement benefits	4,705	4,229
Lump sum death benefits	1,031	1,217
Total	36,464	34,775

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

By authority	2022/23	2021/22
	£000	£000
Administering authority	32,585	31,356
Scheduled bodies	590	637
Admitted bodies	3,289	2,782
Total	36,464	34,775

9. Management expenses

	2022/23	2021/22
	£000	£000
Administrative costs	1,101	1,323
Investment management expenses		
- management fees	4,298	3,503
- transaction costs	(16)	557
- custody fees	40	40
- performance related fees	119	232
Oversight and governance costs	386	355
Total	5,928	6,010

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. Equity funds are showing an overall negative transaction fee for the year. This is a result of anti-dilution offset, the contractual provision that acts as a buffer to protect investors against their equity ownership positions becoming diluted or less valuable, and as detailed in the fund manager's standardised disclosure template.

10. Investment income

	2022/23	2021/22
	£000	£000
Equity dividends	(2,043)	0
Pooled property investments	(1,068)	(1,285)
Interest on cash deposits	(142)	(5)
Rental income	(5,397)	(3,143)
Total	(8,650)	(4,433)
Taxes on income	0	0
Total	(8,650)	(4,433)

Pension Fund Account and Notes

11. Movements in investments

Market value (MV)	1 April 2021			Change in 31 March 2022		31 March 2023			
	Purchases	Sales	Change in MV	Purchases	Sales	Change in MV	31 March 2023		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Equities	150	0	(10)	746,121	746,261	0	0	(746,111)	150
Pooled investments	1,304,128	70,112	(99,861)	(644,297)	630,083	164,743	(223,848)	736,894	1,307,872
Pooled property investments	33,482	0	(11,735)	4,097	25,844	0	(4,170)	(2,974)	18,700
Private equity/infrastructure	83,393	15,265	(24,846)	47,566	121,378	27,190	(14,938)	(9,623)	124,007
Directly managed	41,925	27,903	0	3,252	73,080	77,865	0	(24,765)	126,180
Sub-total	1,463,078	113,280	(136,452)	156,739	1,596,646	269,798	(242,956)	(46,579)	1,576,909
Investment income due	273			0	276			0	295
Amount receivable for sales of investments	0			0	0			0	0
Spot FX contracts	0			(31)	0			50	0
Cash deposits	13,514			443	30,027			658	1,304
Amounts payable for purchases of investments	0			0	0			0	0
Net investment assets	1,476,865			157,151	1,626,949			(45,871)	1,578,508

12. Investments by Fund Manager

Fund manager (market value)	31 March 2023		31 March 2022	
	£'000	%	£'000	%
BlackRock	836,144	53.0%	750,131	46.8%
Baillie Gifford	336,052	21.3%	268,707	16.8%
L and G Liquidity	135,678	8.6%	273,580	17.1%
Directly managed	126,180	8.0%	73,080	4.6%
Adams Street	124,007	7.9%	121,377	7.6%
KAMES	9,623	0.6%	13,105	0.8%
CBRE	9,077	0.6%	12,739	0.8%
London CIV	150	0.0%	150	0.0%
L and G Multi Factor	0	0.0%	87,794	5.5%
L and G Equities	0	0.0%	1	0.0%
Total Fund Managers	1,576,911	100%	1,600,664	100%
Cash held at custody	1,598		26,285	
Total Investments	1,578,509		1,626,949	

13. Investments exceeding 5% of Net Assets

Fund Manager (MV)	31 March 2023		31 March 2022	
	£'000	%	£'000	%
BlackRock	836,144	53.0%	0	0.0%
Baillie Gifford	336,052	21.3%	268,707	16.8%
L and G Liquidity	135,678	8.6%	273,580	17.1%
Directly managed	126,180	8.1%	0	0.0%
Adams Street	124,007	7.9%	121,377	7.6%
Total Fund Managers	1,558,061	98.9%	663,664	41.5%

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

14. Investment property

	31 March 2023	31 March 2022
	£000	£000
Opening balance	73,080	41,925
Purchases	77,865	27,903
Net increase / (decrease) in MV	(24,765)	3,252
Total	126,180	73,080

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The future minimum lease payments are as follows:

	31 March 2023	31 March 2022
	£000	£000
Within one year	7,183	3,516
Between one and five years	26,839	13,347
Later than five years	41,282	12,513
Total future lease payment due under existing contracts	75,304	29,376

15. Classification of Financial Instruments

Financial liabilities (creditors) at amortised cost totalled £2.250 million (£2.395 million at 31 March 2022). There were none designated as fair value through profit and loss (FVPL) as at 31 March 2023 or 31 March 2022.

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

Pension Fund Account and Notes

31 March 2022	FVPL	Amortised Cost	Total
	£'000	£'000	£'000
Pooled funds - investment vehicles			
- UK pooled liquidity fund	273,580	0	273,580
- Pooled global equities	356,502	0	356,502
- Pooled property investments	25,844	0	25,844
- Pooled private equity funds (unquoted)	121,377	0	121,377
Sub-total	777,303	0	777,303
UK quoted	31,230	0	31,230
UK unquoted	150	0	150
Overseas	714,881	0	714,881
Cash with investment managers	0	30,027	30,027
Cash with administering authority	0	2,026	2,026
Debtors	0	4,264	4,264
Total financial assets	1,523,564	36,317	1,559,881

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.

Pension Fund Account and Notes

Independent property valuers, JLL, 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 2023	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets				
- at fair value through profit and loss	0	1,326,574	124,157	1,450,731
Total financial assets	0	1,326,574	124,157	1,450,731
Non financial assets				
- at fair value through profit and loss	0	0	126,180	126,180
Total non financial assets	0	0	126,180	126,180
Total assets at FV through profit and loss	0	1,326,574	250,337	1,576,911
31 March 2022	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets				
- at fair value through profit and loss	746,111	655,926	121,527	1,523,564
Total financial assets	746,111	655,926	121,527	1,523,564
Non financial assets				
- at fair value through profit and loss	0	0	73,080	73,080
Total non financial assets	0	0	73,080	73,080
Total assets at FV through profit and loss	746,111	655,926	194,607	1,596,644

Pension Fund Account and Notes

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

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

31 March 2022	Market Value	Purchases	Sales	Change in MV	Total
	£'000	£'000	£'000	£'000	£'000
London LGPS CIV	150	0	0	0	150
Overseas VC	83,393	15,265	(24,846)	47,566	121,378
Directly held property	41,925	27,903	0	3,252	73,080
Total	125,468	43,168	(24,846)	50,818	194,608

Sensitivities of Level 3 Assets

If the Valuation of the underlying companies within the private equity portfolio was out by 14.7% this would alter the value of the Fund's investment assets in this class by £124.1 million.

	Valuation Range	Value 31 March 2023	Value on increase	Value on decrease
	%	£'000	£'000	£'000
Overseas VC	15	124,007	124,189	123,825

For the private equity movement to be considered material, the valuation would have to change by 11.93%.

Description of asset	Valuation hierarchy 2022/23	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Directly held equities	Level 1	Valued using close of business quoted price on 31 March 2023	Market value of individual securities	Not required
Pooled Investments - Equity Funds UK and Overseas and Liquidity Fund	Level 2	The NAV for each share class is calculated based on the market value of the underlying asset	Evaluated price feeds	Not required

Pension Fund Account and Notes

Description of asset	Valuation hierarchy 2022/23	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Property Funds	Level 2	The Pension Fund's Property Funds are priced on a Single Swinging Price	In house evaluation of market data	Not required
Private Equity	Level 3	Comparable valuation of similar companies in accordance with International Private and Venture Capital Valuation Guidelines 2012	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple Revenue multiple	Valuations could be affected by changes to expected cashflows, cost of replacing key business assets, or by any differences between the audited and unaudited accounts
Directly managed property	Level 3	Independent valuations conducted by external RICS valuer	Rental values, yields and vacancy rates	Valuations can be impacted by global events outside of the property area.

17. Nature of Risk Arising from Financial Instruments

Risk and Risk Management

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

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

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

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

(a) Market Risk

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

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

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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 2023	1,441,082	1,632,638	1,249,526
At 31 March 2022	1,322,914	1,496,548	1,149,280

The following is a breakdown of total assets exposed to price risk as at 31 March 2023.

	Value	Volatility	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Equity	1,172,176	14.7	1,334,509	999,883
Private Equity	124,007	14.7	142,236	105,778
Property	144,880	0.7	145,894	143,866
Total	1,441,063		1,622,639	1,249,527

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

Pension Fund Account and Notes

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 2023	137,276	140,022	134,531
At 31 March 2022	303,607	306,643	300,571

Currency Risk

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

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

	Volatility	Value	Value on increase	Value on decrease
	%	£'000	£'000	£'000
US Dollar	8.3	684,665	741,492.20	627,838
North America Basket	7.4	186,845	200,671.53	173,018
EURO	5.6	84,981	89,739.94	80,222
Europe Basket	3.9	59,145	61,451.66	56,838
Japanese Yen	9.2	52,363	57,180.40	47,546
Emerging Basket	5.8	37,638	39,821.00	35,455
Asia Pac Basket	6.0	35,286	37,403.16	33,169
Canadian Dollar	6.2	28,994	30,791.63	27,196
Swiss Franc	7.3	26,433	28,362.61	24,503
At 31 March 2023		1,196,350	1,286,914	1,105,786
At 31 March 2022		867,666	937,910	797,423

(b) Credit Risk

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

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

(c) Liquidity Risk

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

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

18. Contractual Commitments

As at 31 December 2022, the Fund had outstanding commitments of \$69.4 million / £56.2 million (31 December 2021: \$71.2m / £54.1m) 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.

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 2019 valuation, which has determined the contribution rates for 2022/23.

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 2022/23 and 2021/22, the common contribution rate was 21.3% 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.

Pension Fund Account and Notes

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

<u>Financial assumptions</u>	<u>March 2019</u>	<u>March 2016</u>
	%	%
Consumer Price Index (CPI) increases	2.6	2.4
Salary increases	3.6	3.9
Pension increases	2.6	2.4
Discount rate	4.3	4.9

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 2019 was £1.189 billion and the Actuary assessed the present value of the funded obligation at £951 million. This indicates a net surplus of £236 million, which equates to a funding position of 125% (2016: £26 million and 103%).

20. Actuarial Present Value of Promised Retirement Benefits

The table below shows the total net liability of the Fund as at 31 March 2023. The figures have been prepared by the Fund's actuary, only for the purposes of providing the information required by IAS 26 (Accounting and Reporting by Retirement Benefit Plans). They are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

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

	<u>31 March 2023</u>	<u>31 March 2022</u>
	£'m	£'m
Present value of promised retirement benefits	(1,103)	(1,553)
Fair value of scheme assets (bid value)	1,579	1,627
Net liability	476	74

Pension Fund Account and Notes

The actuary contract expired during the year and the Pension Fund tendered for actuarial services. Following the LGPS Framework, the contract was awarded to Hymans Robertson, having previously been provided by Barnett Waddingham.

Financial assumptions

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

<u>Financial assumptions</u>	<u>31 March 2023</u>	<u>31 March 2022</u>
	%	%
Consumer Price Index (CPI) increases	2.95	3.20
Salary increases	3.95	4.20
Pension increases	2.95	3.20
Discount rate	4.75	2.70

Demographic Assumptions

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

<u>Life expectancy from age 65 years</u>	<u>31 March 2023</u>	<u>31 March 2022</u>
	Years	Years
Retiring today		
- Males	22.1	22.4
- Females	24.7	24.9
Retiring in 20 years		
- Males	23.0	23.3
- Females	25.9	26.1

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.

Pension Fund Account and Notes

21. Current Assets

	31 March 2023	31 March 2022
	£'000	£'000
Debtors		
- Contributions due - employers	2,102	2,562
- Contributions due - employees	762	833
- Sundry debtors	1,517	869
Sub-total	4,381	4,264
Cash balances	4,434	2,026
Total	8,815	6,290

Analysis of debtors	31 March 2023	31 March 2022
	£000	£000
RBKC	1,414	3,217
Other entities and individuals	2,967	1,047
Total	4,381	4,264

22. Current Liabilities

	31 March 2023	31 March 2022
	£'000	£'000
Creditors		
- Sundry creditors	(3,352)	(2,196)
- Benefits payable	(36)	(129)
Total	(3,388)	(2,325)

Analysis of creditors	31 March 2023	31 March 2022
	£'000	£'000
Central government bodies	(269)	(147)
Other local authorities	(118)	0
RBKC	(1,949)	(1,346)
Other entities and individuals	(1,052)	(832)
Total	(3,388)	(2,325)

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.

The figures for 2022/23 are pending from Prudential Assurance. Amounts are not expected to differ significantly from prior years and have no effect on the Pension Fund accounts.

During 2021/22, AVC of £0.446 were paid to the provider, Prudential (£0.496 million during 2020/21). The market value of these funds at 31 March 2022 is £4.258 million (£4.134 million at 31 March 2021).

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 £1.060 million and £0.090 million respectively in the financial year 2022/23 (£1.430 million and £0.110 million respectively in 2021/22).

In year, and in total, the Council contributed £16.850 million to the Fund compared to £15.352 million in 2021/22. As at 31 March 2023 the Council owed the Pension Fund a net amount of £1.414 million (£3.217 million at 31 March 2022).

The key management personnel of the Fund are the Members of the Committee, the Executive Director of Resources and the Tri-Borough Director of Pensions and Treasury. During the year, £0.450 million (£0.035 million in 2021/22) was payable to key management personnel in respect of short-term benefits. In 2022/23 there was a £0.092 million reduction in costs to the Pension Fund of post-employment benefits due to a significant fall in the discount rate of future pension payments (compared to £0.032 million payment in 2022/23). The net payment for 2022/23 was therefore £0.046 million (£0.003 million in 2021/22).

25. Agency Services

The Fund pays discretionary awards to the former employees of the Council. The amounts are not included within the Fund Account as they are not expenses or income related to the Pension Fund but are provided as a service and fully reclaimed from the Council. During 2022/23, the Fund paid the gross sum of £0.225 million (£0.223 million in 2021/22) on behalf of RBKC.

26. External Audit Costs

The external audit fee payable to the Fund's external auditors, Grant Thornton, was £0.050 million for both 2022/23 and 2021/22.

27. Contingent liabilities

The Pension Fund had no contingent liabilities for 2022/23.

Annual Governance Statement

1. Executive Summary

1.1. Scope of responsibility

This Annual Governance Statement explains how the Council has complied with the Governance Framework. It also meets the requirements of Regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of the statement of internal control.

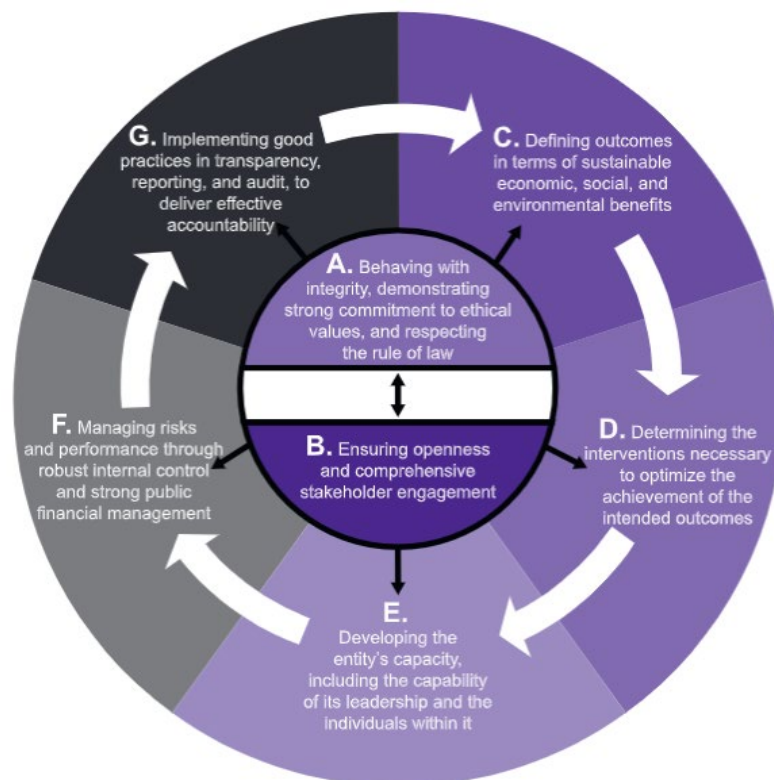
This Statement provides a review of the effectiveness of the Council's governance arrangements for 2022/23. There was a delay in the audit sign-off of the 2022/23 statement of accounts due to awaiting the announcement of the Grenfell settlement and later DLUHC's decision on the capitalisation direction. Consequently, there has been a delay in finalising the 2022/23 Annual Governance Statement.

The CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016) expects local authorities to put in place proper governance arrangements to ensure that these responsibilities are being met. The Council's Audit and Transparency Committee reviews governance arrangements, risk registers and quarterly performance reports.

The Council is responsible for ensuring that:

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

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



1.2. Overall opinion on level of assurance

The Council receives a substantial amount of assurance from the work that is undertaken by its Internal Audit team and external auditors, Grant Thornton UK LLP. In terms of the finance, HR and payroll managed service provided by Hampshire County Council, the partnership receives independent assurance over the controls in place which is provided by Hampshire's external auditor. No issues were identified in respect of testing undertaken during the 2022/23 audit.

The Grenfell tragedy has led the Council to review its strategic focus, leadership and ways of working and it continues to strive to embed the learning from the tragedy in its work and organisational culture.

In March 2020, the Council commissioned the Local Government Association (LGA) to undertake a Corporate Peer Challenge, where a team of senior local government officers and councillors visited the Council to examine its plans and its capacity to deliver, and to make recommendations. In early 2021, the Council commissioned a further review of governance by the Centre for Governance and Scrutiny (CfGS), as agreed by the Council's Administration Committee in July 2020. The Administration Committee considered the CfGS's report at its meeting in October 2021 together with an action plan of the actions already underway and proposed. The CfGS report identified no fundamental concerns with the Council's governance arrangements but did raise a few issues which needed to be considered. The Council also commissioned the LGA to undertake an Equalities Peer Challenge which took place in September 2021. The peer challenge team found that there has been good progress in the last two years on Equalities, Diversity and Inclusion (EDI). The outcome of all three reviews and the Council's response in February 2022 are available on the Council's website at [here](#).

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 2022/23 is that the Council's internal control systems in the areas audited were adequate, with 81% of the audits undertaken receiving a positive assurance opinion (86% in 2021/22). The annual report on internal audit and control for 2022/23 can be accessed on the Council's website.

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

The Council has implemented a range of actions to strengthen governance, scrutiny and oversight arrangements. Under the leadership of the Chief Executive the Council has put in place appropriate strategies and plans, including the Council Plan, which set a clear vision, direction and approach for how the Council meets the needs of its residents. The new Council Plan for the period 2023 to 2027 was published in March 2023. The Council's Medium Term Financial Strategy for 2024/25 to 2027/28 was presented in the summer of 2023. This together with the details of the review set out in this statement demonstrate that the Council has appropriate arrangements in place, in accordance with the governance framework. Progress has been made on the significant issues identified in the previous year as set out in section 4.1

below. As a result, a satisfactory level of assurance has been achieved following the conclusion of the Review.

2. Identification of key governance arrangements

2.1. Governance arrangements

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

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

A key focus of the Council's governance processes and structures is attainment of sustainable economic, societal, and environmental outcomes. The Council has a duty to improve outcomes for communities and citizens and make the most of opportunities that add value locally. In a rapidly changing world, we need to think about what the main threats and opportunities to citizens' outcomes are, what impact they will have and the role the Council can play – i.e. helping communities develop resilience to social and economic changes. This requires us to look both inwardly (to ensure we have effective governance and controls) but also more importantly outwardly at risk (e.g. to the risk to citizens, to protect citizens and build resilience).

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

Following the disaggregation of the IT service from Westminster City Council in 2022/23, RBKC created the Digital Data and Technology service. As with other services, this also is covered by the Council's governance framework.

Governance arrangements for the Hampshire Partnership are subject to a partnership agreement which sets out how partners will proportionately share costs, benefits and liabilities of the joint services. All partners, including the Council, are engaged in taking forward the strategic governance and oversight of the partnership through their membership of either the Strategic Direction Board or the Operational Forum. The Shared Services Forum and the Operational Performance Group are used to identify issues of a strategic nature for be escalated to Operational Forum.

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

The Annual Governance Statement is based on more detailed reports presented to the Audit and Transparency Committee throughout 2022/23, copies of which can be found on the Council's website at [Council Committees > Audit and Transparency Committee \(rbkc.gov.uk\)](#).

The CIPFA Financial Management (FM) Code sets out the standards of financial management for local authorities. It is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The CIPFA FM Code

Annual Governance Statement

Compliance Statement was presented to the Audit and Transparency Committee in November 2023. This was the third review undertaken to ascertain the Council's level of compliance since the introduction of The Code in October 2019. [This report](#) also contained an update on progress against those actions identified in the 2021/22 statement (reported to Audit and Transparency Committee in July 2022).

The Council's overall self-assessment demonstrated overall compliance with The Code. Of the seventeen standards set out, 15 were fully achieved in 2022/23. The remaining two, relating to the use of financial resilience assessments and use of documented options appraisal methodology to determine value for money, are now being achieved and have been incorporated as part of the regular revenue and capital budget monitoring and reporting process. Overall, while good work is taking place there are some areas where improvements will continue to contribute towards achieving the standards in full and there is an ongoing focus on improving corporate and cross-departmental processes.

3. Evaluation of the effectiveness of governance

3.1. Outline of assurance process

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

Corporate Governance	Management Team	Services are delivered economically, efficiently & effectively
<ul style="list-style-type: none"> •Constitution (incl. statutory officers, scheme of delegation, financial procedure, management and procurement rules) •Audit and Transparency Committee •Internal and external audit •Independent external assurance sources (including inspections) •Overview and Scrutiny function and Select Committees •Council, Leadership Team and Panels •Shareholder Committee •Council Plan and People Strategy •Charter for Public Participation •Medium Term Financial Strategy, including Capital Strategy and Treasury and Investment Strategy •Complaints system •HR policies and procedures •Whistleblowing and other counter fraud arrangements •Risk management framework •Performance management system •Codes of conduct 	<ul style="list-style-type: none"> •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 	<ul style="list-style-type: none"> •Management of risk •Effectiveness of internal controls •Democratic engagement and public accountability •Budget and financial management arrangements •Standards of conduct and behaviour •Compliance with laws and regulations, internal policies and procedures •Action plans dealing with significant issues are approved, actioned and reported on •Local Government 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

3.2. Assessment of effectiveness of governance arrangements

The governance framework described in section 2 has been in place throughout 2022/23 and maintained up to the date of the approval of the Statement of Accounts. Key governance processes during 2022/23 comprised the following:

<p>Audit and Transparency Committee</p>	<p>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.</p>
<p>Lead Members (Executive Leadership Team)</p>	<p>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.</p>
<p>Overview and Scrutiny Committee and 4 Select Committees</p>	<p>Hold the Executive Leadership Team to account, agree and co-ordinate the annual scrutiny work programme (with residents, councillors and officers) across all committees to ensure they scrutinise the most important topics and issues falling within their remit.</p>
<p>Ethics Panel</p>	<p>Advises the Council on best practice and provides advice on complaints that Members have breached the Code of Conduct.</p>
<p>Executive Directors</p>	<p>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.</p>
<p>Monitoring Officer</p>	<p>Maintains the register of councillors' interests, deals with complaints that councillors have breached the Councillor Code of Conduct and has a statutory duty to report breaches of the Council's legal obligations and findings of maladministration by the Local Government and Social Care Ombudsman to the Council.</p>

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<p>Chief Financial Officer (CFO)</p>	<p>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.</p>
<p>Information Governance</p>	<p>Information Security and Governance is the overall process of analysing, evaluating, assessing and mitigating the impact of risks to the Council's information and information systems.</p> <p>Information risk is managed by assigning roles and responsibilities and co-ordinating the implementation of mitigating controls and security based on information policies and all supporting documentation. Together these measures form the Information Security and Governance lifecycle and apply across the Council and in its dealings with all partners and third parties.</p> <p>The Executive Director of Resources has overall responsibility for ensuring that information risks are assessed and mitigated to an acceptable level.</p> <p>The Chief Information Officer fulfils the role of Senior Information Risk Owner and is familiar with and takes ownership of the Council's information governance policy and strategy. The Council also has a Data Protection Officer.</p> <p>All Directors hold responsibility for their own area and a Caldicott Guardian is responsible for ensuring that health and social care information is managed appropriately, and that our annual Information Governance Toolkit submission meets the required levels of compliance.</p>
<p>Anti-Fraud work</p>	<p>The Audit and Transparency Committee review the Anti-Fraud Strategy (in line with the national Fighting Fraud and Corruption Locally strategy) and associated policies (including Fraud Response Plan, Anti-Bribery and Corruption Policy, Whistleblowing Policy and Anti-Money Laundering Policy).</p> <p>The Corporate Anti-Fraud Service leads on the implementation of the strategy and policies and the delivery of the Annual Anti-Fraud Plan, which is reported to the Audit and Transparency Committee.</p>
<p>Risk management</p>	<p>The Executive Management Team applies a strategic approach to Risk Management, with the Risk and Control Board meeting on a bi-monthly basis to review and update the Strategic Risk Register. 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</p>

Annual Governance Statement

	<p>maintaining risk registers for their area and to escalate risks as appropriate to the Strategic Risk Register.</p>
Partnerships	<p>The Council has a number of partnerships in place which are supported through their own governance and decision making, including:</p> <ul style="list-style-type: none"> • Bi Brough and Tri Borough, through arrangement under Section 113 of the Local Government Act 1972 • Health Partnerships, through Section 75 Agreement • Hampshire County Council, a partnership agreement for the provision of a managed HR, Payroll and Finance services, with the service and system operational since in December 2018. Following the Decision by Leadership Team in February 2023 to implement a new ERP system, the Council served notice to leave the IBC contract in February 2023 and will leave the partnership at the end of September 2024.
Performance management	<p>Performance management has a large scope. Existing business planning processes ensure consistency across the Council - from the Council Plan through to individual priorities. This is supported by a new appraisal process that has been in place from April 2021.</p> <p>The revised Council Plan was published in March 2023 and an action plan for delivery is now being developed. The Council has been strengthening its approach to performance management and is developing a comprehensive performance management framework which will include corporate business planning and regular management of our progress against key indicators and measures.</p> <p>The Council has a Corporate Performance dashboard which is updated and reviewed quarterly. Directorates and teams also monitor performance measures through dashboards and review meetings. During 2022/23, the Council started to align performance and finance. Corporate Performance measures are reported bi-annually to the Overview and Scrutiny Committee, alongside an update against the Council Plan priorities, with the performance dashboard continuing to be updated quarterly.</p>
Complaint investigations	<p>The Leadership Team have a two stage complaints process for the Council. Quarterly reporting is presented to Directorate Management Teams and the Executive Management Team.</p>
Citizen's Panel	<p>The Council's 'Charter for Public Participation' sets out how local people can get involved in Council meetings and</p>

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	<p>influence decisions, and in the development of policies, plans and services that affect them.</p> <p>Through the Charter the Council aspires to inform, consult, involve and codesign or co-produce with local people. This charter is now in place with up to 2000 residents who are part of a representative Citizens' Panel. The Panel took part in four surveys during 2022/23.</p>
Risk and Control Board	<p>The Chief Executive chairs a bi-monthly Risk and Control Board to oversee and develop the Council's risk strategy and strategic risk register. Membership comprises Executive Management Team members along with the Director of Audit Fraud, Risk and Insurance. The Risk and Control Board sets the standards and ensures the Council has the right policies, practices and behaviours in place for effective assurance and risk management. The Board is also responsible for ensuring that new and emerging risks are identified, captured and appropriate mitigations are put in place. It sets the standards and ensures the Council has the right policies, practices and behaviours in place for effective assurance and risk management.</p>
External Audit	<p>The Council's external auditor, Grant Thornton, provides assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements for securing and improving value for money.</p>

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

The Thornton consider VFM in their annual report which covers arrangements for financial sustainability, governance and economy, efficiency and effectiveness in the Council's use of resources. The 2022/23 review is underway.

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

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

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

The Council continues to work to change its organisational culture by embedding the principles of good governance as recommended by the Centre for Governance and Scrutiny. The Council Plan has undergone a more fundamental review and new priorities for 2023 to 2027 were published in March 2023.

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 2022/23 are set out below together with the Council's response:

Grenfell

While we approach the end of the Council's initial five-year Grenfell Recovery Strategy (April 2019 to March 2024), the Council has recognised publicly that support for the bereaved, survivors and immediate community will need to continue beyond March 2024. Many of the major milestones which will facilitate recovery and justice for the community are still ahead of us. This includes: the publication of the Grenfell Tower Public Inquiry's final report and the implementation of recommendations; a decision being taken, and implemented, on the future of Grenfell Tower; memorialisation of the site; and the outcome of the criminal investigation. The Council is committed to supporting the Grenfell communities throughout these key stages – both by providing direct support to those affected and by driving through broader change at the Council so the lessons from Grenfell are properly learnt and acted upon.

To facilitate this the Council has committed to a new four-year period of direct support through to March 2028, investing £12m. This will form part of the new Restorative Justice programme (2024-2028) which has been negotiated as part of the settling of the majority of the civil claims that were filed by the bereaved, survivors and local residents against the Council and a number of other organisations. In total approximately £50m has been pledged to the Restorative Justice programme by the defendants. The Council has been asked by lawyers acting on behalf of the Grenfell community to deliver up to £42m of the programme. This will take the form of the delivery of services to the bereaved and survivors and the immediate community, which will be designed in consultation with those affected with oversight from an independent expert partner who the community will appoint. This will be a key programme and it is vital the community benefit from the best support possible. Attention will also need to be paid carefully to the completion of the civil claims process given the sensitivities.

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

facilitating a smooth transition for residents receiving and providers delivering the support will be key.

More broadly through the Grenfell Legacy and wider Council Plan (2023-2027), the Council has made a commitment to become the best Council in light of Grenfell. The Council will be working to create an action plan in partnership with the community to help deliver on the commitments in the Council Plan to deliver safer and fairer services in light of Grenfell. The Grenfell Legacy conversations showed the scale of the challenge with 62% of respondents saying the Council had either not changed since the fire or had got worse.

The Council is committed to working with the local community as equal partners to address this and build a long-term fitting legacy from the tragedy here at the Council. The work of the Grenfell Tower Inquiry and the criminal investigation will be vital as part of this. The Council will continue to support the search for the truth, adhering to the commitments set out in the Charter for Families Bereaved through Public Tragedy.

3.5. Strategic risks

The risks that could impact on the sustainability and delivery of the Council's statutory and non-statutory services and operations are of strategic significance. At the time of preparing the latest Audit Plan the Council's Strategic Risks were identified as failure to:

- appropriately and effectively meet the housing, emotional and psychological needs of former residents of the Tower and Walk.
- manage the impact of Public Inquiry hearings (particularly module 4 of Phase 2), potential criminal charges but also potentially against individuals and other legal action related to Grenfell on organisational effectiveness.
- deliver the necessary investment and improvements to the Council's social housing stock so that residents are safe and live in properties which are in a good state of repair, sufficiently warm and dry, are accessible and have well-functioning facilities.
- meet landlord health and safety requirements (maintenance and housing services) for social housing tenants/properties.
- respond effectively to a major incident and protect/safeguard residents/businesses/visitors from the effects of significant incidents (e.g. terrorist attack or being drawn into terrorist activity, pandemic health incident, infectious disease outbreaks, legionella outbreaks)
- respond to the impact of significant external economic factors significant external economic factors on the local economy, employment opportunities and residents (including cost of living).
- ensure service continuity/safeguarding arrangements (including exploitation, crime prevention and support to victims of crime).
- protect against serious information/cyber security Incident leading to all or multiple council systems shutdown and/or council unable to undertake business and/or significant ICO (Information Commissioner's Office) fine & reputational damage due to data breach, malware outbreak, phishing or ransomware attack.
- addressing the medium-term budget challenge.
- monitor and respond to the fragility of the local Care Market in light of COVID-19 (pressures include staffing and financial resilience).
- prepare for the impact associated with climate change, including air quality/pollution, water quality/availability, extreme weather (e.g. flooding, heat).

Annual Governance Statement

- in conjunction with other agencies, to adequately, fairly and sustainably ensure that the short, medium and long term needs of families and individuals placed in hotels in the borough are met. This applies to bridging hotel accommodation (for Afghan evacuees), Homes for Ukraine sponsor placements, and those seeking asylum placed in contingency hotel accommodation by the Home Office.
- implement a new sovereign IT service which supports the continuous delivery of and access to services for residents and which provides effective security for resident, community and Council data, both in the transitional period and in the new target operating model.
- comply with our statutory requirements as laid out in the Public Sector Equality Duty (Equality Act 2010). Policies and processes are put in place to ensure compliance to the law and best practice are embedded within the organisation.

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

The Council also has a duty to improve outcomes for communities and citizens and make the most of opportunities that add value locally. This requires us to look both inwardly (to ensure we have effective governance and controls) but also more importantly outwardly at risk (e.g. to the risk to citizens, to protect citizens and build resilience).

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.

During the period covered by this Statement, the Monitoring Officer received five complaints alleging a breach of the Councillor Code of Conduct. One further complaint received in the previous period was also concluded. This complaint was made by three Councillors in support of community groups. Following an investigation, the Monitoring Officer decided that the Councillor's conduct breached the Code. The complaint could not be taken further as the councillor did not stand for re-election and was no longer a Councillor at the conclusion of the investigation.

4. Accountability and action plans

4.1. Update on significant issues addressed in 2021/22 AGS

There were two key risks identified in last year's AGS:

1. COVID-19 pandemic
2. Grenfell

At the time of publishing this document, the World Health Organisation has recognised that COVID-19 is no longer identified as a public health emergency and is now established as an ongoing health issue. The key risk around Grenfell is discussed above.

4.2. Action plan to address significant governance issues

The Council Plan Council Plan adopted in March 2019 and updated in 2021 came to an end in March 2023. During 2022/23 the Council worked with residents, businesses and stakeholders to

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develop a new Council Plan for the period 2023 to 2027. The priorities were consulted upon in the Autumn and the updated Council Plan was published alongside the Medium-Term Financial Strategy in March 2023. The aligned 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. The new Council Plan builds on the priorities and successes as well as building on the Council's response to the pandemic and long-term recovery from COVID-19.

5. Conclusion

The Council is satisfied that appropriate governance arrangements have been maintained in 2022/23. It recognises however that these arrangements are designed only to manage risk down to a reasonable level and cannot provide absolute assurance that the Council will successfully deliver all of its policies, aims and objectives. We remain committed to maintaining and where possible improving these arrangements, by:

- Addressing issues identified by Internal Audit
- Addressing issues identified by External Review – including external inspections and the ongoing Grenfell Public Inquiry
- Focusing on key risks and areas for improvement
- Continuing regular, open and transparent engagement with local people



Maxine Holdsworth
Chief Executive

14 March 2024



Cllr Elizabeth Campbell
Leader

19 March 2024

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.

DEPARTMENT FOR ENERGY SECURITY AND NET ZERO (DESNZ) is the UK Government department responsible for the energy portfolio from the former Department for Business, Energy and Industrial Strategy (BEIS).

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.

DEPARTMENT FOR LEVELLING UP, HOUSING AND COMMUNITIES (DLUHC) is the UK Government department for housing, communities, local government in England and the levelling up policy.

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

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

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

Glossary of Terms and Abbreviations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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