

AYSCOUGHFREE HALL AND GARDENS

England & Wales · Charity number 515905

Details

Status Registered

Legal form Other

Registered 1984-12-11

Register [View on the Charity Commission register](#)

Contact

Address Council Offices
Priory Road
Spalding
Lincolnshire
PE11 2XE

Phone 01775761161

Email museum@sholland.gov.uk

Website www.ayscoughfee.org

Activities

Objects: THE ESTABLISHMENT AND MAINTENANCE OF A RECREATION GROUND AND MUSEUM FOR THE BENEFIT OF THE INHABITANTS OF THE TOWN OF SPALDING.

Activities: Provision of a Museum and public gardens

Classification

- **How:** Provides Buildings/facilities/open Space
- **What:** Education/training, Arts/culture/heritage/science, Environment/conservation/heritage, Recreation
- **Who:** The General Public/mankind

Geography

- **Area of benefit:** TOWN OF SPALDING
- Lincolnshire

Finances

Period end	Income	Expenditure	Assets	Employees
2025-03-31	£474,521	£474,521	-	-
2024-03-31	£497,824	£497,824	-	-
2023-03-31	£63,845	£344,012	-	-
2022-03-31	£350,539	£350,539	-	-
2021-03-31	£238,141	£238,141	-	-

Trustees

Name	Role	Appointed
SOUTH HOLLAND DISTRICT COUNCIL		

AYSCOUGHFEE HALL AND GARDENS

England & Wales - Charity number 515905

Accounts



CHARITY COMMISSION
FOR ENGLAND AND WALES

Trustees' Annual Report for the period

From **1st April 2024** To **31st March 2025**

Charity name: Ayscoughfee Hall and Gardens

Charity registration number: 515905

Objectives and Activities

	SORP reference	
Summary of the purposes of the charity as set out in its governing document	Para 1.17	The establishment and maintenance of a Museum and Recreation Ground
Summary of the main activities in relation to those purposes for the public benefit, in particular, the activities, projects or services identified in the accounts.	Para 1.17 and 1.19	Provision of a Museum and public gardens
Statement confirming whether the trustees have had regard to the guidance issued by the Charity Commission on public benefit	Para 1.18	

Additional information (optional)

You may choose to include further statements where relevant about:

	SORP reference	
Policy on grant making	Para 1.38	
Policy on social investment including program related investment	Para 1.38	
Contribution made by volunteers	Para 1.38	
Other		

Achievements and Performance

	SORP reference	
Summary of the main achievements of the charity, identifying the difference the charity's work has made to the circumstances of its beneficiaries and any wider benefits to society as a whole.	Para 1.20	Ayscoughfee Hall Museum reopened to pre-Covid pandemic levels in January 2024, seeing visitor numbers and associated donations increasing. Weddings continued to be a very popular service provided, with 9 being held. Ayscoughfee Gardens remained open every day of the year (except Christmas Day), with a major refurbishment of the tennis courts taking place. Various events took place, including theatrical performances, a medieval event, music, community events and group visits.

Additional information (optional)

You may choose to include further statements where relevant about:

Achievements against objectives set	Para 1.41	
Performance of fundraising activities against objectives set	Para 1.41	
Investment performance against objectives	Para 1.41	
Other		

Financial Review

Review of the charity's financial position at the end of the period	Para 1.21	
Statement explaining the policy for holding reserves stating why they are held	Para 1.22	
Amount of reserves held	Para 1.22	
Reasons for holding zero reserves	Para 1.22	
Details of fund materially in deficit	Para 1.24	
Explanation of any uncertainties about the charity continuing as a going concern	Para 1.23	

Additional information (optional)

You may choose to include further statements where relevant about:

The charity's principal sources of funds (including any fundraising)	Para 1.47	
Investment policy and objectives including any social investment policy adopted	Para 1.46	
A description of the principal risks facing the charity	Para 1.46	
Other		

Structure, Governance and Management

Description of charity's trusts:		
Type of governing document (trust deed , royal charter)	Para 1.25	Trust deed
How is the charity constituted? (e.g unincorporated association , CIO)	Para 1.25	Councillors act on behalf of the Trustee, South Holland District Council
Trustee selection methods including details of any constitutional provisions e.g. election to post or name of any person or body entitled to appoint one or more trustees	Para 1.25	Elected

Additional information (optional)

You may choose to include further statements where relevant about:

Policies and procedures adopted for the induction and training of trustees	Para 1.51	
The charity's organisational structure and any wider network with which the charity works	Para 1.51	
Relationship with any related parties	Para 1.51	
Other		

Reference and Administrative details

Charity name	Ayscoughfee Hall and Gardens
Other name the charity uses	Ayscoughfee Hall Museum and Gardens
Registered charity number	515905
Charity's principal address	Churchgate Spalding Lincolnshire PE11 2RA

Names of the charity trustees who manage the charity

	Trustee name	Office (if any)	Dates acted if not for whole year	Name of person (or body) entitled to appoint trustee (if any)
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				

Corporate trustees – names of the directors at the date the report was approved

[illegible]

Name of trustees holding title to property belonging to the charity

[illegible]

Funds held as custodian trustees on behalf of others

Description of the assets held in this capacity	
Name and objects of the charity on whose behalf the assets are held and how this falls within the custodian charity's objects	
Details of arrangements for safe custody and segregation of such assets from the charity's own assets	

Additional information (optional)

Names and addresses of advisers (Optional information)

Type of adviser	Name	Address

Name of chief executive or names of senior staff members (Optional information)

Exemptions from disclosure

Reason for non-disclosure of key personnel details

Other optional information

Declarations

The trustees declare that they have approved the trustees' report above.

Signed on behalf of the charity's trustees

Signature(s)		
Full name(s)		
Position (eg Secretary, Chair, etc)		
Date		

CHARITY TRUST - AYSCOUGHFREE MUSEUM AND GARDENS**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2025**

MainAccount	2023/24	2024/25
4035 - Ayscoughfee Museum		
Employees Direct		
10000 - Gross Pay	83,916	75,726
10020 - Overtime	4,263	12,906
10050 - Employer's NI Contributions	5,701	6,336
10060 - Employer's Retirement Benefit Cost	18,265	19,930
10080 - Retirement Benefits - IAS19 Adjustment	0	0
15035 - Recharge of Salaries - General Fund	9,900	2,600
Employees Direct total	122,045	117,499
Employees Indirect		
10260 - Other Employee Expenses	171	119
10261 - Other Employee Expenses (Non-Payroll)	1,248	199
Employees Indirect total	1,419	318
Income		
90070 - Other Revenue Grants Reimbursements and Contributions (Government)	0	-2,000
90120 - Other Revenue Grants Reimbursements and Contributions (Non-Government)	0	0
90125 - Other Revenue Grants Reimbursements and Contributions (Other Local Authorities)	0	0
91590 - Fees and Charges General	-1,250	-3,216
91710 - Other Income	-3,254	-7,036
95035 - Recharge of Salaries - General Fund	-21,300	-23,100
95045 - Recharge of Salaries - Other	0	0
Income total	-25,804	-35,352
Premises		
20010 - Buildings Maintenance - Responsive	0	0
21010 - Electricity	32,308	30,898
24010 - Water and Sewerage Charges	1,600	1,655
25010 - Fixtures and fittings	46	523
26010 - Operational Buildings Apportionment	833	0
28045 - Buildings Maintenance Recharge - GF to GF	93,000	73,910
29010 - Premises Insurance	1,234	1,323
Premises total	129,022	108,309
Transport		
33015 - Public Transport (Non-Payroll)	4	0
Transport total	4	0
Supplies & Services		
40010 - Furniture and Equipment	2,431	4,273
40030 - Materials and Consumables	369	484
40320 - External Printing and Design Costs	462	704
40330 - Stationery	41	474
41015 - Professional and Contractors Fees	0	7,944
41100 - Performers and Entertainers Fees	0	2,778
41110 - Public Courses and Workshops	0	0
42015 - Postages	4	0
42020 - Telephones	2,426	1,035
42060 - Computer Hardware Purchase	0	260
42080 - Computer Software Licence Costs	94	24
42090 - Computer Hardware Maintenance		719
44120 - Subscriptions to Organisations and Other Bodies	917	1,268
45010 - Purchase of Goods for Resale	0	0
45020 - Books, magazines and other publications		28
45030 - License Fees	0	0
45040 - Advertising - Events	5,140	5,233

45090 - Insurance	1,236	2,786
45100 - Other Miscellaneous Expenses	5,841	5,663
Supplies & Services total	18,962	33,675

Support Services

75010 - Recharges to/from Support Services	45,000	42,900
75015 - PSPS Recharges to Services	9,900	0
Support Services total	54,900	42,900
4035 - Ayscoughfee Museum total	300,547	267,348

4190 - Ayscoughfee Gardens

Employees Direct

10000 - Gross Pay	39,063	59,428
10020 - Overtime	2,092	4,797
10050 - Employer's NI Contributions	3,168	5,216
10060 - Employer's Retirement Benefit Cost	9,737	14,985
10080 - Retirement Benefits - IAS19 Adjustment	0	0
10090 - Agency Staff	4,425	0
15035 - Recharge of Salaries - General Fund	22,900	22,800
Employees Direct total	81,384	107,226

Employees Indirect

10220 - Staff training expenses (Non Payroll)	0	775
10261 - Other Employee Expenses (Non-Payroll)	24	0
Employees Indirect total	24	775

Income

90125 - Other Revenue Grants Reimbursements and Contributions (Other Local Authorities)	0	0
91710 - Other Income	0	-846
95035 - Recharge of Salaries - General Fund	0	-350
Income total	0	-1,196

MOVERESERVE

87025 - REFCUS	0	0
87050 - Capital Expenditure Charged in Year	0	0
87070 - Application of Capital Grants to CAA	0	0
87075 - Transfer to Capital Grant Unapplied	0	0
87125 - Transfers from Earmarked Reserves	0	0
MOVERESERVE total	0	0

Premises

20010 - Buildings Maintenance - Responsive	0	0
21010 - Electricity	314	2,060
24010 - Water and Sewerage Charges	1,791	2,250
28010 - Grounds Maintenance Contract (External)	13,350	3,100
Premises total	15,454	7,410

Supplies & Services

40010 - Furniture and Equipment	4,960	2,496
40030 - Materials and Consumables	6,615	5,071
40210 - Clothing Uniforms and Laundry	370	185
40320 - External printing and design costs	0	128
41015 - Professional and Contractors Fees	24,153	23,402
42020 - Telephones	150	134
42060 - Computer Hardware Purchase	780	203
44120 - Subscriptions to Organisations and Other Bodies	0	0
45030 - License Fees	0	0
45040 - Advertising - Events	0	0

45090 - Insurance	825	1,791
45100 - Other Miscellaneous Expenses	1,578	841
Supplies & Services total	39,433	34,251

Support Services

75010 - Recharges to/from Support Services	10,500	4,000
75015 - PSPS Recharges to Services	8,400	0
Support Services total	18,900	4,000

Tax & Non Spec Grant

64020 - Grants and Contributions to Outside Bodies - No Service Received	0	0
83095 - Capital Grants and Contributions (Non-Government)	0	0
Tax & Non Spec Grant total	0	0

Transport

30010 - Fuel and Oil	42	153
Transport total	42	153
4190 - Ayscoughfee Gardens total	155,237	152,618

4215 - Ayscoughfee Leisure

Employees Direct

10090 - Agency Staff	4,425	0
15035 - Recharge of Salaries - General Fund	1,900	3,250
Employees Direct total	6,325	3,250

Income

90150 - Costs Recharged to Outside Bodies	-14,669	-1,422
91710 - Other Income	0	-809
92040 - Rents	-6,000	-6,000
Income total	-20,669	-8,230

MOVERESERVE

87120 - Transfers to Earmarked Reserves	6,495	28,029
MOVERESERVE total	6,495	28,029

Premises

20010 - Buildings Maintenance - Responsive	2,287	1,421
21010 - Electricity	15,923	3,000
21020 - Gas	1,089	986
24010 - Water and Sewerage Charges	1,791	1,600
Premises total	21,089	7,008

Supplies & Services

40010 - Furniture and Equipment	750	9,695
40030 - Materials and Consumables	4,460	4,586
40210 - Clothing Uniforms and Laundry	0	0
41015 - Professional and Contractors Fees	0	7,417
42020 - Telephones	0	500
45090 - Insurance	0	0
45100 - Other Miscellaneous Expenses	0	800
Supplies & Services total	5,210	22,998

Support Services

75015 - PSPS Recharges to Services	1,500	1,500
Support Services total	1,500	1,500

Transport

30010 - Fuel and Oil	0	0
Transport total	0	0

4215 - Ayscoughfee Leisure total	19,950	54,555

Summary

4035 - Ayscoughfee Museum total	300,547	267,348
4190 - Ayscoughfee Gardens total	155,237	152,618
4215 - Ayscoughfee Leisure total	19,950	54,555
Grand Total Ayscoughfee	475,734	474,521

memo only

checked against "AD - Outturn " tab	475,734	474,521
variance	0	-



UNAUDITED FINANCIAL STATEMENTS

For the Year Ended 31 March 2025

C o n t e n t s

FINANCIAL STATEMENTS

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NARRATIVE REPORT 2024/25

This report seeks to provide a summary and a straightforward explanation of, often complicated, local government finance arrangements. It aims to summarise the key events during the year, their associated financial impact and make the Financial Statements easier to understand. The Narrative Report, together with the Annual Governance Statement and the auditor's report, are outside the scope of the formal Accounts, but all the documents constitute the Council's Financial Report for 2024/25.

The Narrative Report and the detailed accounts aim to provide information to members of the public; electors and residents of the district; council members; partners; stakeholders and other interested parties so that they can:

- understand the financial position of the Council and its outturn for 2024/25.
- have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner.
- be assured that the financial position of the Council is secure.

To assist readers in understanding the financial position of South Holland District Council, the Narrative Report is structured to provide additional information in the following sections:

- An explanation of the Financial Statements
- The way we achieve best value for council taxpayers' money through effective Financial Management
- Information about South Holland as a place
- Information about the Councils structure and management
- A summary of Performance for the Council 2024/25
- Overview of the Council's finances
- Future financial challenges that the Council faces

The Council's approach to finance will continue to evolve, developing the self-service nature of financial/service management in all operations whilst seeking to advance business partnering skills for services and particularly those undertaking service review or transformation programmes. This working model also supports current, and future, changes in the Council as it strives to increase income, reduce costs, manage demand, transform working practices, introduce innovation, and maintain performance.

The Narrative Report aims to give a clear picture of the Statement of Accounts and shows how Council Tax, and other sources of income are used to provide the full range of Council Services. The Financial Statements are required to be prepared in line with International Financial Reporting Standards (IFRS) meaning that the Council's Accounts are prepared on a similar basis to those produced in other sectors of the economy.

1. The Statement of Accounts

The accounts are available on the Council's website at www.sholland.gov.uk

The Statements for the Council have been prepared on the going concern accounting basis, i.e., on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. This assessment is based in part on the sound financial position of the Council in particular:

- the delivery of a balanced outturn position for 2024/25,
- the establishment of a balanced budget for 2025/26 with an embedded transformation programme aimed at delivering ongoing savings,
- the Council has sufficient resources to meet its immediate financial commitments and
- has robust governance arrangements in place.

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2025. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, which in turn is underpinned by International Financial Reporting Standards.

The main financial statements are:

- The Comprehensive Income and Expenditure Statement which records the Council's income and expenditure for the year. The top half of the statement provides an analysis by Assistant Director area. The bottom half of the statement deals with corporate transactions and funding.
- The Movement in Reserves Statement that is a summary of the changes to the Council's reserves over the course of the year. The reserves are either "usable", which can be applied to fund expenditure or reduce local taxation, or "unusable" which must be set aside for specific purposes in the future.
- The Balance Sheet which is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the end of the year.
- The Cash Flow Statement which shows the reason for changes in the Council's cash balances during the year.
- Accounting Policies that explain the basis of the figures presented in the accounts.
- Notes to the Accounts that provide further detail relating to items in the main financial statements, assumptions made about the future and major estimations made.
- The Expenditure and Funding Analysis that shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services.

The Supplementary Financial Statements are:

- The Collection Fund which reflects the statutory requirement for the Council to maintain a separate account providing details of receipts of Council Tax and Business Rates, and any associated payments to precepting authorities, and the Government.
- The Housing Revenue Account which reflects the statutory requirement for the Council to maintain a separate account providing details of receipts of housing rents and other housing related income, and any associated expenditure on the administration of the housing stock and repairs to it.
- The Council has produced Group Accounts for 2024/25, consisting of a Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement, consolidating the transactions relating to the council's subsidiary companies Welland Homes and South Holland Homes together with its share of Public Sector Partnership Services Limited (PSPSL), which is accounted for as an associate.

The Annual Governance Statement sets out the Council's approach to corporate governance and how it manages its governance arrangements in accordance with the Code of Governance.

A Glossary of key terms can be found at the end of this publication.

Financial Management

The Council remains committed to delivering the quality frontline services which its residents want, and which will deliver the Council's corporate priorities. Effective financial management at both corporate and service levels is a key to achieving this particularly in a period when the Councils' resources are reducing and likely to continue to do so.

The Council's approach to these challenges is set out in the 2025/26 Budget and the Medium-Term Financial Plan, approved by Council on 29 February 2024. These presented a balanced position after a wide-ranging review of activities and proactively sought reductions in costs and more efficient ways of working to ensure the Councils position remained stable. Within the capital programme, funding has been allocated to support

growth in the district, specifically for commercial investments, more affordable housing, investment in new technology and improvements to private sector housing.

The council achieves effective financial management through:

- Regular and informative financial management reports aligned to service performance. These are available on demand for service managers and produced quarterly for Cabinet.
- Sound financial practices across the Council.
- Ensuring that money raised from public taxation is used efficiently and effectively to meet local needs and priorities.
- Ensuring that the Medium-Term Financial plan projections are robust, appropriate, and deliverable, so that services can be maintained at the highest quality possible despite the substantial contraction that is projected to take place in both revenue and capital budgets.
- Continuing Organisational Development which aims to reduce revenue costs and increase income in order to meet the ongoing financial challenges that the Council faces.
- Building on the South and East Lincolnshire Councils Partnership (S&ELCP) to ensure best use of taxpayer resources to deliver Council services.

The Government's transparency agenda encourages local authorities to make public data openly available. Details of transparency items such as the Council's spend on items over £500, contracts and pay, and benefits for senior officers can be found on the Council's website:

<https://www.sholland.gov.uk/article/5272/Transparency>

2. Our District

Surrounded by wide open countryside, the district of South Holland encompasses the flat fenlands of South East Lincolnshire, characterised by big skies and fertile land that was reclaimed from the sea over many centuries. Once renowned for its tulip industry, it is now recognised nationally as the hub of the UK agriculture, food manufacturing and logistics sectors. South Holland is a welcoming place of thriving local communities offering great schools, a quality of life well above the national average and broad ranges of high quality family and starter homes. It is a district with a unique history and an exciting future.

Our traditional market towns and villages retain the historic character that is unique to Lincolnshire. Our proud heritage, stretching back to Roman times, is displayed for all to see, from historic windmills to our modern-day flower industry, with the fens and drains in between. The main towns and population centres of Spalding, Crowland, Holbeach, Donington, Long Sutton and Sutton Bridge all feature strong community identities and activities, matched by thriving business and industry. The population is expanding healthily there are now 97,000 residents in the area with estimates that the population will reach 105,400 by 2041.

The continued success of major industries such as agriculture, horticulture, food processing, packaging and distribution, together with related commercial support services, is testament to the skills base, education and support for entrepreneurs. This success is reflected in an increasing demand for high quality housing, commercial developments and business support facilities.

South Holland District Council is at the forefront of innovative schemes to develop high quality affordable homes for purchase, shared ownership and rent.

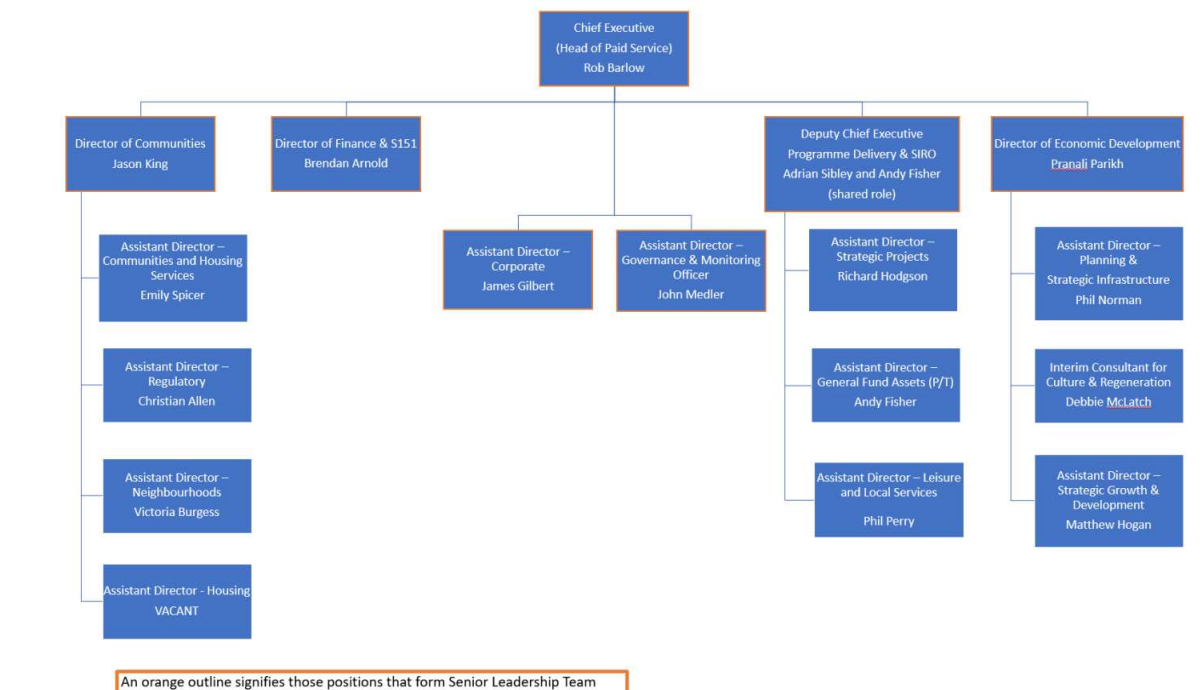
3. South Holland District Council

Organisational Structure

The Council, together with its partner organisations and external contractors, delivers a wide range of services to our residents, businesses and visitors.

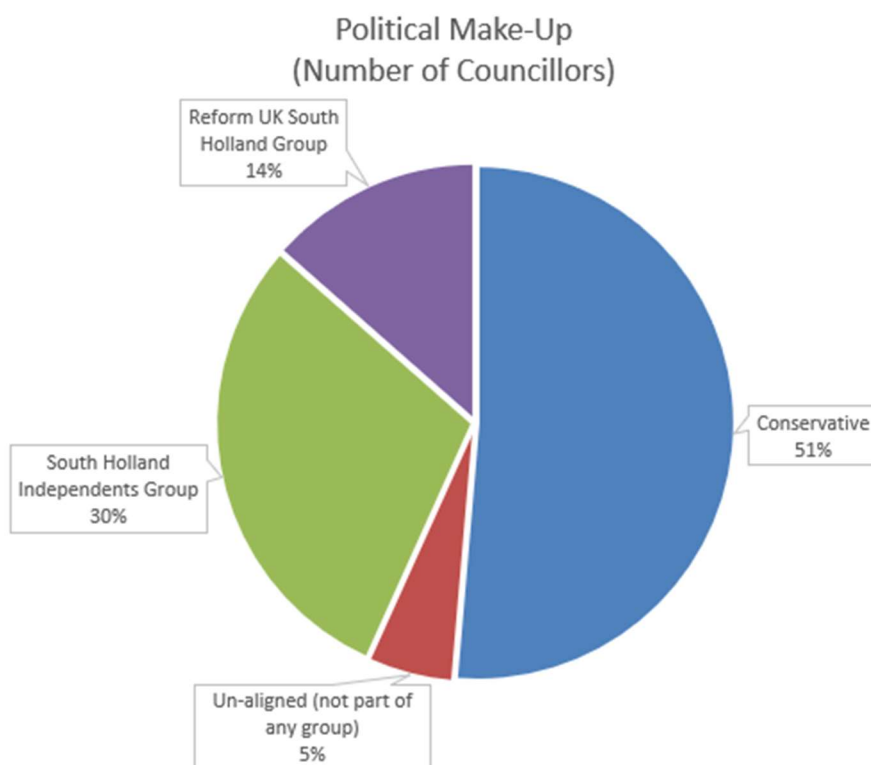
The Council is organised into three directorates:

- Communities dealing with Communities and Housing Services, Regulatory and Neighbourhoods
- Growth dealing with Economic Growth, Planning and Strategic Infrastructure and Strategic Growth and Development
- Programme Delivery dealing with Strategic Projects, General Fund Assets, Leisure and Local Services
- Corporate development functions sit under the Chief Executive, these include Corporate Strategy, Transformation, Finance and Governance



Political structure

South Holland has 18 electoral wards, and the Council consists of 37 councillors. The political makeup of the Council at the end of the year was:



South Holland District Council is a forward-thinking, entrepreneurial, and innovative authority, which continues to strive for excellence and deliver great value for money for its residents, whilst making the most of the huge opportunities for economic growth in the district.

The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Cabinet Functions.

All Councillors meet as the Council, here councillors decide the Council's overall policies and set the budget and council tax each year. The Cabinet is made up of the Leader, Deputy Leader and Portfolio Holders, each Portfolio Holder has specific responsibilities over an area of the Council's activities.

Cabinet Members are held to account by a system of scrutiny, which is also set out in the Constitution. Scrutiny of Cabinet decisions for 2024/25, including the setting of a balanced budget for 24/25, has been undertaken by the two scrutiny committees in a joint meeting of the Policy Development Panel and Performance Management Panel.

Staffing

The South and East Lincolnshire Councils Partnership (Boston Borough Council, East Lindsey District Council and South Holland District Council) launched on 1 October 2021. This created the senior management structure for the three authorities. This has led to each of the Councils saving money on their previous arrangements and has created opportunity for greater cross working and to drive out further efficiencies going forward such as shared resources and expertise, exploring the opportunity for joint procurements, knowledge sharing and creating a greater voice for south and east Lincolnshire on the national stage.

Significant savings and efficiencies have already been secured by each Partnership Council. The Corporate Management Team structure is available to view on the Partnership's website – www.selcp.co.uk/managementteam.

4. Council Priorities, Corporate Strategy and Performance

The Council replaced its Corporate Strategy with a Sub-regional Strategy for the South & East Lincolnshire Councils Partnership area, setting out the Partnership priorities, as well as those priorities specific to the district.

The approval of the strategy for 2024/25 - 2028/29 reflects the original [business case](#) of the Partnership which identified opportunities for greater alignment and collective working on strategic issues that are common for all the councils.

The strategy is the next natural step for the Partnership and replaces each sovereign council's corporate strategy.

The bold and ambitious partnership of councils seeks to further joint working on key priorities as well as still addressing issues of local importance for each council area.

The Partnership priorities

The priorities for the Partnership as identified in the strategy are:

- Growth and Prosperity
- Healthy Lives
- Safe and Resilient
- Environment

The strategy also sets a corporate priority focusing on efficiency and effectiveness.

How South Holland District Council performed in 2024/25

Over the period between April 2024 and December 2024, South Holland district council has managed to average slightly over 70% of performance measures achieving a “green” rating, meaning they are maintaining performance above the target level set for the year. However, just under a fifth of performance measures have been “red” or significantly below target thresholds set, with most of this cohort being consistently red. This shows that areas that have failed to meet the target in one month, are more likely than other departments to consistently underperform against an agreed target. Areas involved with economic activity, revenue generating areas, including council tax and occupancy rates for industrial and other investment properties, and those dealing with benefits, complaints, customer services and calls handled by PSPS have seen the most under performance over the year.

This breaks down each quarter as follows:

- Q1- 70% green, 14% Amber, 7% red.
- Q2 – 77% green, 11%, 11% red
- Q3 – 81% green, 5% amber, 14% red.

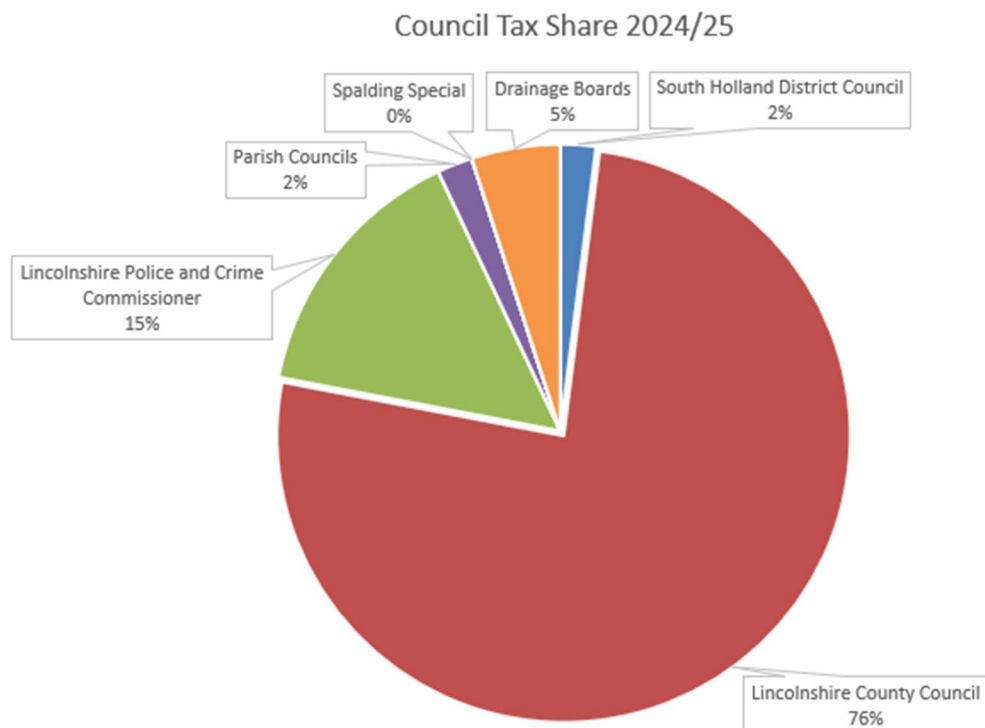
In 2024/25 the Council delivered the following actions from the Annual Delivery Plan (this is just a snapshot):

- Developed a Private Sector Housing Strategy
- Developed a single Disabled Facilities Grant Policy for the three councils within the Partnership.
- Implemented a Trusted Volunteer Scheme for the Partnership.
- Implemented new Governance arrangements for HRA
- Progressed the delivery and marketing of the South Lincolnshire FEZ to bring forward the development of the site.
- Conducted a carbon footprint analysis exercise, establish an agreed carbon reduction target and subject to this develop a Carbon Reduction Plan.
- Engaged with partners and support the Community Partnership approach and assist with the Community Investment Fund.
- Assessed the current level of CCTV provision across the three councils including ensuring resilience is supported through a range of mechanisms including the benefits of utilising volunteers.
- Completed service reviews of a number of significant services within the partnership such as Neighbourhood services, Public Protection and Planning
- Delivered the 24/25 programme of the UK Shared Prosperity Fund and Rural England Prosperity Fund
- Developed an opportunity for an external Leisure & Culture service across the sub-region for the three Councils consideration.

5. Financial Performance

Council Tax

The District Council as the Billing Authority collects the council tax for the County Council, the Lincolnshire Police Authority, Parish Councils, and Internal Drainage Boards. The diagram shows how it was distributed.



Where the Money Came From

South Holland receives income from many sources, as shown in the chart below. Income is received from council tax (received from taxpayers levied by the Council for South Holland), from the Parishes, from Business Rates and Government grants.

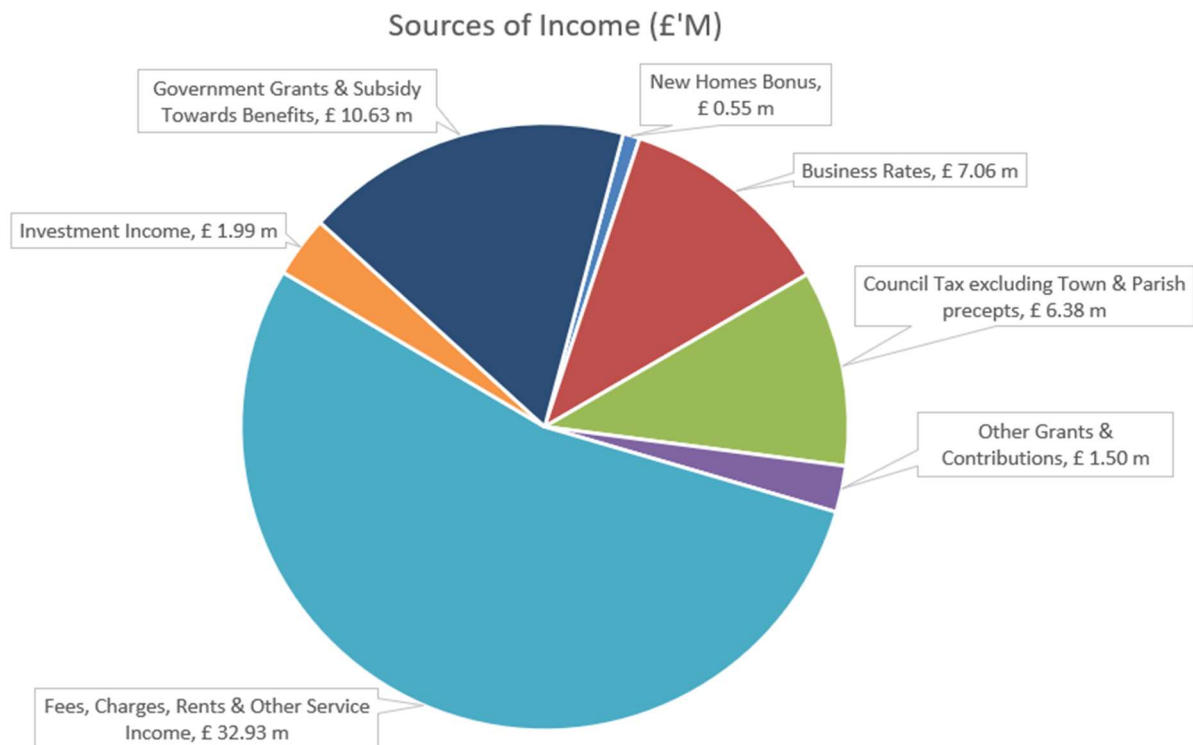
The majority of the income comes from Housing Benefit Subsidy grant (which is paid out to claimants) and other non-specific Government grants.

Council Tax receipts (excluding town and parish precepts) totalled £6.375m (10% of the income), and Business Rates receipts totalled £7.056m (12% of the income).

£10.625m of the income was from government funding through large grants and subsidies, a further £1.504m was from other grants and contributions and New Homes Bonus grant of £0.547m

A total of £32.930m was received from fees, charges, rents, and other service income (54% of total income).

Income from investments and interest totalled £1.994m (3% of income).



How the money was spent

The pie chart shows how the money was spent by Assistant Director area.

Rent Allowances and Rebates is included with Finance and include only costs relating to the actual Housing Benefits provided, they do not include any staffing or other related costs. These benefits are funded from Government grants as can be seen from the “where the money came from” pie chart.

Running expenses and employee expenditure are included as part of the Assistant Director expenditure items.

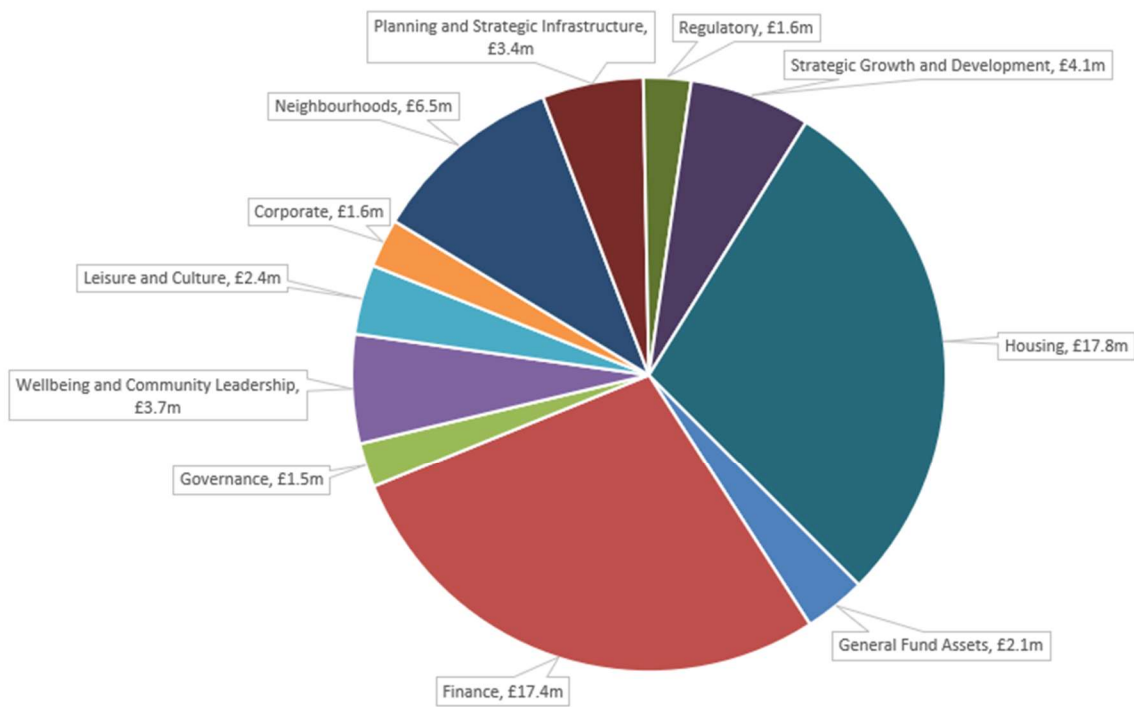
Running expenses include costs relating to:

- Premises – such as rents, rates, electricity, water and similar
- Transport – such as cars, fares and similar
- Supplies and services – such as equipment, telephones, hired services and similar
- Contract payments for services provided by external contractors, e.g. Leisure

Employee’s expenditure includes costs relating to:

- Staffing – such as salaries, pensions, additional staff, professional subscriptions and similar costs.

Expenditure by Assistant Director Area (£'m)



Financial Performance

The Management Accounts below show the Council's actual financial performance for the year compared to the budget. Further information can be found in the Expenditure and Funding Analysis (Note 6).

General Fund

There was a service overspend of £0.246m due to staffing agency cost pressures within Neighbourhood services and the underachievement of income. Overall, the full year outturn delivered an underspend of £0.317m mainly due to increased interest income on investments because of favourable market rates. The table below shows the outturn position reported to Cabinet:

Assistant Director Area	Revised Budget 2024/25 £'000	Outturn 2024/25 £'000	Variance (underspend)/ overspend £'000
Corporate	933	1,085	152
Finance	5,264	5,119	(145)
Housing	(137)	(163)	(26)
General Fund Assets	444	536	92
Governance	1,152	1,074	(78)
Leisure & Culture	1,138	1,106	(32)
Neighbourhoods	4,775	5,015	240
Planning & Strategic Infrastructure	404	448	44
Regulatory	835	755	(80)
Strategic Growth & Development	237	311	74
Strategic Project	16	2	(14)
Wellbeing & Community Leadership	1,290	993	(297)
Spalding Special Expenses	236	236	-
Efficiencies Requirement	(316)	-	316
Sub Total – Assistant Directors – Net Costs	16,271	16,517	246
Recharges to HRA	(3,344)	(3,376)	(32)
Internal Drainage Boards and Parish Precepts	4,377	4,377	-
Investment Income	(1,033)	(1,604)	(571)
MRP	319	391	72
Impairment Allowance – Bad debt provision	13	85	72
Capital Expenditure Charged in Year	1,277	411	(866)
Transfers to/(from) Earmarked Reserves	(893)	(27)	866
Other Income and Expenditure	716	257	(459)
General Fund Budget net costs	16,987	16,774	(213)
Council Tax	(7,696)	(7,696)	-
Business Rates	(7,247)	(7,247)	-
Government Grants	(2,044)	(2,148)	(104)
Total Funding	(16,987)	(17,091)	(104)
Total Budget - (Surplus)/Deficit	-	(317)	(317)

Capital Financial Performance

The capital outturn for 202/25 reported to Cabinet by scheme is as follows:

General Fund 2024/25 Capital Program and Outturn			
Service Area	Revised Budget 2024/25 £'000	Outturn 2024/25 £'000	Variance (underspend)/ overspend £'000
Non UKSPF & LUF Projects			
ICT	133	101	(32)
Footway Lighting	62	62	-
Neighbourhoods	366	54	(312)
Changing Places	-	55	55
Disabled Facilities Grants	1,455	638	(817)
Asset and Property – Moulton Park & New Sheep Market	96	77	(19)
Council Offices Priory Road – UPS	24	23	(1)
Capital Acquisitions re Growth and Commercialisation	100	-	(100)
Welland Homes	1,156	1,131	(25)
Local Authority Housing Fund	157	-	(157)
Spalding Gateway Public Realm Project	283	237	(46)
Lutyens Memorial	10	24	14
Unit 4 Migration	29	29	-
Uniform System	49	49	-
Christmas Lights	55	55	-
Total Non UKSPF & LUF Projects	3,975	2,535	(1,440)
UKSPF & LUF			
UKSPF	521	506	(15)
UKSPF - Rural	322	266	(56)
Total UKSPF	843	772	(71)
LUF - South Holland Health and Wellbeing Hub	1,298	1,522	224
Total LUF	1,298	1,522	224
Grand Total General Fund Capital Programme	6,116	4,829	(1,287)

General Fund 2024/25 Capital Program and Outturn			
Service Area	Revised Budget 2024/25 £'000	Outturn 2024/25 £'000	Variance (underspend)/ overspend £'000
Borrowing	-	-	-
Grants & Contributions	(3,879)	(3,229)	650
Capital Reserves	(222)	(174)	48
Direct Revenue Financing	(2,015)	(1,426)	589
Total	(6,116)	(4,829)	1,287

Housing Revenue Account

HRA 2024/25 Outturn

HRA 2024/25 Outturn			
Service Area	Revised Budget 2024/25 £'000	Outturn 2024/25 £'000	Variance (underspend)/ overspend £'000
Rent Income – Dwellings	(18,308)	(18,448)	(140)
Charges for Services and Facilities	(1,275)	(1,269)	6
Contributions to Expenditure	(5)	-	5
Total Income	(19,588)	(19,717)	(129)
Repairs and Maintenance	4,883	4,580	(303)
Supervision and Management	4,246	4,072	(174)
Rents, rates, taxes, and other charges	90	83	(7)
Depreciation	5,040	5,410	370
Movement in Allowance for bad debts	50	99	49
Statutory recharge to the HRA for support services	3,306	3,321	14
Total Expenditure	17,615	17,564	(50)
Contribution from Operations	(1,973)	(2,152)	(179)
Investment Income	(556)	(390)	166
Interest Payable	2,348	2,348	-
Net (Surplus)/Deficit	(181)	(194)	(13)

Housing Revenue Account (HRA) Capital Programme

HRA 2024/25 Capital Program and Outturn			
Service Area	Revised Budget 2024/25 £'000	Outturn 2024/25 £'000	Variance (underspend)/over spend £'000
Central Heating	975	766	(209)
Kitchen/Bathroom	1,360	1,492	132
Renewable Energy	4,698	4,698	-
Smoke Alarms	190	292	102
Electrical Upgrades	130	99	(31)
Roofs and Gutters	870	632	(238)
Doors and Windows	1,008	1,008	-
Flat Entrance Doors Sheltered Schemes	359	360	1
Fire Remedial Works	3	3	-
Damp and Mold remedial works	-	101	101
Chimneys	160	35	(125)
Paths and Drives	37	9	(28)
Boundary Walls	42	8	(34)
TV Aerials - Sheltered Schemes	5	5	-
Fees	-	-	-
Sewerage Treatment Plant	112	113	1
The Square	-	15	15
Car Parks	-	-	-
Community Centre Refurbishment	132	134	2
Structural Works	-	-	-
ICT Strategy / Infrastructure	36	22	(14)
Replacement Laptops	28	19	(9)
Major Adaptions	1,427	1,740	313
Sheltered Alarm Upgrade	762	761	(1)
Housing Repairs Vehicles	-	-	-
Grounds Maintenance Equipment	71	-	(71)
Wignal's Gate S106	4	-	(4)
Northon's Lane Holbeach	808	808	-
Jubilee Way Gosberton	-	-	-
Pheasant Street Holbeach	-	-	-
Primus Close Moulton Chapel	374	374	-
Biehler Avenue Weston	-	-	-
Cobgate Whaplode	1	2	1
Coalbeach Lane Surfleet	2	2	-
LAHF2 Frogmore Lane Holbeach	458	457	(1)
LAHF2 Tulip Fields Holbeach	-	-	-
River Close Surfleet	861	861	-
Scheme Subject to detailed approval	1,198	-	(1,198)
Total	16,111	14,816	(1,295)

HRA 2024/25 Capital Funding and Outturn			
Service Area	Revised Budget 2024/25 £'000	Outturn 2024/25 £'000	Variance (underspend)/ overspend £'000
Capital Receipts	160	(1,301)	(1,461)
Grants and Contributions	(2,349)	(2,569)	(220)
Major Repairs Reserve	(5,335)	(7,286)	(1,951)
Reserve Financing	-	-	-
S106 Reserves	-	(983)	(983)
External Borrowing	111	-	(111)
Direct Revenue Financing	(8,698)	(2,677)	6,021
Total	(16,111)	(14,816)	1,295

Collection Fund financial performance

The balance on the Council Tax Collection Fund at 31 March 2025 showed a £0.320m surplus. This will be shared between the District, Lincolnshire County Council and Lincolnshire Police and Crime Commissioner in proportion with each authority's relative precept. This surplus has resulted from a higher than budgeted tax base, SHDC's share is £0.038m.

The balance on the NNDR Collection Fund at 31 March 2025 showed a £0.984m surplus. This will be shared between the District, Lincolnshire County Council and the Government in proportion with each party's relative proportionate share. SHDC's share is £0.394m.

Reserves and balances

The net increase in specific and general reserves and balances for 2024/25 was £0.616m. The table below shows the balances at 31 March 2025 by reserve:

Reserve	Specific and General Reserves Balance Balances at 1 April 2024 £'000	Contributions into Reserves £'000	Use of Reserves £'000	Balances at 31 March 2025 £'000
General Fund				
Council Tax	1,195	443	-	1,638
Replacement and Refurbishment	-	-	(32)	(32)
Repayment Reserve	66	-	-	66
Investment and Growth	2,854	121	(235)	2,740
Transformation	207	216	(126)	297*
Planning Reserve	394	443	-	837
Parish Loans Reserve	-	100	-	100**
Specific Reserves Total	4,716	1,323	(393)	5,646
General Fund	2,078	-	-	2,078
Total	6,794	1,323	(393)	7,724

*Includes £216k of the 2024/25 surplus

**Includes £100k of the 2024/25 surplus

Please note the following reserve movements that have taken place in 2024/25:

- Council Tax
 - Additions – Non-Specific Grants, District Elections, Electrical Registration
- Replacement and Refurbishment Reserve
 - Use of reserve (Revenue) – Programmed use for asset maintenance (South Holland Centre Boiler and Council Offices Priory Rd)
- Investment and Growth Reserve
 - Additions – LUF Capacity, Rough Sleeping Accommodation Program, vehicle purchases
 - Use of reserve (Capital) – New Sheep Market Toilet, Changing Places, Lutyens Memoria
 - Use of reserve (Revenue) – Discretionary Housing Payments, Council Tax Collection, Christmas Decorations, Community Lottery and Sports Hall
- Transformation Reserve
 - Use of reserve (Revenue) – Corporate Management LG Future analysis, CIPFA work, Planning Service Review, Friths consultation on SELCP, Neighbourhoods interim manager support, Council Tax Collection empty property review, corporate training and HR Pilats.
- Planning Reserve
 - Additions – Power Purchase Agreements, Solar Panel Income

HRA Reserves Balance				
Reserve	Balances at 1 April 2024 £'000	Contributions into Reserves £'000	Use of Reserves £'000	Balances at 31 March 2025 £'000
<u>Housing Revenue Account (HRA)</u>				
HRA General Reserve	15,395	194	(3,093)	12,496
Major Repairs Reserve	4,378	5,410	(7,286)	2,502
Insurance Reserve	200	-	-	200
Total	19,973	5,604	(10,379)	15,198

The HRA contribution into reserves is the HRA surplus for the year, and the Major Repairs Reserve contribution into reserves is the Depreciation charge for the year. The use of reserves is financing the HRA Capital Program. There are no other movements in reserves.

Further information on reserves can be found in the Movement in Reserves Statement and Note 24 to the Financial Statements.

Pension fund

The accounts and notes with relation to the pension fund have been prepared in accordance with International Accounting Standard (IAS) 19. South Holland's Pension Fund liability included in the Balance Sheet as at 31 March 2025 stands at £3.801m compared with £4.044m the previous year, this represents the liability to the Lincolnshire Pension Fund. This amount is matched by a pension reserve also shown in the Balance Sheet and therefore has no impact on the Council's overall financial position at 31 March 2025. The IAS 19 Balance Sheet position for the Council shows a reduced obligation and the net liability to the Council under IAS 19 pension deficit is higher in monetary terms at 31 March 2025. The actuary uses a set of demographic assumptions that are consistent with those used for the Lincolnshire Pension Fund. These are highlighted in note 36. Following the results of the triennial review in 2022, the Council's budget includes both a pension contribution percentage and also a lump sum payment each year which is forecast to bring the pension scheme into a fully funded position over a 20-year term.

Cash flows

Investments held by the Council are used to fund day to day cash flow requirements, and achieving a return on investments helps to support the low levels of council tax, support the reserves expenditure and to fund capital expenditure. Short term investments maturing in 2024/25 and long term investments mature beyond this or are open-ended.

Capital spend will reduce the cash held, however the Council does not currently have a need to borrow over the medium term. The Council's overall Capital Financing Requirement (CFR) which details the Council's underlying need to borrow can be found at Note 34.

There were no significant provisions, contingencies or write offs during the year. Full details on provisions and contingencies can be found at Note 22. However appeals from Business Rates (NNDR) continue to be a risk to the Council.

Current economic climate, outlook and risk

The creation of the next year's budget has been challenging. It has been set within a background of unprecedented inflationary pressures with Internal Drainage Board precepts again significantly increasing and continued changes in resident, customer and business needs. Despite these issues the Council's financial position means that it is well placed and able to take a considered approach to mitigating these exceptional challenges. The Government has provided a one-year settlement which has taken some uncertainty away regarding certain grants, however, the uncertainty remains significant and into the medium-term. South Holland District Council remains sovereign in terms of its constitution and budget, as do the Councils we partner with, and our SHDC priorities are to ensure that the Council remains financially resilient, able to deliver services it has to by law, and to provide support to the district's most vulnerable residents. Secondly, to continue the process of redressing the imbalances still being felt from the pandemic by appropriately focussing on the provision of financial support to underpin economic recovery for the district and seeking to invest in our places. Work to develop new opportunities, efficiencies and income streams to support the Council's revenue budget has continued. The Council had made representations regarding the Internal Drainage Board pressures and some initial one-off funding has been awarded.

The Council remains in a strong financial position over the medium term, with plans for transformation, capital spend and delivery of services as well as investment in its communities. The Council needs to deal with any changes in funding levels resulting from any Fair Funding review and changes to Business Rates Retention with a measured and planned approach. The Medium-Term Financial Plan (MTFP) provides information on the Council's budget, transformation programme and reserves and can be found on the Council's website:

[Appendix A - Budget Setting Report 2024/25](#)

The current level of reserves held by the Council is considered adequate to withstand current pressures and to invest in transformation projects, but it would not be financially sustainable to rely on these reserves to continue to fund the reduction in Central Government funding.

The impact of international events on the delivery of the Council's corporate objectives and finances continues to be monitored, particularly in relation to inflation levels (which impact on major contracts) and the impact on businesses and licensing.

Key Risks

The internal Performance, Risk and Audit Board reviews updates on corporate and operational risks on a quarterly basis and takes any remedial actions as necessary (for example, escalation to the Senior Leadership Team or Audit and Governance committee). Quarterly updates on the corporate risk register are provided to both the Executive Management Team and the Governance and Audit Committee. The Governance and Audit Committee is responsible for monitoring the arrangements in place for identification, monitoring and management of strategic risk.

Future Opportunities

The Council is always looking for new opportunities, such as through the South and East Lincolnshire Council Partnership, service improvements and cost reductions through digitalisation of services, etc. All opportunities will be examined on their own merits and detailed business cases completed if the opportunity is considered worthy of implementation.

The 2025/26 Annual Delivery Plan sets out the projects to be brought forward by the Partnership Councils during this municipal year.

Further information on the Statement of Accounts is available from Public Sector Partnership Services Ltd (formerly Compass Point Business Services), who provide all financial services for the Council. This is available as follows:

- In writing - to Financial Services, Council Offices, Priory Road, Spalding, Lincolnshire PE11 2XE.
- By telephone – 01775 761161
- By e-mail - to Customer Services at info@sholland.gov.uk

By e-mail - to Customer Services at info@sholland.gov.uk or to James Gilbert, Assistant Director – Corporate james.gilbert@e-lindsey.gov.uk

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance and Section 151 Officer
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Financial Statements, delegated to the Governance and Audit Committee.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Council'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 (the Code)*.

In preparing the Financial Statements, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code
- kept proper accounting records which were up to date and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification by the Chief Financial Officer

I hereby certify that the unaudited Financial Statements give a 'true and fair' view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31 March 2025.



Brendan Arnold
Director of Finance and Section 151 Officer

Dated: 30 June 2025

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure Statement shows 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 (or rents). The Council raises taxation and 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 and the Movement in Reserves Statement.

Gross Expenditure £'000	2023/24 Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	2024/25 Gross Income £'000	Net Expenditure £'000
1,790	(847)	943	General Fund Assets	2,099	(981)	1,118
15,508	(12,984)	2,524	Finance	17,362	(12,635)	4,727
1,216	(105)	1,111	Governance	1,509	(511)	998
5,152	(3,584)	1,568	Wellbeing and Community Leadership	3,676	(2,207)	1,469
2,363	(833)	1,530	Leisure and Culture	2,353	(918)	1,435
2,124	(408)	1,716	Corporate	1,643	(200)	1,443
6,149	(936)	5,213	Neighbourhoods	6,544	(1,082)	5,462
3,368	(3,524)	(156)	Planning and Strategic Infrastructure	3,415	(4,950)	(1,535)
1,460	(696)	764	Regulatory	1,607	(1,015)	592
2,056	(1,776)	280	Strategic Growth and Development	4,084	(2,981)	1,103
50,668	(18,364)	32,304	Housing	17,769	(19,938)	(2,169)
91,854	(44,057)	47,797	Cost of Services	62,061	(47,418)	14,643
7,352	(3,333)	4,019	Other operating expenditure (Note 10)	6,884	(2,227)	4,657
6,286	(6,290)	(4)	Financing and investment income and expenditure (Note 11)	6,373	(6,140)	233
6,483	(26,764)	(20,281)	Taxation and non-specific grant income and expenditure (Note 12)	6,752	(31,027)	(24,275)
111,975	(80,444)	31,531	(Surplus) or Deficit on the Provision of Services	82,070	(86,812)	(4,742)
		(93,323)	Surplus on revaluation of property, plant and equipment assets			9,401
		579	(Surplus) or Deficit from investments in equity instruments designated at fair value through other comprehensive income			(348)
		3,250	Remeasurements of the net defined benefit liability			489
		(89,494)	Other Comprehensive Income and Expenditure			9,542
		(57,963)	Total Comprehensive Income and Expenditure			4,800

The notes to the accounts on pages 26 - 93 form an integral part of the Financial Statements.

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e., those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

2024/25	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	HRA Earmarked Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2024	2,078	6,025	15,395	200	4,379	7,498	5,193	40,768	227,805	268,573
Movement in Reserves during 2024/25										
Total Comprehensive Income and Expenditure	4,861	-	(119)	-	-	-	-	4,742	(9,542)	(4,800)
Adjustments between accounting basis and funding basis under regulations (Note 8)	(2,211)	-	(102)	-	(1,877)	858	1,008	(2,324)	2,324	-
Increase/(Decrease) in 2024/25	2,650	-	(221)	-	(1,877)	858	1,008	2,418	(7,218)	(4,800)
Transfer to/(from) Earmarked Reserves	(2,650)	2,650	-	-	-	-	-	-	-	-
Transfer to/from Other Reserves	-	-	(2,678)	-	-	-	-	(2,678)	2,678	-
Balance at 31 March 2025 carried forward	2,078	8,675	12,496	200	2,502	8,356	6,201	40,508	223,265	263,773

2023/24	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	HRA Earmarked Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2023	2,078	5,548	22,513	200	5,163	6,735	3,040	45,277	165,333	210,610
Movement in Reserves during 2023/24										
Total Comprehensive Income and Expenditure	2,270	-	(33,801)	-	-	-	-	(31,531)	89,494	57,963
Adjustments between accounting basis and funding basis under regulations (Note 8)	(1,793)	-	26,683	-	(784)	763	2,153	27,022	(27,022)	-
Increase/(Decrease) in 2023/24	477	-	(7,118)	-	(784)	763	2,153	(4,509)	62,472	57,963
Transfer to/(from) Earmarked Reserves	(477)	477	-	-	-	-	-	-	-	-
Transfer to/from Other Reserves	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2024 carried forward	2,078	6,025	15,395	200	4,379	7,498	5,193	40,768	227,805	268,573

The notes to the accounts on pages 26 - 93 form an integral part of the Financial Statements.

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. 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 that 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 Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2024 £'000		Note	31 March 2025 £'000
300,234	Property, Plant and Equipment	13	293,778
-	Right of Use Assets	35	103
98	Heritage Assets	14	101
2,255	Investment Property	15	2,460
101	Intangible Assets	16	91
5,350	Long Term Investments	17	6,078
5,949	Long Term Debtors		6,697
313,987	Long Term Assets		309,308
25,849	Short Term Investments	17	20,332
935	Assets Held for Sale	20	2,229
8,080	Short Term Debtors	18	8,410
2,762	Cash and Cash Equivalents	19	5,277
37,626	Current Assets		36,248
-	Cash and Cash Equivalents	19	-
(26)	Short Term Borrowing		(26)
(7,808)	Short Term Creditors	21	(8,407)
(138)	Provisions	22	(129)
(7,972)	Current Liabilities		(8,562)
(67,456)	Long Term Borrowing		(67,456)
-	Long Term Lease Liabilities	35	(26)
(4,044)	Other Long Term Liabilities – Pension Liability	36	(3,801)
(3,152)	Other Long Term Liabilities – S106 and Rent Deposits		(1,742)
(416)	Grants Receipts in Advance – Capital	32	(196)
(75,068)	Long Term Liabilities		(73,221)
268,573	Net Assets		263,773
(40,768)	Usable Reserves		(40,508)
(227,805)	Unusable Reserves	24	(223,265)
(268,573)	Total Reserves		(263,773)

The notes to the accounts on pages 26 – 93 form an integral part of the Financial Statements.

CASH FLOW STATEMENT

The Cash Flow Statement 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, investing and financing activities. 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 from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the Council.

2023/24 £'000	2023/24 £'000		2024/25 £'000	2024/25 £'000
	(31,531)	Net surplus/(deficit) on the provision of services		4,742
46,499		Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 25)	10,674	
(8,770)	37,729	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 25)	(5,040)	5,634
	6,198	Net cash flows from Operating Activities		10,376
	(7,597)	Investing Activities (Note 26)		(7,871)
	(2,296)	Financing Activities (Note 27)		7
	(3,695)	Net increase in cash and cash equivalents		2,512
	6,459	Cash and cash equivalents at the beginning of the reporting period		2,762
	(2)	Other Cash Movements		3
	2,762	Cash and cash equivalents at the end of the reporting period (Note 19)		5,277

The notes to the accounts on pages 26 - 93 form an integral part of the Financial Statements.

NOTES TO THE ACCOUNTS

NOTE 1 – ACCOUNTING POLICIES

1. General Principles

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

The accounting convention adopted in the Financial Statements is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are not carried as inventories on the Balance Sheet due to their immateriality.
- Expenses in relation to services received, including services provided by employees, are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount, where considered material, is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

5. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets 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, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

6. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e., the 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, billing authorities, 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.

Accounting for Council Tax and NDR

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

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 and prepayments and appeals.

Business Improvement Districts

In February 2025, a business improvement district (BID) scheme was set up across parts of the authority. The scheme was funded by a BID levy paid by non-domestic ratepayers. The authority acted as a billing authority under the scheme, and the income collected was passed to Spalding Business Improvement District. No income or expenditure relating to the BID is included in the Council's accounts.

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 any form of leave e.g., 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 made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

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 General Fund Balance and Housing Revenue 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 Movement in Reserves Statement, 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 members of the Local Government Pension Scheme, administered by Lincolnshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Lincolnshire County Council pension fund attributable to the Council 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 assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.80% (4.90% in 2023/24), based on the indicative rate of return on high quality corporate bonds.
- The assets of the Lincolnshire County Council 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 liability is analysed into the following components:

Service Cost comprising:

- ***current service cost*** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- ***past service cost*** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
- ***net interest on the net defined benefit liability***, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the

Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- **the return on plan assets** – excluding amounts included in the net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **actuarial gains and losses** – changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **contributions paid to the Lincolnshire County Council pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.
- **changes in effect of asset ceiling** – an increase in the pension liabilities recognised by the Council to reflect the current commitment to pay employer's contributions, to recover a deficit in the Pension Fund that has been assessed as greater than the net pensions liability established under Accounting Code requirements.

In relation to retirement benefits, statutory provisions require the General Fund Balance and Housing Revenue Account Balance 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. In the Movement in Reserves Statement, this means that there are transfers 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 General Fund and Housing Revenue Account 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 also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8. Events after the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Financial Statements are adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Financial Statements are 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 Financial Statements.

9. 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 Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate 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.

For the long term borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The Council has provided a guarantee in relation to the liabilities of Public Sector Partnership Services, based on 28% of any outstanding liabilities, in the event the Company should cease trading.

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. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e., where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, or where relevant FVOCI, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The Council has issued five loans to its subsidiary, Welland Homes Limited, and has assessed lifetime expected losses for these loans on a collective basis. The Council relies on past due information and calculates losses based on lifetime credit losses for all loans more than 30 days past due.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

For Financial Assets measured at Fair Value through Profit and Loss, monthly dividend/distribution income receivable is credited to the Financial and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in other comprehensive expenditure and taken to the financial instruments' revaluation reserve, except for impairment gains or losses until the financial asset is derecognised or reclassified.

Where financial assets are measured at FVPL or FVOCI, the fair value measurements are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

10. 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 Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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 and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance and Housing Revenue Account Balance in the Movement in

Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

11. Heritage Assets

The extent of the Council's holdings of heritage assets is limited. Heritage assets are held to help increase the knowledge, understanding and appreciation of the Council's history and local area. Heritage assets are recognised and measured, including the treatment of revaluation gains and losses, in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Council's heritage assets fall into two categories; Civic Regalia and Works of Art, and Archaeological Sites, Smallholdings and other Land and Sites of Special Interest and are accounted for as follows:

Civic Regalia and Works of Art:

- Civic regalia and Tulip paintings – insurance value; valued by an external valuer

Archaeological Sites, Smallholdings and other Land and Sites of Special Interest:

- Chain Bridge Forge (formerly Blacksmith's shop) – current use; valued by the internal valuer
- Nature reserve – Historic Cost

Heritage assets not recognised on the Council's Balance Sheet:

- Community Beacon, Gas Wharf, Pill box, HMS Hornet bell and model of HMS Taku submarine – not included on the Balance Sheet as the cost of obtaining valuations outweighs the benefit to the users of the statements.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g., where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see item 19 in this summary of significant accounting policies. Depreciation is not charged as the assets are deemed to be held in perpetuity. Should any heritage assets be disposed of the proceeds are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

12. Intangible Assets

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

Intangible assets are measured initially at cost and are carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. Amortisation is calculated on the following basis:

- Computer software and licences – straight line basis

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, the amortisation charge is not permitted to have an impact on the General Fund Balance or Housing Revenue Account Balance. It is therefore reversed out of the General Fund Balance and Housing Revenue Account Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

13. Interest in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries and associates and require it to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost. The Group Accounts included with the financial statements incorporate South Holland Local Housing Community Interest Company, Welland Homes Ltd and Public Sector Partnership Services Ltd.

14. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

15. Investment Property

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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. 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 Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Assets are transferred into or out of the Investment Property class only when there is evidence of a change of use.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

16. Leases

The authority as a lessee

The authority classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights to both obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date

- Amounts expected to be payable under a residual value guarantee
- The exercise price under a purchase option that the authority is reasonably certain to exercise
- Lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option
- Penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The authority considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee
- the authority changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short lease exemption

As permitted by the Code, the authority excludes leases:

- for low-value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight line depreciation, any asset impairments and changes in variable lease payments not included in the

measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

The authority as lessor

Leases are classified as finance leases where the terms of the lease transfer 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.

Finance leases

Where the authority 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 property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund balance to the capital receipts reserve in the Movement in Reserves Statement. 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 General Fund balance to the deferred capital receipts reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for 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 Council has no finance lease commitments as at 31 March 2025.

Operating leases

Where the authority 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 Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease or where this is initiated by a service to the individual service, 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. Material Items of Income or Expense

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

18. Overheads and Support Services

Following revisions to the Accounting Code, the cost of overheads and support services are not charged to service segments, within the Financial Statements, in accordance with the Council's arrangements for accountability and financial performance. However, they are apportioned to comply with the requirements of various government returns.

19. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual's 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 assets potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

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 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 authority). 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 authority.

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 and expenditure line of the Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance to the capital adjustment account in the Movement in Reserves Statement.

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

- infrastructure assets, community assets and assets under construction – depreciated historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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 Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value 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 in the Comprehensive Income and Expenditure Statement.

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

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 Comprehensive Income and Expenditure Statement.

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

Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight line allocation over the life of the property as estimated by the valuer
- Vehicles, plant and equipment – straight line allocation over the life of the asset, as advised by a suitably qualified officer
- Infrastructure – straight line allocation.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Materiality levels have been assessed and a materiality level of £0.5m for major components has been applied. Council dwellings are separated into their principal components, which are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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 Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous 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 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 Property, Plant and Equipment or assets held for sale, is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement 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 Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals 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. Receipts are appropriated to the Reserve from the General Fund Balance and Housing Revenue Account Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax or housing rents, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance and Housing Revenue Account Balance in the Movement in Reserves Statement.

Infrastructure Assets

Infrastructure assets include sewage treatment works and street furniture.

Recognition

Expenditure on the acquisition or replacement of components of these assets is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

Measurement

Infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Annual depreciation is provided on these assets over their useful lives on a straight-line basis, as follows:

- Street lighting – 10 years
- Sewage treatment works – 10-19 years

Disposals and derecognition

When an infrastructure asset is disposed of, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, 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).

The written-off amounts of disposals are 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 transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

20. Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties, and some of its financial instruments at fair value at each reporting date. 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.

When measuring the fair value of a non-financial asset, the authority 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.

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 authority 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.

21. 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 can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council has an obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now 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, 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.

22. 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.

23. 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.

24. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingences. Reserves are created by transferring amounts out of the General Fund Balance. 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 Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement, and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

25. Revenue Expenditure Funded from Capital under Statute

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 Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

26. 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.

NOTE 2 – ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) has introduced several changes in accounting standards which will be required from 1 April 2025.

- IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability)
- IFRS 17 Insurance Contracts (Replaces IFRS 4)
- Changes to the measurement of non-investment assets including adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets.

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new accounting standard, but one which has not yet been implemented.

It is not anticipated that the above amendments will have a material impact on the information provided in the financial statements, i.e., there is unlikely to be material change to the reported information in the net cost of services or the surplus or deficit on the provision of services.

NOTE 3 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out at Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Financial Statements are:

- There is a large degree of uncertainty about future levels of funding for local government. However, the council has determined that this high level of uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- At the time the accounts were authorised for issue, the Council's valuers have provided values for the Council's assets taking into account what was known at the time. The Council's judgement was that there was not enough information to indicate that the assets were impaired and that balance sheet values should be reduced.
- The Council has examined its leases and classified them as either operating leases or finance leases. In some cases, the lease transaction is not always conclusive, and the Council uses judgements in determining whether the lease is a finance lease that transfers substantially all the risks and rewards incidental to ownership. With effect from 2024/25 financial accounts all lessee operational agreements (apart from those of less than 12 months or those of low value assets) are required to be shown on the balance sheet.
- One factor that has had a demonstrable impact on the accounts in the past five years concerns the assumptions surrounding pensions and the likelihood of legislative change and the impact of such change. The sensitivity analysis, shown in note 36, estimates the likely impact of changes to the assumptions used when reporting the pension liability.
- Investments - Investment in banks and other financial institutions are secure and will not suffer impairments. A certain amount of volatility in financial markets was apparent at the time the accounts were authorised for issue and expected credit losses were calculated based on information available at the time.

NOTE 4 – ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Financial Statements contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates have been made taking into account historical experience, current trends and other relevant factors. The assumptions and other sources of estimation uncertainty disclosed below relate to the estimates that require the council's most difficult, subjective or complex judgements. As a number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex. As a result, balances cannot be determined with certainty and actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2025 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Assets and Liability

The estimation of the net defined benefit liability at 31 March 2025 was £3.801m (£4.044m liability at 31 March 2024) to pay pensions depends on a number of complex judgements relating to the discount rate 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 expert advice about the assumptions to be applied.

During 2024/25, the actuaries advised that South Holland's net pension liability had decreased by £0.243m. This is made up of:

- £0.489m actuarial loss
- £0.732m gain arising from employer contributions of £2.619m being more than the total pension costs of £1.887m.

Debt Impairment

At 31 March 2025, the Council had a balance of sundry debtor and housing benefit overpayments of £1.705m. The Council's normal approach to review significant items suggested that an impairment allowance for doubtful debts of 36% (£0.611m) was appropriate. However, in the current economic climate it is not certain that the allowance will be sufficient.

If collection rates were to deteriorate, increasing the impairment for doubtful debts to 50% of the total debt would require an additional £0.242m to be set aside as an allowance.

The change in the impairment allowance for bad debts is presented within Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Business Rates

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities need to account for any reduction in Business Rates income and repayment to ratepayers, in respect of successful appeals against business rates for current and earlier years. A provision has been made in the accounts based on the best estimate of the amount that the Council might need to repay as a result of successful appeals up to 31 March 2025.

For appeals already lodged, this estimate has been calculated using the latest Valuation Office Agency list of outstanding appeals with an assessment being made of the likely impact of those appeals, taking into account past national decisions together with any specific / local implications. This assessment has been undertaken by an external provider and reviewed by officers to reflect local circumstances. The Council's share of the provision as at 31 March 2025 is £0.129m (40% of £0.323m).

If the appeals provision increased by 10% the Council's share would increase to £0.142m.

Fair Value Measurements

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e., Level 1 inputs), their fair value is measured using valuation techniques (e.g., quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.

Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the external valuer). Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 13 and 15.

Asset Lives

Asset lives are determined by the valuers and if asset lives were reduced by one year the impact on the depreciation charged to the CIES would be immaterial.

NOTE 5 – EVENTS AFTER THE BALANCE SHEET DATE

The unaudited Financial Statements were authorised for issue by the Chief Finance Officer on 30 June 2025. Events taking place after 31 March 2025 are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

NOTE 6 – EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local Councils in comparison with those resources consumed or earned by Councils in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2023/24				2024/25			
Net Expenditure Chargeable to the General Fund and HRA Balance £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund and HRA Balance £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	
633	310	943	General Fund Assets	767	351	1,118	
2,685	(161)	2,524	Finance	4,912	(185)	4,727	
1,129	(18)	1,111	Governance	1,016	(18)	998	
1,309	259	1,568	Wellbeing and Community Leadership	612	857	1,469	
1,159	371	1,530	Leisure and Culture	1,084	351	1,435	
1,529	187	1,716	Corporate	1,165	278	1,443	
4,851	362	5,213	Neighbourhoods	5,028	434	5,462	
(111)	(45)	(156)	Planning and Strategic Infrastructure	(1,350)	(185)	(1,535)	
820	(56)	764	Regulatory	662	(70)	592	
311	(31)	280	Strategic Growth and Development	808	295	1,103	
(4,757)	37,061	32,304	Housing	(5,128)	2,959	(2,169)	
9,558	38,239	47,797	Net Cost of Services	9,576	5,067	14,643	
(2,917)	(13,349)	(16,266)	Other Income and Expenditure	(12,005)	(7,380)	(19,385)	
6,641	24,890	31,531	(Surplus) or Deficit	(2,429)	(2,313)	(4,742)	

General Fund Balance £'000	HRA Balance £'000	Total £'000		General Fund Balance £'000	HRA Balance £'000	Total £'000
2,078	22,513	24,591	Opening Balance at 1 April	2,078	15,395	17,473
-	(7,118)	(7,118)	Surplus or (Deficit) in Year (after transfers to/from earmarked reserves)	-	(2,899)	(2,899)
2,078	15,395	17,473	Closing Balance at 31 March	2,078	12,496	14,574

NOTE 6A – NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2024/25				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
General Fund Assets	392	(41)	-	351
Finance	-	(185)	-	(185)
Governance	-	(18)	-	(18)
Wellbeing and Community Leadership	936	(79)	-	857
Leisure and Culture	377	(26)	-	351
Corporate	209	51	18	278
Neighbourhoods	624	(190)	-	434
Planning and Strategic Infrastructure	(135)	(50)	-	(185)
Regulatory	3	(73)	-	(70)
Strategic Growth and Development	327	(32)	-	295
Housing	3,172	(224)	11	2,959
Net Cost of Services	5,905	(867)	29	5,067
Other Income and Expenditure from the Funding Analysis	(7,824)	135	309	(7,380)
Difference between General Fund (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (Surplus)/Deficit	(1,919)	(732)	338	(2,313)

2023/24				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
General Fund Assets	344	(34)	-	310
Finance	1	(162)	-	(161)
Economic Growth	-	-	-	-
Governance	-	(18)	-	(18)
Wellbeing and Community Leadership	324	(65)	-	259
Leisure and Culture	392	(21)	-	371
Corporate	145	43	(1)	187
Neighbourhoods	546	(184)	-	362
Planning and Strategic Infrastructure	-	(45)	-	(45)
Regulatory	3	(59)	-	(56)
Strategic Growth and Development	13	(44)	-	(31)
Housing	37,211	(155)	5	37,061
Net Cost of Services	38,979	(744)	4	38,239
Other Income and Expenditure from the Funding Analysis	(13,634)	13	272	(13,349)
Difference between General Fund (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (Surplus)/Deficit	25,345	(731)	276	24,890

Adjustments for Capital Purposes

This column adds in depreciation and impairment, revaluation gains and losses and transfer to the Major Repairs Reserve for future capital investment in the service lines, 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., Minimum Revenue Provision 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. 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 the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income are reflected as follows:

- **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 or credited to the Comprehensive Income and Expenditure Statement and amounts payable or receivable to be recognised under statute are as follows:

- **For services** the other differences column recognises adjustments to the General Fund and Housing Revenue Account for accumulated absences.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and business 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.

NOTE 7 – EXPENDITURE AND INCOME ANALYSED BY NATURE

The authority's expenditure and income is analysed as follows:

2023/24 £'000		2024/25 £'000
	<u>Expenditure</u>	
14,666	Employee benefits expenses	15,508
21,951	Other service expenses	25,260
10,893	Benefits expenditure	10,891
6,695	Depreciation, amortisation, impairment	6,982
2,348	Interest payments	2,350
4,298	Precepts and levies	4,712
107	Increase in impairment allowance	203
493	Changes in fair value of investment property	20
3	Payments to Housing Capital Receipts Pool	1
6,483	Business Rates tariff and levy	6,752
3,051	Loss on disposal of non-current assets	2,171
37,667	Loss on revaluation of non-current assets	3,435
3,320	Pensions interest cost	3,785
111,975	Total Expenditure	82,070
	<u>Income</u>	
(17,598)	Income from council tax and non-domestic rates	(18,309)
(7,217)	Government grants and contributions	(8,514)
(6,277)	Other grants and contributions	(8,077)
(29,466)	Fees, charges and other service income	(32,931)
(10,504)	Benefits income	(10,789)
(51)	Decrease in impairment allowance	(19)
(2,411)	Interest and investment income	(1,994)
-	Change in fair value of equity investments	-
(280)	Changes in fair value of investment property	(225)
-	Gain on entry – peppercorn lease	(77)
-	Gain on revaluation of non-current assets	-
(3,333)	Gain on disposal of non-current assets	(2,227)
(3,307)	Pensions interest income	(3,650)
(80,444)	Total Income	(86,812)
31,531	(Surplus) or Deficit on the Provision of Services	(4,742)

NOTE 8 – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year. However, as a Housing authority the balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance

The Housing Revenue Account 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 as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at year end.

Capital Receipts Reserve

The Capital Receipts Reserve 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.

Capital Grants Unapplied

The Capital Grants Unapplied Account 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.

2024/25	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
Adjustments to Revenue Resources					
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>					
• Pension costs	(544)	(188)	-	-	-
• Council Tax and Non-Domestic Rates	309	-	-	-	-
• Holiday pay	17	11	-	-	-
• Movements in the market value of Investment Properties	(206)	-	-	-	-
• Capital grants and contributions applied to capital financing	(2,992)	(3,552)	-	-	-
• Capital grants and contributions not applied to capital financing	(1,466)	458	-	-	1,008
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	3,911	10,373	-	-	-
Total Adjustments to Revenue Resources	(971)	7,102	-	-	1,008
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(362)	(1,829)	2,191	-	-
Administrative costs of non-current asset disposals	-	34	(34)	-	-
Payments to the government housing receipts pool	1	-	(1)	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	(5,409)	-	5,409	-
Minimum Revenue Provision	(391)	-	-	-	-
Other income that cannot be credited to the CIES	-	-	-	-	-
Gain on entry – peppercorn lease	(77)	-	-	-	-
Capital expenditure financed from revenue balances	(411)	-	-	-	-
Total Adjustments between Revenue and Capital Resources	(1,240)	(7,204)	2,156	5,409	-
Adjustments to Capital Resources					
Use of Capital Receipts Reserve to finance capital expenditure	-	-	(1,301)	-	-
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	(7,286)	-
Use of capital grants to finance capital expenditure	-	-	-	-	-
Cash payments in relation to deferred capital receipts	-	-	3	-	-
Total Adjustments to Capital Resources	-	-	(1,298)	(7,286)	-
Total Adjustments	(2,211)	(102)	858	(1,877)	1,008

2023/24	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
Adjustments to Revenue Resources					
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>					
• Pension costs	(558)	(173)	-	-	-
• Council Tax and Non-Domestic Rates	272	-	-	-	-
• Holiday pay	(1)	5	-	-	-
• Movements in the market value of Investment Properties	213	-	-	-	-
• Capital grants and contributions applied to capital financing	(2,481)	(861)	-	-	(50)
• Capital grants and contributions not applied to capital financing	(1,315)	-	-	-	1,315
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	4,708	43,984	-	-	-
Total Adjustments to Revenue Resources	838	42,955	-	-	1,265
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,632)	(1,685)	3,317	-	-
Administrative costs of non-current asset disposals	64	28	(92)	-	-
Payments to the government housing receipts pool	3	-	(3)	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	(5,514)	-	5,514	-
Minimum Revenue Provision	(309)	-	-	-	-
Other income that cannot be credited to the CIES	-	-	-	-	-
Capital expenditure financed from revenue balances	(757)	(8,213)	-	-	-
Total Adjustments between Revenue and Capital Resources	(2,631)	(15,384)	3,222	5,514	-
Adjustments to Capital Resources					
Use of Capital Receipts Reserve to finance capital expenditure	-	-	(2,461)	-	-
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	(6,298)	-
Use of capital grants to finance capital expenditure	-	(888)	-	-	888
Cash payments in relation to deferred capital receipts	-	-	2	-	-
Total Adjustments to Capital Resources	-	(888)	(2,459)	(6,298)	888
Total Adjustments	(1,793)	26,683	763	(784)	2,153

NOTE 9 – MOVEMENTS IN EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2024/25.

	Balance 31 March 2023 £'000	Transfers Out 2023/24 £'000	Transfers In 2023/24 £'000	Balance 31 March 2024 £'000	Transfers Out 2024/25 £'000	Transfers In 2024/25 £'000	Balance 31 March 2025 £'000
General Fund							
Council Tax Reserve	656	(128)	667	1,195	-	445	1,640
Replacement and Refurbishment Reserve	-	(108)	108	-	(32)	-	(32)
Investment and Growth Reserve	3,703	(1,308)	459	2,854	(235)	121	2,740
Transformation Reserve	129	(38)	116	207	(126)	216	297
Repayment Reserve	-	-	66	66	-	-	66
Climate Change	37	-	-	37	-	76	113
S106 Reserve	237	-	383	620	(582)	1,736	1,774
Parish Loans Reserve	-	-	-	-	-	100	100
Planning Reserve	-	-	394	394	-	443	837
Spalding Special Expenses	-	-	138	138	-	78	216
Earmarked Grants Reserve	786	(497)	225	514	(85)	495	924
Total General Fund	5,548	(2,079)	2,556	6,025	(1,060)	3,710	8,675
Housing Revenue Account							
Insurance Reserve	200	-	-	200	-	-	200
Total Housing Revenue Account	200	-	-	200	-	-	200
Total Earmarked Reserves	5,748	(2,079)	2,556	6,225	(1,060)	3,710	8,875

NOTE 10 – OTHER OPERATING EXPENDITURE

2023/24 £'000		2024/25 £'000
1,131	Parish Council Precepts	1,299
3,167	Internal Drainage Board Levies	3,413
3	Payments to the Government Housing Capital Receipts Pool	1
(282)	(Gains)/Losses on the disposal of non-current assets	(56)
4,019	Total	4,657

NOTE 11 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2023/24 £'000		2024/25 £'000
2,348	Interest payable and similar charges	2,350
13	Net interest on the net defined benefit liability for pensions	135
(2,411)	Interest receivable and similar income	(1,994)
56	Movement in the impairment allowance for bad debts	184
(10)	Income and expenditure in relation to investment properties and changes in their fair value	(442)
(4)	Total	233

NOTE 12 – TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE

2023/24 £'000		2024/25 £'000
(7,255)	Council Tax income	(7,674)
(3,860)	Retained Business Rates income and expenditure	(3,883)
(2,067)	Section 31 Grant	(3,173)
(877)	Section 31 Grant – Extended Reliefs	-
(424)	Revenue Support Grant	(452)
(1,508)	Non-ringfenced government grants	(1,600)
(4,290)	Capital grants and contributions	(7,416)
-	Gain on entry – peppercorn lease	(77)
(20,281)	Total	(24,275)

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT - Movements on Balances

2024/25	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<u>Movements on balances</u>							
Cost or Valuation							
At 1 April 2024	264,046	28,697	8,390	1,196	764	1,268	304,361
Additions	12,142	227	257	2	-	3,927	16,555
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(14,901)	153	-	-	(14)	-	(14,762)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,493)	(472)	-	-	-	-	(3,965)
Derecognition – disposals	(1,210)	-	(267)	(312)	-	(5)	(1,794)
Assets reclassified (to)/from Held for Sale	(1,344)	(550)	-	-	-	-	(1,894)
Other movements in Cost or Valuation	1,740	-	-	-	-	(1,740)	-
At 31 March 2025	256,980	28,055	8,380	886	750	3,450	298,501
Accumulated Depreciation and Impairment							
At 1 April 2024	-	-	(4,446)	(146)	-	(5)	(4,597)
Depreciation charge	(5,153)	(738)	(973)	-	(18)	-	(6,882)
Depreciation written out to the Revaluation Reserve	4,715	643	-	-	-	-	5,358
Depreciation written out to the Surplus/Deficit on the Provision of Services	418	95	-	-	18	-	531
Derecognition – disposals	20	-	267	-	-	5	292
At 31 March 2025	-	-	(5,152)	(146)	-	-	(5,298)
Net Book Value							
At 31 March 2024	264,046	28,697	3,944	1,050	764	1,263	299,764
At 31 March 2025	256,980	28,055	3,228	740	750	3,450	293,203

2023/24	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<u>Movements on balances</u>							
Cost or Valuation							
At 1 April 2023	201,841	23,103	7,882	1,184	1,779	269	236,058
Additions	13,576	2,230	1,127	12	-	3,262	20,207
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	85,891	3,573	-	-	(753)	-	88,711
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(38,109)	(209)	-	-	(230)	-	(38,548)
Derecognition – disposals	(979)	-	(619)	-	(32)	-	(1,630)
Assets reclassified (to)/from Held for Sale	(437)	-	-	-	-	-	(437)
Other movements in Cost or Valuation	2,263	-	-	-	-	(2,263)	-
At 31 March 2024	264,046	28,697	8,390	1,196	764	1,268	304,361
Accumulated Depreciation and Impairment							
At 1 April 2023	-	-	(4,204)	(146)	-	(5)	(4,355)
Depreciation charge	(5,142)	(395)	(862)	-	(6)	-	(6,405)
Depreciation written out to the Revaluation Reserve	4,284	344	-	-	-	-	4,628
Depreciation written out to the Surplus/Deficit on the Provision of Services	825	51	-	-	6	-	882
Derecognition – disposals	33	-	620	-	-	-	653
At 31 March 2024	-	-	(4,446)	(146)	-	(5)	(4,597)
Net Book Value							
At 31 March 2023	201,841	23,103	3,678	1,038	1,779	264	231,703
At 31 March 2024	264,046	28,697	3,944	1,050	764	1,263	299,764

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – major components
 - Structure – 44-71 years
 - Roofs – 14-51 years
 - Kitchens – 15-31 years
 - Bathrooms – 17-31 years
 - Windows and Doors – 16-41 years
- Other Land and Buildings – 2-71 years
- Vehicles, Plant, Furniture & Equipment – 4-25 years
- Infrastructure – 2-40 years

Capital Commitments

At 31 March 2025, the Council has entered into contracts for the enhancement of Property, Plant and Equipment in 2024/25 and future years commitments are £5m. Similar commitments at 31 March 2024 were £9.3m, mainly relating to works to dwellings. The major commitments are:

• Energy Efficiency	£3.4m
• General Works	£1.1m
• Roofing and Fixtures	£0.5m

Effects of Changes in Estimates

No material changes were made to the Council's accounting estimates for Property, Plant and Equipment in 2024/25.

Revaluations

The Council carries out a programme that ensures that all Property, Plant and Equipment required to be measured at current value is regularly revalued. A full revaluation of all Council housing stock and other land and buildings is undertaken every 5 years, although a desktop review of all assets is carried out in each of the intervening years. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors Global Standards, incorporating the ISVC International Valuation Standards.

In addition, due regard has been taken of amendments introduced in the CLG document "Stock Valuation for Resource Accounting – Guidance for Valuers 2010". The basis of valuation is Current Value (EUV) for non-housing property and Existing Use Value for Social Housing (EUV – SH) for Council dwellings. Surplus property is valued at Fair Value, estimated at highest and best use from a market participant's perspective.

Revaluations during 2024/25 were undertaken by Ed Cox MRICS, the South East Lincolnshire Partnership's qualified valuer and Andy Smith BSc MRICS IRRV, RICS Registered Valuer (Savills).

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	-	8,380	3,067	886	-	3,450	15,783
Valued at fair value as at: 31 March 2025	256,980	28,055	-	-	-	750	-	285,785
Total Cost or Valuation	256,980	28,055	8,380	3,067	886	750	3,450	301,568

Fair Value Hierarchy – Surplus Assets

Details of the authority's surplus assets and information about the fair value hierarchy as at 31 March 2025 is as follows:

Fair Value Level 2 2023/24 £'000		Fair Value Level 2 2024/25 £'000
764	Surplus Land	750
764	Balance at end of the year	750

Valuation Techniques Used to Determine Level 2 Fair Values for Surplus Assets

Significant Observable Inputs – Level 2

The fair value of surplus assets have been measured using either the income or comparative approach methods.

For land only assets the Valuers have compared sale prices of comparable land in applicable uses and similar locations before making adjustments for differences in key attributes such as land size.

For some assets the Valuers have relied upon data ascertained from current evidence of passing rents on comparable properties including new lettings and rent reviews. Evidence of yields has been taken from the sale of comparable investments having regard to the type of property, covenant strength and lease terms. Factors of relevance in the leases include the lease term, rent review frequency, any break clauses and obligations for repair, maintenance and buildings insurance.

Valuation inputs for rental and yield which are directly applicable i.e., an almost identical property let to a similar covenant on the same repairing and insuring terms for a similar term to the valuation subject are said to be at Level 2 in the fair value hierarchy as they are directly comparable with limited adjustment.

Highest and best use of Surplus Assets

In estimating the fair value of the Council's surplus assets, the highest and best use of the properties is deemed to be their current use for some assets and alternative use for others.

Valuation Process for Surplus Assets

The fair value of the Council's surplus assets is measured at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional

standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers regarding all valuation matters.

Infrastructure Assets

Movement on balances

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

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2024/25 £'000	2023/24 £'000
Net book value (modified historical cost) at 1 April	470	217
Additions	173	381
Depreciation	(68)	(128)
Net book value at 31 March	575	470

	2024/25	2023/24
Infrastructure assets	575	470
Other PPE assets	293,203	299,764
Total PPE assets	293,778	300,234

The authority has determined in accordance with Regulation 30M of 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.

NOTE 14 – HERITAGE ASSETS

Reconciliation of the carrying value of Heritage Assets held by the Council:

2023/24 £'000		Civic Regalia and Works of Art 2024/25 £'000	Archaeological Sites, Smallholdings and other Land and Sites of Special Interest 2024/25 £'000	Total 2024/25 £'000
113	Cost or valuation			
(15)	1 April	62	36	98
	Revaluations	-	3	3
98	31 March	62	39	101

The Council's heritage assets fall into two categories: Civic Regalia and Works of Art, and Archaeological Sites, Smallholdings and other Land and Sites of Special Interest. All the assets have been in the Council's ownership for a number of years and are held for their intrinsic worth as opposed to financial gain. As such they are unlikely to be sold. There were no additions or disposals in the current financial year.

Heritage assets recognised on the Council's Balance Sheet:

Civic Regalia and Works of Art:

- Civic regalia – included in the Balance Sheet at their insurance valuation. These valuations were undertaken on 31 March 2015 by an external specialist valuer – Bonham's.
- Tulip paintings – included in the Balance Sheet at their insurance value. These valuations were undertaken on 31 March 2016 by Woodbine Contemporary Arts.

Archaeological Sites, Smallholdings and other Land and Sites of Special Interest:

- Chain Bridge Forge – recorded at existing use value as determined by the Council's internal valuer, Ed Cox MRICS, and was last valued on 31 March 2025.
- Nature reserve – recorded at Historic Cost.

Heritage assets not recognised on the Council's Balance Sheet:

- Community Beacon, Gas Wharf, Pill box, HMS Hornet bell and model of HMS Taku submarine have been classified as heritage assets but are not included on the Council's Balance Sheet as the cost of obtaining valuations outweighs the benefit to the users of the Financial Statements.

NOTE 15 – INVESTMENT PROPERTY

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2023/24 £'000		2024/25 £'000
(241)	Rental Income from investment property	(251)
18	Direct operating expenses arising from investment property	14
213	Net (gains)/losses from fair value adjustments	(205)
(10)	Net (gain)/loss	(442)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

2023/24 £'000		2024/25 £'000
2,468	Balance at start of the year	2,255
-	Additions and Enhancements	-
(213)	Net gains/(losses) from fair value adjustments	205
2,255	Balance at end of the year	2,460

Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2025 is as follows:

Fair Value Level 2 2023/24 £'000		Fair Value Level 2 2024/25 £'000
2,255	Commercial Industrial Units	2,460
2,255	Balance at end of the year	2,460

Valuation Techniques Used to Determine Level 2 for Investment Properties

Significant Observable Inputs – Level 2

The fair value of investment properties has been measured using two main approaches - the income method and the comparable method.

For land only assets the Valuers have compared sale prices of comparable land in applicable uses and similar locations before making adjustments for differences in key attributes such as land size.

For land and building assets the Valuers have relied upon data ascertained from current evidence of passing rents on comparable properties including new lettings and rent reviews. Evidence of yields has been taken from the sale of comparable investments having regard to the type of property, covenant strength and lease terms. Factors of relevance in the leases include the lease term, rent review frequency, any break clauses and obligations for repair, maintenance and buildings insurance.

Valuation inputs for rental and yield which are directly applicable i.e., an almost identical property let to a similar covenant on the same repairing and insuring terms for a similar term to the valuation subject are said to be 'observable inputs' as they are directly comparable with limited adjustment and are said to be a Level 2 in the fair value hierarchy.

Highest and best use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is deemed to be their current use.

Valuation Process for Investment Properties

The fair value of the Council's investment properties is measured at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers regarding all valuation matters.

NOTE 16 – INTANGIBLE ASSETS

The Council accounts for its software as intangible assets. Intangible assets include purchased licenses.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The carrying amount of intangible assets is amortised on a straight-line basis, over 1 to 10 years. The amortisation of £34,000 was charged to an overhead account and then absorbed across service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

2023/24 £'000		2024/25 £'000
	Balance at start of year:	
1,302	- Gross carrying amounts	1,287
(1,023)	- Accumulated amortisation	(1,186)
279	Net carrying amount at start of year	101
	Additions:	
-	- Purchases	24
(163)	Amortisation for the period	(34)
(15)	Derecognition	-
101	Net carrying amount at end of year	91
	Comprising:	
1,287	- Gross carrying amounts	1,311
(1,186)	- Accumulated amortisation	(1,220)
101		91

NOTE 17 – FINANCIAL INSTRUMENTS

The following categories of financial instrument are carried in the Balance Sheet:

Financial Assets	Non-Current				Current				Total	
	Long-term Investments		Long-term Debtors		Short-term Investments		Short-term Debtors			
	31	31	31	31	31	31	31	31	31	31
	March	March	March	March	March	March	March	March	March	March
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through other comprehensive income – Designated equity instruments	5,350	6,078	-	-	-	-	-	-	5,350	6,078
Amortised cost										
Investments	-	-	-	-	25,849	20,332	-	-	25,849	20,332
Cash & cash equivalents	-	-	-	-	2,762	5,277	-	-	2,762	5,277
Mortgages and car loans	-	-	86	88	-	-	32	27	118	115
Loans to Welland Homes	-	-	5,795	6,546	-	-	-	-	5,795	6,546
Trade debtors	-	-	68	63	-	-	3,833	3,797	3,901	3,860
Total financial assets	5,350	6,078	5,949	6,697	28,611	25,609	3,865	3,824	43,775	42,208

Financial Liabilities	Non-Current				Current				Total	
	Long-term Borrowings		Long-term Creditors		Short-term Borrowings		Short-term Creditors			
	31	31	31	31	31	31	31	31	31	31
	March	March	March	March	March	March	March	March	March	March
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost										
External borrowing	(67,456)	(67,456)	-	-	(26)	(26)	-	-	(67,482)	(67,482)
Trade creditors	-	-	-	-	-	-	(4,884)	(5,641)	(4,884)	(5,641)
Total financial liabilities	(67,456)	(67,456)	-	-	(26)	(26)	(4,884)	(5,641)	(72,366)	(73,123)

Income, expense, gains and losses

	2023/24 Surplus or Deficit on the Provision of Services £'000	2024/25 Surplus or Deficit on the Provision of Services £'000
Net gains/losses on:		
Interest Revenue		
Financial assets measured at amortised cost	(2,411)	(1,994)
Interest expense	2,348	2,348
Fee Expense		
Brokers fees	7	3

Fair Value of Financial Assets

The Council has a shareholding interest in the UK Municipal Bonds Agency (MBA). The fair value has been written down to zero as the balance sheet of the MBA shows negative equity. The authority did not intend to dispose of the shares at the Balance Sheet date.

The authority is the sole shareholder of Welland Homes Limited, which is the Council's wholly owned Housing Development Company. The fair value of the equity balance brought forward was £4.142m. During 2024/25 an additional equity investment of £380k was made. This equity is categorised as Level 3 inputs due to there being no active market for the shares. The Company accounts reported capital and reserves balances of £4.829m as at 31 March 2025. This is presented in the Financial Assets table above, as fair value through other comprehensive income – designated equity instruments. The authority did not intend to dispose of the shares at the Balance Sheet date.

The authority is also the sole shareholder of South Holland Local Community Housing Interest Company. The fair value of the equity balance brought forward was £1.250m and this equity is categorised as Level 3 inputs due to there being no active market for the shares. The Company accounts reported capital and reserves balances of £1.250m as at 31 March 2025. This is presented in the Financial Assets table above, as fair value through other comprehensive income – designated equity instruments. The authority did not intend to dispose of the shares at the Balance Sheet date.

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between input levels 1 and 2 during the year.

Changes in the Valuation Technique

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

Fair Values of Assets and Liabilities that are not measured at Fair Value (but which fair value disclosures are required)

Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment highlighting the impact of the

alternative valuation;

- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

LIABILITIES	31 March 2024		31 March 2025	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Borrowing	(67,482)	(48,690)	(67,482)	(42,750)

For long term borrowing, the fair value is lower than the carrying amount because the authority's portfolio of loans includes fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2025) arising from a commitment to pay interest to lenders below current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £42.750m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the reduced level of interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty Interest rates. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £67.482m would be valued at £42.750m. If the Council were to prematurely repay the loans to the PWLB a discount would be receivable based on rates as at 31 March 2025. The exit price for the PWLB loans including the discount would be £50.185m.

ASSETS	31 March 2024		31 March 2025	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£'000	£'000	£'000	£'000
Short Term investments	25,849	25,849	20,332	20,332
Loans to Subsidiaries	5,795	4,420	6,546	4,666
Castle Sports	68	68	63	63

The loans to subsidiaries are loans to Welland Homes Limited, which is the Council's wholly owned Housing Company. The Council has made loans totalling £6.546m with a fair value of £4.666m. These loans are categorised under Level 2 inputs and uses the income approach to establish fair value.

NOTE 18 – DEBTORS

31 March 2024 Net £'000		31 March 2025 Gross £'000	31 March 2025 Impairment £'000	31 March 2025 Net £'000
107	Trade debtors	1,004	(87)	917
2,847	Council Tax & NDR debtors	3,347	(757)	2,590
1,593	Related parties	2,885	-	2,885
868	Prepayments	451	-	451
179	Costs	525	(337)	188
2,486	Other entities and individuals	2,472	(1,093)	1,379
8,080	Total	10,684	(2,274)	8,410

NOTE 18A – DEBTORS FOR LOCAL TAXATION

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

31 March 2024 £'000		31 March 2025 £'000
740	Less than one year	536
1,375	More than one year	1,189
2,115	Total	1,725

NOTE 19 – CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2024 £'000		31 March 2025 £'000
719	Bank current accounts	1,747
2,043	Deposits with Banks on Instant Access	3,530
2,762	Cash and Cash Equivalents categorised as Current Assets	5,277
-	Bank current accounts	-
-	Cash and Cash Equivalents categorised as Current Liabilities	-
2,762	Total Cash and Cash Equivalents	5,277

NOTE 20 – ASSETS HELD FOR SALE

Assets held for sale represent Council Houses to be sold under the Governments Right to Buy (RTB) Scheme. Fair Value is deemed to be the discounted RTB price paid by tenants to acquire the dwelling. This represents level 1 under the fair value hierarchy.

The balance outstanding at 31 March 2025 has significantly decreased from the prior year due to less RTB applications being at the accepted stage by tenants who are eligible to purchase them.

2023/24		2024/25
£'000		£'000
2,449	Balance outstanding at start of year	935
738	Assets newly classified as held for sale:	
	- Property, Plant and Equipment	2,229
(301)	Assets declassified as held for sale:	
	- Property, Plant and Equipment	(335)
(1,951)	Assets sold	(600)
935	Balance outstanding at year end	2,229

NOTE 21 – CREDITORS

2023/24*		2024/25
£'000		£'000
(3,522)	Trade Payables	(3,755)
(885)	Council Tax & NDR Payables	(1,047)
(639)	Other Payables – Central Government	(415)
(1,066)	Other Payables – Other LA's	(1,324)
(514)	Other Payables	(673)
(1,182)	Receipts In Advance	(1,193)
(7,808)	Total	(8,407)

*Prior year figures have been restated for comparison with current year figures.

NOTE 22 – PROVISIONS

	Business Rate Appeals £'000
Balance at 1 April 2024	(138)
Additional provisions made in 2024/25	(57)
Amounts used in 2024/25	-
Unused amounts reversed in 2024/25	66
Balance at 31 March 2025	(129)

The provision represents South Holland's share (40% of £0.323m) of the total provision for appeals against the rateable values set by the Valuation Office Agency (VOA) not settled as at 31 March 2025. The total provision has been recognised in the Collection Fund Statement (page 99).

NOTE 23 – USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

NOTE 24 – UNUSABLE RESERVES

31 March 2024 £'000		31 March 2025 £'000
141,444	Revaluation Reserve	128,339
87,738	Capital Adjustment Account	96,053
(4,044)	Pensions Reserve	(3,801)
38	Deferred Capital Receipts Reserve	34
748	Collection Fund Adjustment Account	439
(80)	Accumulated Absences Account	(108)
1,961	Financial Instruments Revaluation Reserve	2,309
227,805	Total Unusable Reserves	223,263

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. 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 and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2023/24 £'000	2023/24 £'000		2024/25 £'000	2024/25 £'000
	51,656	Balance at 1 April		141,444
110,860		Upward revaluation of assets	5,118	
(17,537)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(14,519)	
	93,323	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(9,401)
(1,676)		Difference between fair value depreciation and historical cost depreciation	(3,051)	
(1,859)		Accumulated gains on assets sold or scrapped	(653)	
	(3,535)	Amount written off to the Capital Adjustment Account		(3,704)
	141,444	Balance at 31 March		128,339

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 Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and

current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2023/24 £'000		2024/25 £'000
(1,525)	Balance at 1 April	(4,044)
(3,250)	Remeasurements of the net defined benefit liability	(489)
(1,831)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,887)
2,562	Employer's pensions contributions and direct payments to pensioners payable in the year	2,619
(4,044)	Balance at 31 March	(3,801)

Capital Adjustment Account

The Capital Adjustment Account 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 additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction, and subsequent costs. The Account contains accumulated gains and losses on Investment Properties.

It also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2023/24 £'000	2023/24 £'000		2024/25 £'000	2024/25 £'000
	111,678	Balance at 1 April		87,738
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(6,532)		Charges for depreciation and impairment of non-current assets	(6,949)	
(37,667)		Reversal of Revaluation losses on Property, Plant and Equipment	(3,435)	
(163)		Amortisation of intangible assets	(34)	
(1,386)		Revenue expenditure funded from capital under statute	(1,763)	
		Gain on entry – peppercorn lease	77	
(2,944)		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,102)	
	(48,692)			(14,360)
	1,859	Adjusting amounts written out of the Revaluation Reserve		653
	1,676	Net written out amount of the cost of non-current assets consumed in the year		3,051
		Capital financing applied in the year:		
2,461		Use of the Capital Receipts Reserve to finance new capital expenditure	1,302	
6,298		Use of the Major Repairs Reserve to finance new capital expenditure	7,286	
3,392		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	6,544	
309		Minimum Revenue Provision	391	
-		Application of grants to capital financing from the Capital Grants Unapplied Account	-	
8,970		Capital expenditure charged against the General Fund and HRA balances	3,088	
	21,430			18,611
	(213)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		206
	87,738	Balance at 31 March		96,053

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2023/24 £'000		2024/25 £'000
40	Balance at 1 April	38
(2)	Transfer to the Capital Receipts Reserve upon receipt of cash	(4)
-	Other Movements	-
38	Balance at 31 March	34

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2023/24 £'000		2024/25 £'000
1,020	Balance at 1 April	748
(272)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(309)
748	Balance at 31 March	439

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance and Housing Revenue Account Balance from accruing for compensated absences earned but not taken in the year, e.g., annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance and Housing Revenue Account Balance is neutralised by transfers to or from the Account.

2023/24 £'000	2023/24 £'000		2024/25 £'000	2024/25 £'000
	(76)	Balance at 1 April		(80)
76		Settlement or cancellation of accrual made at the end of the preceding year	80	
(80)		Amounts accrued at the end of the current year	(108)	
	(4)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(28)
	(80)	Balance at 31 March		(108)

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve holds the gains and losses on the fair value of financial instruments.

2023/24 £'000		2024/25 £'000
2,540	Balance at 1 April	1,961
(624)	Welland Homes equity	307
45	South Holland Local Housing Community Interest Company equity	41
-	Investment in Municipal Bonds Agency (MBA)	-
1,961	Balance at 31 March	2,309

NOTE 25 – CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2023/24 £'000		2024/25 £'000
2,108	Interest received	2,511
(2,348)	Interest paid	(2,350)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2023/24 £'000		2024/25 £'000
6,532	Depreciation	6,949
37,667	Impairment and downward valuations	3,434
-	Impairment and revaluation losses/(gains) on HRA non dwellings	-
163	Amortisation of intangible assets	33
(303)	(Increase)/decrease in interest debtors	517
698	(Increase)/decrease in creditors	(1,378)
(602)	Increase/(decrease) in debtors	41
(731)	Movement in pension liability	(732)
(81)	Contribution to/(from) provisions	(9)
-	Adjustment for movements in fair value of investments classified as Fair Value through Other Comprehensive Income	-
2,943	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	2,102
213	Movement in Investment Property Values	(206)
-	Gain on entry – peppercorn lease	(77)
46,499		10,674
-	<i>Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities</i>	
-	Proceeds from short-term and long-term investments	4,668
(5,545)	Capital Grants credited to surplus or deficit on the provision of services	(7,551)
(3,225)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,157)
(8,770)		(5,040)

NOTE 26 – CASH FLOW STATEMENT – INVESTING ACTIVITIES

2023/24 £'000		2024/25 £'000
(21,558)	Purchase of property, plant and equipment, investment property and intangible assets	(16,375)
(25,566)	Purchase of short term and long term investments	(20,380)
(1,026)	Other payments for investing activities	(805)
3,227	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,972
31,500	Proceeds from sale of short term investments	20,332
5,826	Other receipts from investing activities	7,385
(7,597)	Net cash flows from investing activities	(7,871)

NOTE 27 – CASH FLOW STATEMENT – FINANCING ACTIVITIES

2023/24 £'000		2024/25 £'000
(2,296)	Other payments for financing activities	7
(2,296)	Net cash flows from financing activities	7

NOTE 28 - RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2024/25 1 April £'000	Financing Cashflows £'000	Non-Cash Changes £'000	2024/25 31 March £'000
Debtors	1,407	(1,590)	(183)	(1,773)
Creditors	(14)	204	190	394
Total Liabilities from Financing Activities	1,393	(1,386)	7	(1,379)

NOTE 29 – MEMBERS' ALLOWANCES

The Council paid the following amounts to members of the Council during the year.

	2024/25 £'000	2023/24 £'000
Basic Allowance	240	230
Special Responsibility Expenses	148	146
	9	10
Total	397	386

NOTE 30 – OFFICERS’ REMUNERATION

The tables below include those officers who report directly to members or the Chief Executive and who have responsibility for the strategies of the Council. During 2021/22 a partnership was created between South Holland District Council, East Lindsey District Council and Boston Borough Council to form the South and East Lincolnshire Council’s Partnership (S&ELCP) where senior officers are shared between the three authorities.

This includes the Chief Executive Officer, Monitoring Officer, Deputy Chief Executive for Communities and SIRO who are employed by East Lindsey District Council. An element of the Deputy Chief Executive (Programme Delivery) and Assistant Director General Fund Assets role are employed by both East Lindsey District Council and Boston Borough Council. The costs are recharged to the Council.

The total remuneration for these employees are as follows; South Holland District Council's costs for these roles are shown separately. Details relating to other costs of the partnership arrangements are included in the Related Party Transactions .

2024/25	Salary, fees, and allowances	Expenses Allowances	Pension Contribution	Severance Payments	Total	SHDC Costs Only
Job Title	£	£	£	£	£	£
* Chief Executive Officer	157,200	337	36,993	-	194,530	60,304
*Deputy Chief Executive (Programme Delivery) & Assistant Director General Fund Assets	112,796	1,472	26,354	-	140,622	43,593
* Deputy Chief Executive (Programme Delivery & SIRO)	65,172	-	14,935	-	80,107	24,833
Deputy Chief Executive (Corporate Development & S151)	148,832	505	33,632	-	182,969	56,721
*Deputy Chief Executive (Communities)	132,372	-	30,980	-	163,352	50,639
* Assistant Director (Governance and MO)	94,065	1,330	21,540	-	116,935	36,250

2023/24	Salary, fees, and allowances	Expenses Allowances	Pension Contribution	Severance Payments	Total	SHDC Costs Only
Job Title	£	£	£	£	£	£
* Chief Executive	142,162	237	35,164	-	177,563	55,045
*Deputy Chief Executive (Programme Delivery & SIRO)	119,747	-	27,963	-	147,710	45,790
* Deputy Chief Executive (Communities)	124,905	-	29,141	-	154,046	47,754
Deputy Chief Executive (Corporate Development & S151)	130,697	1,170	29,141	-	161,008	49,912
*Deputy Chief Executive (to 10/09/23)	53,080	5,855	11,322	-	70,257	21,780
Assistant Director (Governance and MO)	87,737	612	20,365	-	108,714	33,701

*These statutory officers are employed by either East Lindsey District Council or Boston Borough Council, with their costs being recharged to the Council as part of the shared management arrangement for the strategic alliance and S&ELCP, included for completeness.

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration band	2024/25 Number of Employees	2023/24 Number of Employees
£50,000-£54,999	5	4
£55,000-£59,999	3	5
£60,000-£64,999	4	2
£65,000-£69,999	1	-
£70,000-£74,999	2	3
£75,000-£79,999	-	1
£80,000-£84,999	-	1
£85,000-£89,999	1	-
£90,000-£94,999	-	2
£95,000-£99,999	-	-
£100,000-£104,999	2	1
£105,000-£109,999	1	1
£110,000-£114,999	1	-

The Council terminated the contracts of 9 employees in 2024/25 incurring liabilities of £65,000 (£18,942 in 2023/24). The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the following table.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
£0-£20,000	1	-	7	5	8	5	30,756	18,942
£20,001 - £40,000	-	-	1	-	1	-	34,244	-
Total cost included in bandings and in CIES (£)							65,000	18,942

NOTE 31 – EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Financial Statements.

	2024/25 £'000	2023/24 £'000
Statutory Audit Services		
Fees payable to KPMG with regard to external audit services carried out for the year by the appointed auditor for the year	155	140
Fees payable to KPMG with regard to external audit services carried out for the year by the appointed auditor for prior years	39	-
Fees payable to Ernst and Young with regard to external audit services carried out for the year by the appointed auditor for prior years	8	34
Fees payable to KPMG with regard to certification of grants and claims	98	15
	300	189

NOTE 32 – GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2024/25.

	2024/25 £'000	2023/24 £'000
Credited to Taxation and Non Specific Grant Income and Expenditure		
Revenue Support Grant	(452)	(424)
S31 Grant – Business Rates	(3,173)	(2,944)
New Homes Bonus Scheme Grant	(547)	(918)
Other non-specific grants	(1,052)	(590)
Grants in relation to capital expenditure	(6,686)	(4,290)
Total Credited to Taxation and Non Specific Grant Income and Expenditure	(11,910)	(9,166)
Credited to Services		
Other Grants and Contributions		
Council Tax and Housing Benefit Administration	(164)	(300)
Disabled Facilities Grant*	(122)	(1,104)
Discretionary Housing Payments	(88)	(130)
Elections	(269)	-
Grants for Growth	-	(111)
Homelessness Grants	(460)	(277)
Housing Benefit Subsidy	(10,625)	(10,335)
Internal Drainage Board	(335)	-
Other grants	(1,183)	(1,575)
UK Shared Prosperity Fund	(1,497)	(1,016)
Total Credited to Services	(14,743)	(14,848)
Total Grants	(26,653)	(24,014)
Sources of Grants:		
Central Government	(25,046)	(21,906)
Other Local Authorities	(1,345)	(1,878)
Other Bodies	(262)	(230)
Total	(26,653)	(24,014)

*Disabled Facility Grant income is included within grants in relation to capital expenditure for 2024/25.

Grants Received in Advance - Capital

	2024/25 £'000	2023/24 £'000
Long Term Liabilities		
MHCLG – Gypsy and Travellers	(196)	(196)
Local Authority Housing Fund	-	(220)
Total	(196)	(416)

NOTE 33 – RELATED PARTIES

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

UK Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g., housing benefits).

Details of material transactions with Central Government are shown below. 2022/23 comparators shown in brackets.

• Funding from Government	Note 32	£25.046m	(£21.906m)
• Non-Domestic Rates Share Payable	Collection Fund	£12.710m	(£12.119m)
• Debtors		£1.905m	(£1.098m)
• Creditors		£0.415m	(£1.147m)

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2024/25 is shown in note 29. During 2024/25 a number of members declared an interest in organisations which transacted with the Council for the purchase or supply of goods and services, being board members of voluntary organisations which are supported with grants or contributions from the Council, their business received grants from the Council, being employees of organisations that transact with the Council, being board members of organisations who are precepting bodies, or undertaking charitable activities which have been supported by the Council. The Council has chosen not to disclose these transactions as they are below £10,000 and are therefore deemed to be immaterial.

Two members are directors of Public Sector Partnership Services Ltd (formerly Compass Point Business Services (East Coast) Ltd). During 2023/24 six members were directors of South Holland Local Housing Community Interest Company, and six members were directors of Welland Homes Ltd.

Payments to companies during the year (other than to those companies mentioned above) for which members are directors, trustees or involved with the organisations, amounted to £137,683 (£70,886 in 2023/24) relating to local companies or local charities.

Details of specific transactions where members declared their interests are recorded in the Register of Members' Interest, open to public inspection at the Council Offices during office hours. The Council is compliant with the Localism Act 2012.

Other Public Bodies

During 2021/22 a partnership was created between South Holland District Council, Boston Borough Council and East Lindsey District Council to form the South and East Lincolnshire Council's Partnership (S&ELCP). The partnership shares a Chief Executive, Deputy Chief Executives, Assistant Directors along with a number of shared officers.

South Holland District Council were charged by East Lindsey District Council £776,171 and by Boston Borough Council £335,272 for their share of these posts. South Holland received income of £742,171 from East Lindsey District Council and £364,924 from Boston Borough Council for the share of the costs it incurred in the year.

Transactions with the Lincolnshire Pension Fund are detailed in note 36, Defined Benefits Pension Scheme.

Precepts paid to other authorities from Council Tax collected and other authorities retained share of National Non-Domestic Rates are detailed in the Collection Fund note.

The precept value paid to parish and town councils is included in Other Operating Expenditure in Note 10 and was £1.299m in 2024/25 (£1.130m in 2023/24).

Entities Controlled or Significantly Influenced by the Council

Public Sector Partnership Services Ltd (formerly Compass Point Business Services)

Joint merged service organisation arrangements for the shared provision of a number of back office services with East Lindsey District Council were implemented with effect from 1 August 2010, delivered through Public Sector Partnership Services Ltd (PSPS, formerly Compass Point Business Services (CPBS) (East Coast) Ltd). The company added a further shareholder on 1 April 2021 in Boston Borough Council, and the Council accounts for this as an associate within the Group Accounts from 2021/22. The net balance outstanding between the Council and the Company at the 31 March 2025 was £13,634 (nil in 2022/23).

Two officers and two councillors were directors of PSPS Ltd during the year. During 2024/25 payments totalling £5.508m were paid to PSPS (£5.0m 2023/24).

Further information about the accounts of PSPS is available from the Company Secretary, New Bailey, 4 Stanley Street, Manchester M3 5JL.

South Holland Homes and Welland Homes Ltd

The Council has two wholly owned subsidiary companies, South Holland Local Housing Community Interest Company and Welland Homes Ltd. Information and transactions for the year are set out in the group accounts. One officer was the company secretary for Welland Homes Ltd during 2024/25 and South Holland Homes does not have a formal company secretary, although the company secretarial duties were carried out.

NOTE 34 – 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. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR). This is a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2024/25 £'000	2023/24 £'000
Opening Capital Financing Requirement	83,716	81,592
Adjustment to opening balance: IFRS 16 Leases	26	-
Capital Investment		
Property, Plant and Equipment	16,728	20,589
Intangible Assets	23	-
Revenue Expenditure Funded from Capital under Statute	1,763	1,387
Long Term Investments – Welland Homes	380	567
Long Term Debtor – Welland Homes	751	1,011
Leases		-
Sources of finance		
Capital receipts	(1,301)	(2,461)
Government grants and other contributions	(6,544)	(3,392)
Major Repairs Reserve	(7,285)	(6,298)
Sums set aside from revenue:		
Direct revenue contributions	(3,088)	(8,970)
Minimum Revenue Provision	(391)	(309)
Closing Capital Financing Requirement	84,778	83,716
Explanation of movements in year		
Adjustment to opening balance: IFRS 16 Leases	26	-
Minimum Revenue Provision	(391)	(309)
Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	1,427	2,433
Increase/(decrease) in Capital Financing Requirement	1,062	2,124

NOTE 35 – LEASES

In 2024/25, the Authority has applied IFRS 16 Leases as adopted by the Code of Accounting Practice. The main impact of the new requirements is that, for arrangements previously accounted for as operating leases (i.e. without recognising the leased property as an asset and future rents as liability), a right-of-use asset and a lease liability are to be brought into the balance sheet at 1 April 2024. Leases for items of low value and leases that expire on or before 31 March 2024 are exempt from the new arrangements.

IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right-of-use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures. The details of the changes in accounting policies and transitional provisions are disclosed below.

Definition of a lease

On transition to IFRS 16, the Authority elected to apply the practical expedient not to reassess whether a contract is, or contains, a lease at 1 April 2024, except in relation to leases for nil consideration and housing tenancies.

The Council as a Lessee

As a lessee, the Authority previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Authority. Under IFRS 16, the Authority recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Authority decided to apply recognition exemptions to short-term leases and has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a term of 12 months or less and leases of low value assets. The Authority recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases classified as operating leases under IAS 17

The Authority used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Lease liabilities are measured at the present value of the remaining lease payments at 1 April 2024, discounted by the Authority's incremental borrowing rate at that date
- A single discount rate has been applied to portfolios of leases with reasonably similar characteristics
- The weighted average of the incremental borrowing rates used to discount liabilities was 5.19%
- Right-of use assets are measured at the amount of the lease liability, adjusted for any prepaid or accrued lease payments that were in the balance sheet on 31 March 2024 – any initial direct costs have been excluded
- All leases were assessed as to whether they were onerous at 31 March 2024, so right-of-use assets have not been subject to an impairment review – carrying amounts have been reduced by any provisions for onerous contracts that were in the 31 March 2024 balance sheet
- For right-of-use assets for peppercorn or nominal lease payments a right-of use asset has been recognised at fair value on 1 April 2024 with the between that fair value and the lease liability credited as a gain in the surplus/deficit on the provision of services.
- Contracts that were not identified as previously containing a lease under IAS 17 *Leases* and IFRIC 4 *Determining whether an arrangement contains a lease* have not been included under IFRS 16.

Application of the Code's adaptation of IFRS16 has resulted in the following additions to the balance sheet at 1 April 2024:

- £103,067 Property, plant and equipment – land and buildings (right-of-use assets)
- £26,343 Creditors (lease liabilities)

The newly recognised leases liabilities of £26k compare with the operating lease commitments of £18k at 31 March 2024 disclosed in the notes to the 31 March 2024 financial statements. When these are discounted to their present value (using the incremental borrowing rate at 1 April 2024), there is an immaterial difference from the newly recognised lease liabilities. This is explained by the fact that the lease liabilities exclude amounts for leases of low value items and leases that will expire before 31 March 2025.

Leases classified as finance leases under IAS 17

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 April 2024 are determined at the carrying amount of the lease asset and lease liability under IAS 17 at 31 March 2024.

As a lessor

The Authority is not required to make any adjustment on transition to IFRS 16 for leases in which it acts as a lessor, except for authorities acting as an intermediate lessor (subletting an asset it has acquired under a lease), or where the Authority is party to a lease for nil consideration.

- Subleases have been reassessed at 1 April 2024 under IFRS 16 with reference to the right-of-use asset, not the underlying asset, over the remaining contractual terms and conditions of the headlease and sublease at that date.
- Where a sublease has changed classification from an operating lease to a finance lease, the sublease is accounted for as if it were a new finance lease entered into on 1 April 2024.

The Authority was not party to any sublease arrangements as lessor as at 1 April 2024.

Sale-and-leaseback

The Authority did not have any Sale and Leaseback transactions as at 1 April 2024.

Authority as Lessee

Right of Use Assets

The authority has entered into a small number of lease arrangements, including for the provision of temporary accommodation.

The table below shows the change in the value of right-of-use assets held under leases by the authority:

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Total £'000
Balance at 1 April 2024	103	-	103
Additions	-	-	-
Revaluations	-	-	-
Depreciation and Amortisation	-	-	-
Disposals	-	-	-
Balance at 31 March 2025	103	-	103

Transactions under leases

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

	2024/25 £'000
Comprehensive Income and Expenditure Statement	
Interest expense on lease liabilities	1
Cash Flow Statement	
Total cashflow for leases	1
Cash payments for interest portion of lease liabilities	1

Maturity analysis of lease liabilities

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

	2024/25 £'000
Less than one year	-
One to five years	-
More than five years	-
Total undiscounted liabilities	-

Council as Lessor – Operating Leases

The Council leases out a number of items of land and property under operating leases.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2025 £'000	31 March 2024 £'000
Not later than 1 year	451	308
Later than 1 year and not later than 5 years	903	689
Later than 5 years	69	119
	1,423	1,116

In addition, the Council received £119,325 as a charge for office space (£119,325 in 2023/24) from Public Sector Partnership Services Ltd in respect of the usage of office space only. No formal long term arrangement currently exists.

There are no contingent rents payable to/from the Council, both as lessee and lessor.

NOTE 36 – DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, there is a commitment to make the payments and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered by Lincolnshire County Council. This is a funded defined benefit scheme, meaning that the employer and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Lincolnshire pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Lincolnshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme, changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax and housing rents is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance and Housing Revenue Account Balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme	
	2024/25 £'000	2023/24 £'000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
<i>Service cost comprising</i>		
Current service cost	1,683	1,761
Administration Costs	69	57
Past Service costs (including curtailments)	-	-
<i>Financing and Investment Income and Expenditure</i>		
Net interest expense	135	13
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	1,887	1,831
<i>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>		
Remeasurement of net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	759	(3,585)
Other actuarial gains/(losses) on assets	-	-
Actuarial (gains) and losses arising on changes in demographic assumptions	(186)	(1,043)
Actuarial (gains) and losses arising on changes in financial assumptions	(8,818)	(1,615)
Other experience	(159)	187
Impact of asset ceiling	8,893	9,306
Total Remeasurements recognised in Other Comprehensive Income and Expenditure	489	3,250
Total Post-employment Benefit charged to the Comprehensive Income and Expenditure Statement	2,376	5,081
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	732	731
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	2,545	2,489
Contributions in respect of unfunded benefits	74	73

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme	
	2024/25 £'000	2023/24 £'000
Present value of the defined benefit obligation	(60,743)	(69,810)
Fair value of plan assets	76,119	75,671
Impact of asset ceiling	(18,655)	(9,306)
Sub total	(3,279)	(3,445)
Present value of the unfunded liabilities	(522)	(599)
Net Liability arising from defined benefit obligation	(3,801)	(4,044)

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	Local Government Pension Scheme	
	2024/25 £'000	2023/24 £'000
Opening fair value scheme assets	75,671	68,959
Interest Income	3,650	3,307
Remeasurement gain/(loss)	-	-
The return on plan assets, excluding the amount included in the net interest expense	(759)	3,585
Contributions from employer	2,545	2,489
Contributions from employees into the scheme	648	668
Contributions in respect of unfunded benefits	74	73
Administration Cost	(69)	(57)
Benefits paid	(5,641)	(3,353)
Closing fair value of scheme assets	76,119	75,671

Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme	
	2024/25 £'000	2023/24 £'000
Opening Balance at 1 April	70,409	70,484
Current Service Cost	1,683	1,761
Past Service Cost	-	-
Interest Cost	3,329	3,320
Contributions from scheme participants	648	668
<i>Remeasurements (gains) and losses:</i>		
Actuarial (gains) and losses arising on changes in demographic assumptions	(186)	(1,043)
Actuarial (gains) and losses arising from changes in financial assumptions	(8,818)	(1,615)
Other experience	(159)	187
Benefits paid	(5,641)	(3,353)
Closing Balance at 31 March	61,265	70,409

Reconciliation of Asset Ceiling

	Local Government Pension Scheme	
	2024/25 £'000	2023/24 £'000
Opening Balance at 1 April	9,306	-
Interest on impact of asset ceiling	456	-
Actuarial losses/(gains)	8,893	9,306
Closing Balance at 31 March	18,655	9,306

The asset ceiling is the present value of any economic benefit available to the employer in the form of refunds or reduced future employer contributions. Actuaries have calculated the asset ceiling following their interpretation of IFRIC14.

The calculations of asset ceiling is based on following factors:

- There is no prospect of the Council having an unconditional right to a refund of surplus on the basis that such a payment would be at the discretion of the Fund.
- The Council is a scheduled body and assumed to participate indefinitely.
- Primary contributions are considered to be a minimum funding requirement (MFR)
- The MFR exceeds the current cost of accrual and so the potential economic benefit from future contributions reductions is nil. Therefore the surplus is restricted to nil.

Local Government Pension Scheme assets comprised:

	2024/25		2023/24	
	Quoted prices in active markets £'000	% of Total assets	Quoted prices in active markets £'000	% of Total assets
Cash and Cash Equivalents	2,284	3%	2,270	3%
<u>Equity Instruments</u>				
UK	6,090	8%	6,054	8%
Overseas	30,447	40%	31,781	42%
<u>Debt Securities</u>				
Corporate Bonds - UK	9,895	13%	9,081	12%
Corporate Bonds - Overseas	-	-	-	-
Fixed Interest Government - UK	-	-	-	-
Fixed Interest Government - Overseas	-	-	-	-
Index Linked Government - UK	-	-	-	-
Index Linked Government - Overseas	-	-	-	-
Property	3,806	5%	3,784	5%
Private equity	-	-	-	-
<u>Others</u>				
Hedge Fund	-	-	-	-
Infrastructure	-	-	-	-
Bonds	-	-	-	-
Commodities	-	-	-	-
Credit Diversified Income	7,612	10%	7,567	10%
Other Diversified Alternatives	-	-	-	-
Private Debt	-	-	-	-
Forward Currency Contracts	-	-	-	-
Total	60,134	79%	60,537	80%

	2024/25		2023/24	
	Unquoted prices in active markets £'000	% of Total assets	Unquoted prices in active markets £'000	% of Total assets
Cash and Cash Equivalents	-	-	-	-
<u>Equity Instruments</u>				
UK	-	-	-	-
Overseas	-	-	-	-
<u>Debt Securities</u>				
Corporate Bonds - UK	-	-	-	-
Corporate Bonds - Overseas	-	-	-	-
Fixed Interest Government - UK	-	-	-	-
Fixed Interest Government - Overseas	-	-	-	-
Index Linked Government - UK	-	-	-	-
Index Linked Government – Overseas	-	-	-	-
Property	1,522	2%	1,513	2%
Private equity	5,329	7%	5,297	7%
<u>Others</u>				
Hedge Fund	4,567	6%	4,540	6%
Infrastructure	3,806	5%	3,027	4%
Bonds	-	-	-	-
Commodities	-	-	-	-
Credit Diversified Income	-	-	-	-
Other Diversified Alternatives	-	-	-	-
Private Debt	761	1%	757	1%
Forward Currency Contracts	-	-	-	-
Total	15,985	21%	15,134	20%

Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme liabilities have been estimated by Barnett Waddingham, an independent firm of actuaries, estimates for the Lincolnshire Pension Fund being based on the latest full valuation of the scheme as at 31 March 2022. The next actuarial valuation of the Fund will be carried out as at 31 March 2025.

Lex Leisure operates under a pass-through agreement with South Holland District Council and the actuaries have therefore included their contribution and payroll information in calculating the value of defined benefit obligation.

The significant assumptions, for the Council, used by the actuary have been:

Local Government Pension Scheme		
	2024/25	2023/24
<i>Mortality assumptions:</i>		
Longevity at 65 for current pensioners (years):		
- Men	19.5	19.5
- Women	22.7	22.7
Longevity at 65 for future pensioners (years):		
- Men	20.8	20.8
- Women	24.1	24.1
Rate of increase in salaries	3.90%	3.90%
Rate of increase in pensions	2.90%	2.90%
Rate for discounting scheme liabilities	5.80%	4.90%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e., on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme		
	Present Value of Obligation £'000	Projected Service Cost £'000
0.1% decrease in Discount Rate	62,088	1,286
0.1% increase in the Salary Increase Rate	61,328	1,243
0.1% increase in the Pension Increase Rate	62,048	1,288
1 year increase in life expectancy obligation	63,772	1,289

Impact on the Council's Cash Flows

The contributions paid by the Council are set by the Fund Actuary at each triennial actuarial valuation, the most recent being 31 March 2022. The employer's contribution rate, over the period to 31 March 2025, has been stabilised.

Employer contributions payable to the scheme in 2024/25 are estimated to be £2.579m.

Other Considerations

Virgin Media Ltd vs NTL Trustees On 25 July 2024, the Court of Appeal dismissed the appeal in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others. The appeal was brought by Virgin Media Ltd against aspects of the High Court's ruling handed down in June 2023 relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. The Court of Appeal upheld the High Court's ruling. The ruling may have implications for other UK defined benefit plans. It is understood this would apply to the LGPS and HM Treasury is currently assessing the implications for all public service pension schemes. No further information is available at this stage.

NOTE 37 – CONTINGENT LIABILITIES

At 31 March 2025 the Council identified no material contingent liabilities.

NOTE 38 – CONTINGENT ASSETS

At 31 March 2025 the Council has identified the following material contingent assets:

Decent Homes Loans

The Council has, for a number of years, been giving property owners loans to enable them to improve their homes to meet a decent standard. These loans have been registered with Land Registry and will only become repayable, together with interest and a proportion of the increased property value, once the dwelling is sold or otherwise disposed of. The disposal and therefore repayment could be many years in the future. Loans outstanding as at 31 March 2025 are £451,000 (£496,000 at 31 March 2024).

NOTE 39 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

The Council's activities expose it to a variety of financial 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 rate movements.

Overall procedures for managing risk

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

Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Capital and Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This 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, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below.

This Council uses the creditworthiness service provided by MUFG. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries.

The full Investment Strategy for 2024/25 was approved by Council on 29 February 2024 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The following analysis summarises the Council's maximum exposure to credit risk as at 31 March 2025. The table (composite defaults from Fitch & Moody's and Standard & Poor's) gives details of global corporate finance average cumulative default rates for the period to December 2024. Defaults shown are by long term rating category on investments out to one year, which were the most commonly held investments during the year.

	Credit Risk Rating	Gross Carrying Amount	Potential Credit Risk
	%	£'000	£'000
Local Authorities	0.00	15,132	-
'A' rated counterparties	0.05	5,201	3
Total		20,333	3

The Council maintains strict credit criteria for investment counterparties. As a result of these high credit criteria, we have maintained historical default rates as a good indicator under these current conditions. No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions:

	Amount at 31 March 2025 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2025 %	Estimated maximum exposure to default and uncollectability at 31 March 2025 £'000	Estimated maximum exposure at 31 March 2024 £'000
	A	B	C	(A x C)	
Debtors	3,824	30.84%	30.84%	1,180	3,865

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for its customers, such that £476,784 of the £3.824m trade debtor balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2025 £'000	31 March 2024 £'000
Less than three months	182	12
Three to six months	89	14
Six months to one year	27	189
More than one year	179	226
TOTAL	477	441

During the reporting period the Council held no collateral as security.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities (borrowing) is as follows:

	31 March 2025 £'000	31 March 2024 £'000
Less than one year	26	26
More than ten years	67,456	67,456
	67,482	67,482

Most trade and other payables are due to be paid in less than one year. The exceptions to this relate to car loans to staff and a loan to Castle Leisure which are due to be paid within five years.

Refinancing and maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments for greater than one year in duration are the key parameters used to address this risk. The approved treasury and investment strategies address the main risks and the treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's Day to day cash flow needs, and the spread of longer-term investments.

Market Risk

Interest Rate Risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- borrowings at fixed rates – the fair value of the borrowing will fall
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The treasury team monitors market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns; similarly, the drawing of longer term fixed rate borrowing would be postponed.

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

	£'000
Increase in interest receivable on variable rate investments	88
Impact on Surplus or Deficit on the Provision of Services	88
Share of overall impact credited to the HRA	35

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk - The Council does not generally invest in equity share.

However, it does have a shareholding in Public Sector Partnership Services Ltd), a joint venture with East Lindsey District Council and Boston Borough Council. These shares have been elected/classified as Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve.

It also holds an equity stake in the UK Municipal Bonds Agency and is the sole shareholder of Welland Homes Limited and South Holland Local Community Housing Interest Company. This equity is valued at fair value through other comprehensive income each year and full details are shown in Note 17 – Financial Instrument.

Foreign Exchange Risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

NOTE 40 – TRUST FUNDS

The Council is custodian trustee for:

IVO Day Care Centre

The Council holds and invests £10,000 on behalf of the trust. This is not held on the Council's Balance Sheet.

Weston St Mary's Village Hall

The Council is a custodian trustee for the village hall. It has no liability for debts and is not responsible for the management of the trust property.

Ayscoughfee Hall and Gardens (registered charity 515905)

The Council, as trustee, holds the deeds on behalf of the people of Spalding.

Sir Halley Stewart Playing Field (registered charity 1084450)

Day to day running costs for Ayscoughfee Hall and Gardens and the Sir Halley Stewart Playing Field are included in the Council's Comprehensive Income and Expenditure Statement. Values placed on these assets, by a RICS qualified valuer are shown below. They are not included in the Council's Balance Sheet.

Ayscoughfee Hall and Gardens £4.226m last revalued as at 31 March 2025.

Sir Halley Stewart Playing Field £0.160m last revalued as at 31 March 2025.

Trust Fund Revenue Account	2024/25			2023/24		
	Expenditure £'000	Income £'000	Net £'000	Expenditure £'000	Income £'000	Net £'000
Ayscoughfee Hall and Gardens	414	(45)	369	405	(46)	359
Sir Halley Stewart Playing Field	16	(8)	8	32	(11)	21

NOTE 41 – GOING CONCERN**Introduction and Accounting and Audit Requirement**

The Council is required to compile its Statement of Accounts in accordance with the Code of Practice for Local Authority Accounting as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The provisions in the 2024/25 Code section 3.4 (Presentation of Financial Statements) on the going concern accounting requirements, reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, it would not be appropriate for their financial statements to be prepared on anything other than a going concern basis.

To demonstrate compliance with the Code and provide our external auditors with the necessary audit evidence, the Council completes an annual going concern assessment. The assessment is contained within this report, and the following areas have been considered as part of the assessment:

- a) Current Financial Position
- b) Medium Term Financial Plan Update
- c) Balance Sheet
- d) Cash Flow
- e) Governance Arrangements
- f) Regulatory and Control Environment applicable to the Council as a local authority

Current Financial Position**General Fund**

The Council underspent on the General Fund revenue budget in 2024/25 by £0.317m. As at 31 March 2025 the Council held a General Fund Balance of £2.078m and held Earmarked Reserves totalling £8.675m. The Earmarked Reserves balance has increased by £2.650m during the year. The adequacy of reserves and balances and the ongoing requirement for specified earmarked reserves, is reviewed on a regular basis.

Housing Revenue Account (HRA)

The financial performance in 2024/25 resulted in a net underspend of £0.194m on the HRA revenue budget. As at 31 March 2025 the Council held an HRA Balance of £12.496m. The level of adequate reserves and balances and the ongoing requirement for specified earmarked reserves, is reviewed on an annual basis. The Section 151 Officer is satisfied that the Council's 2023/24 financial outturn for both General Fund and HRA, does not present any material uncertainties regarding the Council's ability to continue as a going concern.

Medium Term Financial Plan Update

The Council sets a five year Medium Term Financial Plan (MTFP) annually. An updated plan which included budget proposals for 2025/26 alongside financial plans for the following four years was considered by Council on 27 February 2025. The financial position and the operating environment of the Council is actively monitored throughout the year to ensure plans remains deliverable.

Balance Sheet

The Council's net assets as at the 31 March 2025 amounted to £263.773m and Usable Reserves totalled £40.508m. We are satisfied that there are no material liabilities or underlying issues regarding the strength of the Council's balance sheet which present any material uncertainties regarding the Council's ability to continue as a going concern.

Cash Flow

The Council maintains short and long term cash flow projections, and manages its cash, investments and borrowing in line with the Council approved Treasury Management Strategy. As at the 31 March 2025 the Council has long term borrowing commitments of £67.456m, held £20.332m in short term investments and had £5.277m in Cash and Cash Equivalents. The Council has adequate financial resources to meet its immediate financial obligations. We are satisfied that there are no significant issues regarding the strength of the Council's underlying cash flow which present any material uncertainties regarding the Council's ability to continue as a going concern.

Governance Arrangements

The most recent and comprehensive assessment of the council's governance arrangements is the Annual Governance Statement. The statement does not identify any significant issues with the council's governance arrangements.

Regulatory and Control Environment

The Council operates within a highly legislated and controlled environment. The Council is required to set a balanced budget each year considering robustness of the budget estimates and adequacy of reserves. The legal framework, central government control, the role undertaken by external audit as well as the statutory requirement in some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies are other important factors.

Material Uncertainties

The Council is aware that there is a requirement to consider any material uncertainties which would impact on the Councils ability to continue as a going concern.

We are satisfied that there are no material uncertainties which, under the Code of Practice on Local Authority Accounting framework, represent significant issues regarding the Council's ability to continue as a going concern.

SUPPLEMENTARY FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT

2023/24 £'000		2024/25 £'000
	Expenditure	
4,124	Repairs and maintenance	5,347
5,053	Supervision and management	6,337
80	Rents, rates, taxes and other charges	83
5,514	Depreciation of non-current assets (Note 6)	5,409
37,212	Revaluation of non-current assets	3,173
82	Debt management expenses	82
52,065	Total Expenditure	20,431
	Income	
(16,503)	Dwelling and non-dwelling rents	(18,448)
(1,266)	Charges for services & facilities	(1,490)
(19)	Contribution towards expenditure	-
-	Revaluation of non-current assets	-
(17,788)	Total Income	(19,938)
	Net (income)/expenditure of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	
34,277		493
575	HRA share of Corporate and Democratic Core	633
34,852	Net income for HRA Services	1,126
	HRA Share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement	
(399)	(Gain)/loss on sale of HRA non-current assets	(4)
2,347	Interest payable and similar charges	2,347
36	Movement in the allowance for bad debts	98
(896)	Interest and investment income	(390)
3	Net interest on the net defined benefit liability	35
(2,142)	Capital grants and contributions	(3,093)
33,801	(Surplus)/Deficit for the year on HRA services	119

The accompanying notes form an integral part of the Financial Statements.

MOVEMENT ON THE HRA STATEMENT

2023/24 £'000		2024/25 £'000
22,513	Balance on the HRA at the end of the previous reporting period	15,395
(33,801)	Surplus/(Deficit) for the year on the HRA Income and Expenditure Statement	(119)
-	Capital expenditure funded from the HRA Balance	(2,678)
26,683	Adjustments between accounting basis and funding basis under statute	(102)
15,395	Balance on the HRA at the end of the current reporting period	12,496

Adjustments between accounting basis and funding basis under statute

2023/24 £'000		2024/25 £'000
(399)	(Gain)/loss on sale of HRA non-current assets	(4)
4	Employee Benefits	11
(173)	HRA Share of contributions to or from the Pension Reserve	(188)
(8,212)	Capital expenditure financed from Revenue Balances	-
(5,514)	Transfers to the Major Repairs Reserve	(5,409)
(861)	Application of Capital Grants to Capital Adjustment Account	(3,552)
(888)	Transfer to Capital Grants Unapplied	458
5,514	Funding of depreciation from Capital Adjustment Account	5,409
37,212	Reversal of Revaluation movement on HRA Property	3,173
26,683	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(102)

The accompanying notes form an integral part of the Financial Statements.

NOTES TO THE HOUSING REVENUE ACCOUNT

NOTE 1 – PURPOSE OF HRA STATEMENT

The HRA Income and Expenditure Statement shows the economic cost in the year 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 Housing Revenue Account Statement.

NOTE 2 – HOUSING STOCK

The Council was responsible for managing 3,752 dwellings at 31 March 2024 (3,792 at 31 March 2024). The stock is analysed below by number of bedrooms. The Council has an equity share in 51 shared ownership properties, with the Council's equity share being equivalent to 31.7 dwellings.

Analysis of Housing Stock at 31 March 2025	1 Bed	2 Bed	3 Bed	3+ Bed	Total
HRA Housing Stock					
Houses	28	370	1,414	16	1,828
Bungalow	669	992	-	-	1,661
Flats	110	153	-	-	263
Shared Ownership	1	31	19	-	51
Total	808	1,546	1,433	16	3,803

NOTE 3 – RENT ARREARS

Rent arrears at 31 March 2025 amounted to £926,000 (£787,000 in 2023/24) and are analysed as follows:

	31 March 2025 £'000	31 March 2024 £'000
Rent Arrears Due From		
Residential - Current Tenants	442	366
- Former Tenants	472	409
Non Residential - Garages	12	12
Total	926	787
These arrears include all charges due from tenants: rents, service charges and other charges.		
Allowance for bad debts	(77)	(492)

NOTE 4 – ASSET VALUES

The Balance Sheet value of assets within the Council's HRA is shown below:

	31 March 2025 £'000	31 March 2024 £'000
Property, Plant and Equipment		
Council Dwellings	256,980	264,046
Other Land and Buildings	434	428
Infrastructure – Housing Sewerage	418	362
Vehicles, Plant and Equipment	364	481
Surplus Assets	18	18
Community Assets	48	46
	258,262	265,381
Non-operational assets		
Assets Under Construction	1,029	363
Intangible Assets	67	101
Assets Held for Sale	1,679	936
Total	261,037	266,781

NOTE 5 – VACANT POSSESSION

The vacant possession value is the Council's estimate of the total sum that it would receive if all the dwellings were sold on the open market. The Balance Sheet value is calculated on the basis of rents receivable on existing tenancies. These are less than would be obtainable on the open market, and the Balance Sheet value is therefore lower than the vacant possession valuation. The difference between the two values therefore shows the economic cost of providing housing at less than market value. The vacant possession value of dwellings within the HRA is shown below:

	2024/25 £'000	2023/24 £'000
Vacant possession value	605,975	614,055

NOTE 6 – DEPRECIATION

	2024/25 £'000	2023/24 £'000
Depreciation		
Council dwellings	5,123	5,142
Other Land and Buildings	11	4
Infrastructure - Housing Sewerage	55	122
Vehicles, Plant & Equipment	158	120
	5,347	5,388
Amortisation		
Intangible Assets	34	126
Total	5,381	5,514

NOTE 7 – CAPITAL EXPENDITURE AND FINANCING

	2024/25 £'000	2023/24 £'000
Expenditure		
Improvements and enhancements to Council Dwellings	11,397	7,404
New Build – Council Dwellings	-	-
Improvements to wastewater treatments	113	283
Purchase of Units	2,504	8,576
Vehicles, Plant & Equipment	761	94
Information systems	41	190
Total Expenditure	14,816	16,547
Financing		
Capital receipts	1,301	1,176
Major Repairs Reserve	7,286	6,298
Housing Revenue Account	2,677	7,940
Grants and Contributions	3,552	1,133
Total Financing	14,816	16,547

NOTE 8 – CAPITAL RECEIPTS FROM DISPOSAL OF ASSETS

	2024/25 £'000	2023/24 £'000
Sale of Council Houses under the Right to Buy Scheme	990	1,036
Repayment of RTB Discount	13	-
Shared Ownership Sales Proceeds	806	619
Total from Disposals	1,809	1,655

NOTE 9 – MAJOR REPAIRS RESERVE

The Major Repairs Reserve is maintained to meet HRA Capital Investment. Movements on the reserve were:

	2024/25 £'000	2023/24 £'000
Balance at 1 April	4,379	5,163
Transfers from the HRA		
Depreciation	5,409	5,514
Funding set-aside for Capital Investment	-	-
Financing of Capital Investment	(7,286)	(6,298)
Balance at 31 March	2,502	4,379

COLLECTION FUND STATEMENT

2023/24							2024/25		
Council Tax £'000	Non-Domestic Rates £'000	Total £'000					Council Tax £'000	Non-Domestic Rates £'000	Total £'000
(61,730)	-	(61,730)	Income				(65,722)	-	(65,722)
	(23,974)	(23,974)	Council Tax receivable (Note 2)				-	(25,673)	(25,673)
			Non-Domestic Rates receivable (Note 3)						
			Contributions towards previous year's Collection Fund deficit						
-	-	-	Central Government				-	-	-
-	-	-	South Holland District Council				-	-	-
-	-	-	Lincolnshire County Council				-	-	-
-	(1,419)	(1,419)	Transitional Protection Payments				-	(507)	(507)
(61,730)	(25,393)	(87,123)	Total Income				(65,722)	(26,180)	(91,902)
			Expenditure						
			Precepts, demands and shares						
-	12,119	12,119	Central Government				-	12,710	12,710
7,202	9,695	16,897	South Holland District Council				7,643	10,168	17,811
44,870	2,424	47,294	Lincolnshire County Council				47,796	2,542	50,338
8,691	-	8,691	Police and Crime Commissioner for Lincolnshire				9,210	-	9,210
-	-	-	Transitional Protection Payments				-	-	-
			Impairment of debts/appeals						
519	(204)	315	Increase/(decrease) in allowance for impairment				812	49	861
-	96	96	Increase/(decrease) in provision for appeals (Note 4)				-	(21)	(21)
-	106	106	Cost of Collection Allowance				-	108	108
-	420	420	Renewable Energy				-	429	429
			Contributions towards previous year's Collection Fund surplus						
40	586	626	South Holland District Council				52	383	435
-	732	732	Central Government				-	479	479
244	146	390	Lincolnshire County Council				324	96	420
47	-	47	Police and Crime Commissioner for Lincolnshire				63	-	63
61,613	26,120	87,733	Total Expenditure				65,900	26,943	92,843
(117)	727	610	(Surplus)/Deficit arising during year				178	763	941
(381)	(2,474)	(2,855)	(Surplus)/Deficit at beginning of year				(498)	(1,747)	(2,245)
(498)	(1,747)	(2,245)	(Surplus)/Deficit at end of year (Note 5)				(320)	(984)	(1,304)

NOTES TO THE COLLECTION FUND STATEMENT

NOTE 1 – PURPOSE OF COLLECTION FUND STATEMENT

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities and the Government of council tax and non-domestic rates.

NOTE 2 – COUNCIL TAX RECEIVABLE

Council Tax income derives from charges raised according to the value of residential properties that have been classified into eight Valuation Bands (A to H). Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Lincolnshire County Council, Police and Crime Commissioner for Lincolnshire and South Holland District Council, together with the relevant Parish requirement.

This is then divided by the council tax base, i.e., the number of properties in each valuation band, converted to an equivalent number of band D dwellings and adjusted for discounts and exemptions.

The council tax base was calculated as follows:

Band	No. of properties on Valuation List	No. of chargeable dwellings	Ratio	Band D equivalent dwellings
A (with Disabled Relief)		43	5/9	24
A	16,506	12,335	6/9	8,223
B	9,586	8,195	7/9	6,374
C	10,548	9,432	8/9	8,384
D	4,661	4,504	9/9	4,504
E	2,093	1,948	11/9	2,381
F	432	409	13/9	591
G	122	115	15/9	191
H	17	14	18/9	28
Band D Equivalents				30,700
Allowance for non-collection (1.38%)				(424)
District Tax Base				30,276

The basic amount of council tax for a band D property including an average parish charge, £2,135.36 (2023/24 £2,036.22), is then multiplied by the ratio specified for the particular band to give an individual amount due.

NOTE 3 – NON-DOMESTIC RATES RECEIVABLE

Under the arrangements for non-domestic rates, the Council collects rates for its area based on local rateable values (determined by the Valuation Office Agency, an executive agency of HM Revenue and Customs) multiplied by the multiplier (determined by the Government). For 2024/25 there are two multipliers, the non-domestic rating multiplier of 54.6p and the small business non-domestic rating multiplier of 49.9p.

The Council's total Non-Domestic Rates Rateable Value at 31 March 2025 was £66.422m (31 March 2024 £65.841m).

NOTE 4 – NON-DOMESTIC RATES PROVISION FOR APPEALS

The Collection Fund provides for a provision for appeals against the Rateable Value set by the Valuation Office Agency (VOA) not settled at 31 March 2025.

	Business Rate Appeals	
	£'000	£'000
Balance at 1 April 2024		(344)
Amounts used in 2024/25		-
Additional provisions made in 2024/25	(143)	
Unused amounts reversed in 2024/25	164	
		21
Balance at 31 March 2025		(323)

NOTE 5 – COLLECTION FUND DEFICIT/ (SURPLUS)

As at 31 March 2025, the net surplus on the Collection Fund is £1.304m (Net surplus £2.246m at 31 March 2024).

The Council Tax surplus is apportioned to the relevant precepting bodies based on the following year's Council Tax requirement. The Business Rates deficit relating to 2024/25 is apportioned to South Holland (40%), Central Government (50%) and Lincolnshire County Council (10%).

The balance on the Collection Fund is allocated as follows:

2023/24			2024/25	
Council Tax	Non-Domestic Rates		Council Tax	Non-Domestic Rates
£'000	£'000		£'000	£'000
	(873)	Central Government		(492)
(59)	(699)	South Holland District Council	(38)	(394)
(368)	(175)	Lincolnshire County Council	(236)	(98)
(71)		Police and Crime Commissioner for Lincolnshire	(46)	
(498)	(1,747)	(Surplus)/deficit	(320)	(984)

GROUP ACCOUNTS

The Council is not required to produce a Group Expenditure and Funding Analysis.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure £'000	2023/24 Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	2024/25 Gross Income £'000	Net Expenditure £'000
1,790	(847)	943	General Fund Assets	2,099	(981)	1,118
15,508	(12,984)	2,524	Finance	17,362	(12,635)	4,727
1,216	(105)	1,111	Governance	1,509	(511)	998
5,124	(3,569)	1,555	Wellbeing and Community Leadership	3,648	(2,194)	1,454
2,363	(833)	1,530	Leisure and Culture	2,353	(918)	1,435
2,124	(408)	1,716	Corporate	1,643	(200)	1,443
6,149	(936)	5,213	Neighbourhoods	6,544	(1,082)	5,462
3,368	(3,524)	(156)	Planning and Strategic Infrastructure	3,415	(4,950)	(1,535)
1,460	(696)	764	Regulatory	1,607	(1,015)	592
2,056	(1,776)	280	Strategic Growth and Development	4,084	(2,981)	1,103
50,668	(18,335)	32,333	Housing	17,769	(19,910)	(2,141)
91,826	(44,013)	47,813	Cost of Services	62,033	(47,377)	14,656
7,352	(3,333)	4,019	Other operating expenditure	6,884	(2,227)	4,657
7,149	(6,600)	549	Financing and investment income and expenditure	6,606	(6,776)	(170)
6,483	(26,764)	(20,281)	Taxation and non-specific grant income and expenditure	6,752	(31,027)	(24,275)
112,810	(80,710)	32,100	(Surplus)/Deficit on the Provision of Services	82,275	(87,407)	(5,132)
-	-	-	Excess of fair value of net assets over the cost of investments of associates	-	-	-
-	53	53	Share of the (Surplus)/Deficit on the provision of services by associates	-	(224)	(224)
8	-	8	Tax expenses of associates and subsidiaries	78	-	78
112,818	(80,657)	32,161	Group (Surplus)/Deficit on the Provision of Services	82,353	(87,631)	(5,278)
		(93,323)	Surplus on revaluation of property, plant and equipment assets			9,401
		3,250	Remeasurements of the net defined benefit liability			489
		(90,073)	Other Comprehensive Income and Expenditure			9,890
		(57,912)	Total Comprehensive Income and Expenditure			4,612

The accompanying notes form an integral part of the Financial Statements.

GROUP MOVEMENT IN RESERVES STATEMENT

2024/25	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	HRA Earmarked Reserve	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Reserves of Subsidiaries	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2024	2,078	6,025	15,395	200	4,379	7,498	5,193	40,768	226,919	267,687	1,179	268,866
Movement in Reserves during 2024/25												
Total Comprehensive Income and Expenditure	4,861	-	(119)	-	-	-	-	4,742	(9,542)	(4,800)	511	(4,289)
Adjustments between accounting basis & funding basis under regulations	(2,211)	0	(102)	-	(1,877)	858	1,008	(2,324)	2,324	-	-	-
Adjustments between group accounts and authority accounts	-	-	-	-	-	-	-	-	(65)	(65)	(283)	(348)
Net (Increases)/Decreases before transfers	2,650	-	(221)	-	(1,877)	858	1,008	2,418	(7,283)	(4,865)	228	(4,637)
Transfer to/from Reserves	(2,650)	2,650	(2,678)	-	-	-	-	(2,678)	2,678	-	-	-
Balance at 31 March 2025 carried forward	2,078	8,675	12,496	200	2,502	8,356	6,201	40,508	222,314	262,822	1,407	264,229

2023/24	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	HRA Earmarked Reserve	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Reserves of Subsidiaries	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2023	2,078	5,548	22,513	200	5,163	6,735	3,040	45,277	164,483	209,760	1,194	210,954
Movement in Reserves during 2023/24												
Total Comprehensive Income and Expenditure	2,270	-	(33,801)	-	-	-	-	(31,531)	89,494	57,963	(632)	57,331
Adjustments between accounting basis & funding basis under regulations	(1,793)	-	26,683	-	(784)	763	2,153	27,022	(27,022)	-	-	-
Adjustments between group accounts and authority accounts	-	-	-	-	-	-	-	-	(36)	(36)	617	581
Net (Increases)/Decreases before transfers	477	-	(7,118)	-	(784)	763	2,153	(4,509)	62,436	57,927	(15)	57,912
Transfer to/from Earmarked Reserves	(477)	477	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2024 carried forward	2,078	6,025	15,395	200	4,379	7,498	5,193	40,768	226,919	267,687	1,179	268,866

A description of the nature and purpose of each of the usable reserves can be found in Note 9 on page 52. Unusable reserves can be found in Note 24 on pages 67 - 71. The accompanying notes form an integral part of the Financial Statements.

GROUP BALANCE SHEET

31 March 2024 £'000		31 March 2025 £'000
300,234	Property, Plant and Equipment	293,778
-	Right of Use Asset	103
98	Heritage Assets	101
13,360	Investment Property	15,017
101	Intangible Assets	91
154	Long Term Debtors	151
296	Liabilities in Associates	457
314,243	Long Term Assets	309,698
25,849	Short Term Investments	20,332
935	Assets Held for Sale	2,229
8,105	Short Term Debtors	8,413
3,445	Cash and Cash Equivalents	6,135
38,334	Current Assets	37,109
-	Cash and Cash Equivalents	-
(26)	Short Term Borrowing	(26)
(7,858)	Short Term Creditors	(8,491)
(138)	Provisions	(129)
(8,022)	Current Liabilities	(8,646)
(67,456)	Long Term Borrowing	(67,456)
(7,463)	Other Long Term Liabilities	(5,836)
(354)	Long Term Provisions	(444)
(416)	Grants Receipts in Advance – Capital	(196)
(75,689)	Long Term Liabilities	(73,932)
268,866	Net Assets	264,229
43,626	Usable Reserves	43,876
225,240	Unusable Reserves	220,353
268,866	Total Reserves	264,229

The accompanying notes form an integral part of the Financial Statements.

GROUP CASH FLOW STATEMENT

2023/24 £'000	2023/24 £'000		2024/25 £'000	2024/25 £'000
	(32,100)	Net surplus on the provision of services		5,132
47,115		Adjustments to net surplus or deficit on the provision of services for non-cash movements	10,391	
(8,823)	38,292	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(4,977)	5,414
	6,192	Net cash flows from Operating Activities		10,546
	(8,659)	Investing Activities		(8,595)
	(1,285)	Financing Activities		733
	(3,752)	Net increase/(decrease) in cash and cash equivalents		2,684
	7,199	Cash and cash equivalents at the beginning of the reporting period		3,445
	(2)	Other movements		6
	3,445	Cash and cash equivalents at the end of the reporting period		6,135

The accompanying notes form an integral part of the Financial Statements.

South Holland Homes and Welland Homes

The Council is the sole owner of two subsidiary companies: South Holland Local Housing Community Interest Company ("South Holland Homes"), and Welland Homes Ltd ("Welland Homes"), holding 100% of the issued share capital in each. It therefore has control over both of these entities and is required to prepare group accounts, which reflect the financial position, financial performance and cash flows of the group.

Public Sector Partnership Services Limited

PSPS Ltd was set up on 1 August 2010 by South Holland and East Lindsey District Councils, who transferred a number of their back office services to the company. On 1 April 2021, the Company gained an additional shareholder, Boston Borough Council. Each Council is required to incorporate the relevant proportion of PSPS Ltd's financial position into the Group Accounts using the equity method. For South Holland District Council, the relevant proportion is 30%.

Explanatory Notes to the Group Accounts

Where figures in the group accounts differ materially from the Council's accounts, the relevant explanatory notes have been prepared on a consolidated basis. The notes below give information on the areas that have materially changed on consolidation of the group entities into the Council's accounts.

1. ACCOUNTING POLICIES

The financial statements of South Holland Homes and Welland Homes have been prepared in accordance with the Financial Reporting Standard 102 Section 1A - "The Financial Reporting Standard applicable in the UK and Republic of Ireland". There are no significant differences in the accounting policies of the subsidiary companies and the Council that would cause a material adjustment in the consolidation of the Group Accounts. Any statutory adjustments between accounting and funding basis included in the Council's accounting policies do not apply to the subsidiary company.

Notes within the group accounts have not been provided except where there are material differences to those provided in the notes above.

2. GROUP INVESTMENT PROPERTY

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Group Comprehensive Income and Expenditure Statement:

2023/24 £'000		2024/25 £'000
(732)	Rental Income from investment property	(843)
290	Direct operating expenses arising from investment property	288
883	Net (gains)/losses from fair value adjustments	(568)
441	Net (gain)/loss	(1,123)

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

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

2023/24 £'000		2024/25 £'000
12,615	Balance at start of the year	13,360
1,628	Additions resulting from acquisitions	1,089
-	Transfers to/from Property, Plant and Equipment	-
(883)	Net gains/(losses) from fair value adjustments	568
13,360	Balance at end of the year	15,017

Fair Value Hierarchy

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2025 is as follows:

Fair Value Level 2 2023/24 £'000		Fair Value Level 2 2024/25 £'000
2,255	Commercial Industrial Units	2,460
11,105	Residential Investment Property	12,557
13,360	Balance at end of the year	15,017

Valuation Techniques Used to Determine Level 2 for Investment Properties

Significant Observable Inputs – Level 2

The fair value of investment properties has been measured using two main approaches - the income method and the comparable method.

3. GROUP CASH AND CASH EQUIVALENTS

The balance of Group Cash and Cash Equivalents is made up of the following elements:

31 March 2024 £'000		31 March 2025 £'000
1,402	Bank current accounts	2,605
2,043	Deposits with Banks on Instant Access	3,530
3,445	Cash and Cash Equivalents categorised as Current Assets	6,135
-	Bank current accounts	-
-	Cash and Cash Equivalents categorised as Current Liabilities	-
3,445	Total Cash and Cash Equivalents	6,135

4. ADDITIONAL INFORMATION

The notes that follow relating to each entity are produced to assist the reader's understanding of the relationship between the Council and the entity.

Contingent Liabilities

There are no contingent liabilities for 2024/25 relating to the interests in the companies and joint venture or in the entities themselves that are not disclosed elsewhere in the Accounts.

4.1 South Holland Local Housing Community Interest Company – South Holland Homes

South Holland Homes was established by the Council in 2008/09 for the purpose of accessing social housing grant from the Homes and Communities Agency. This was in order to provide affordable and social housing for the benefit of the local community. In 2009/10, 6 new properties were constructed. These are tenanted and managed by the Council.

The strategy for South Holland Homes is to be reviewed and following any decisions taken, a business plan will be produced.

In 2024/25 the Council collected rent of £31,186 on behalf of the Company and charged management, support fees and other expenses of £28,524. There was an outstanding balance of £28,524 due to the Council at 31 March 2025 (£957 31 March 2024). There was an outstanding balance due to South Holland Homes from the Council of £2,392 (£2,177 31 March 2024).

Retained Surplus/Deficit - In 2024/25 the company made a profit after tax of £41,218 (2023/24 £45,314). This is included in the Group Comprehensive Income and Expenditure Statement.

Assets and Liabilities – At 31 March 2025, South Holland Homes held fixed assets valued at £1,062,400 and current assets totalling £616,427. Liabilities consisted of short term creditors of £52,173 and long term creditors of £267,000 and a provision for a deferred tax liability of £100,011.

Commitments under capital contracts - At 31 March 2025 the company had no commitments under capital contracts (31 March 2024 nil).

Audit fees - Accountancy and audit fees were incurred at a cost of £9,300.

Inter-organisation Balances - Group accounting regulations require that inter-organisation balances be removed. The following balances were removed in 2024/25:

- Debtors £2,392 (2023/24 £2,177)
- Creditors £28,524 (2023/24 £957)

Further information about the accounts of South Holland Homes is available from the Council Offices, Priory Road, Spalding, Lincolnshire, PE11 2XE.

4.2 Welland Homes Ltd

During 2015/16 the Council established a wholly owned subsidiary company, Welland Homes Ltd, in order to meet a number of social and economic objectives including increasing housing supply in the area to address existing demand and meet the needs of a growing population. In 2016/17, 4 new build residential properties were purchased.

During 2017/18, Welland Homes purchased a further 11 new build residential properties. All 15 properties are rented to private tenants at market value. Welland Homes also purchased a piece of land for future residential development. The Council committed to providing financial support to Welland Homes in the form of a £1,393,261 loan facility, to be used to construct residential property. £187,676 of the loan facility was drawn down in 2017/18.

During 2018/19 work started on the building of a further 10 properties for rental to private tenants at market value, using the land purchased in 2017/18. £883,948 of the £1,393,261 loan facility was drawn down during the year to finance this project. A further 5 properties were purchased for rental to private tenants at market value. The Council committed to providing financial support in the form of a £719,983 loan facility, of which £466,771 was drawn down during the year.

During 2019/20 the 10 properties started in 2018/19 were completed, and a further £255,384 of the £1,393,261 loan facility was drawn down. A further 5 properties were purchased for rental to private tenants at market value. The Council committed to providing financial support in the form of a £564,086 loan facility, of which £555,548 was drawn down during the year.

During 2020/21, Welland Homes Purchased a further 4 properties were purchased for rental to private tenants at market value. The Council committed to providing financial support in the form of a £500,136 loan facility, of which £461,791 was drawn down during the year. In respect of loans, there was a balance of £3,710,031 outstanding to the Council as at 31 March 2021 (£3,226,517 at 31 March 2020).

During 2021/22, Welland Homes did not purchase any further properties for rental. For the project purchased in 2020/21, the Council committed to providing financial support in the form of a £500,136 loan facility, of which £461,791 was drawn down during 2020/21 and £28,286.40 during 2021/22. In respect of loans, there was a balance of £3,738,318 outstanding to the Council as at 31 March 2022 (£3,710,031 at 31 March 2021).

During 2022/23, Welland Homes Purchased a further 7 properties for rental to private tenants at market value. The Council committed to providing financial support in the form of a £1,111,243 loan facility, of which £1,045,130 was drawn down during the year. As above, £28,286 was also drawn down in respect of the previous years loan facility. In respect of loans, there was a balance of £4,783,448 outstanding to the Council as at 31 March 2022 (£3,738,318 at 31 March 2020).

During 2023/24, Welland Homes Purchased a further 7 properties for rental to private tenants at market value. The Council committed to providing financial support in the form of a £1,052,266 loan facility, of which £952,142 was drawn down during the year. A further £59,207 was also drawn down in respect of the previous years loan facility. In respect of loans, there was a balance of £5,794,797 outstanding to the Council as at 31 March 2024 (£4,783,448 at 31 March 2023).

During 2024/25, Welland Homes Purchased a further 4 properties for rental to private tenants at market value. The Council committed to providing financial support in the form of a £1,110,669 loan facility, of which £701,913 was drawn down during the year. A further £49,385 was also drawn down in respect of the previous years loan facility. In respect of loans, there was a balance of £6,546,095 outstanding to the Council as at 31 March 2025 (£5,794,797 at 31 March 2024).

The Council charged £253,936 interest to Welland Homes during the year, a further £12,837 of expenses was recharged and capitalised. The Council also recharged expenses incurred on behalf of Welland Homes of £27,973 in the year.

Retained Surplus/Deficit - In 2024/25 the company made a profit after tax of £306,881 (2023/24 £624,003 loss). This is included in the group Comprehensive Income and Expenditure Statement. The majority of the rise in profits was due to the gains on property revaluations £240,928. The company also made charitable donations of £100,373 (2023/24 £128,274).

Assets and Liabilities - At 31 March 2025, Welland Homes held fixed assets valued at £11,494,700 and current assets totalling £272,669. Liabilities consisted of short-term creditors of £58,263, long term creditors of £6,546,095 and a provision for a deferred tax liability of £334,409.

Commitments under capital contracts - At 31 March 2025 the company had no commitments under capital contracts. (31 March 2024 nil).

Audit fees - Accountancy and audit fees were incurred at a cost of £4,680.

Inter-organisation Balances - Group accounting regulations require that inter-organisation balances be removed. The following balances were removed in 2023/24:

Creditors: Amounts falling due within one year – (nil) (2023/24 nil)
Long term creditors – £6,546,095 (2023/24 £5,794,797)

Inter-organisation transactions- Group accounting regulations require that inter-organisation transactions be removed. The following transactions were removed in 2024/25:

Management and support fees and other expenses £27,973 (2023,24 £28,930)
Loan Interest £253,936 (2022/23 £211,245)

Further information about the accounts of Welland Homes is available from the Company Secretary, V Cherry, Council Offices, Priory Road, Spalding, Lincolnshire, PE11 2XE.

4.3 Public Sector Partnership Services Limited

In 2024/25, the Company's statement of comprehensive income shows a surplus for the year of £627k. Of this, the Council's proportion of £188k is included in the Group Comprehensive Income and Expenditure Statement. At 31 March 2025, the net worth of PSPS Ltd was £1.523m. South Holland's share of the net worth, £457k, has been incorporated into the Group Balance Sheet.

PSPS Ltd operates from three primary locations at the offices of South Holland District Council in Spalding, East Lindsey District Council in Horncastle and Boston Borough Council in Boston.

Voting Rights

At 31 March 2025, South Holland held 3 seats out of 8 on the Board of Directors, therefore holding 37.5% of the voting rights of the company. This therefore provides the Council with significant influence over PSPS Ltd.

GLOSSARY OF TERMS

Accounting Period

This is the period of time covered by the accounts, normally twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accruals Basis

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods and services are received rather than when the payment is made.

Actuarial Gains and Losses

Actuaries assess financial and non-financial information by the Council to project levels of future pension fund requirements. Changes in actuarial deficits or surpluses can arise leading to a loss or gain because:

- events have not coincided with the actuarial assumptions made for the last valuation
- the actuarial assumptions have changed

Appointed Auditors

Public Sector Audit Appointments Limited (PSAA) appoints external auditors to every local authority from one of the major firms of registered auditors. For South Holland this is KPMG.

Balance Sheet

This is a statement of the recorded assets, liabilities and other balances held at the end of the accounting period.

Balances

The balances of the Council represent the accumulated surplus of income over expenditure on any of the funds.

Capital Adjustment Account

The Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (e.g., Disabled Facilities Grants). The balance on this account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure

This is expenditure on the acquisition of a non-current asset (fixed asset), or expenditure, which adds to, and not merely maintains, the value of an existing non-current asset.

Capital Receipts

Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

Carrying Amount

The Balance Sheet value recorded of either an asset or a liability.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the financial year.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services

Collection Fund

A fund administered by the Council showing the transactions of the billing authority (South Holland) in relation to the collection from taxpayers and the distribution to local authorities and the Government of council tax and non-domestic rates.

Community Assets

These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately and for which, provision has not been made in the Council's accounts.

Council Tax

This is one of the main sources of local taxation to local authorities. Council tax is levied on households within its area by the billing authority (South Holland) and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.

Council Tax Requirement

This is the estimated revenue expenditure on General Fund services that is required to be financed from council tax after deducting income from fees and charges, certain specific grants and any funding from reserves,

Creditors

Amounts owed by the Council for work done, goods received, or services rendered, for which payment has not been made at the Balance Sheet date.

Current Service Cost

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e., the ultimate pension benefits "earned" by employees in the current year's employment.

Curtailement

Curtailements will allow the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year

Debtors

These are sums of money due to the Council that have not been received at the Balance Sheet date.

Deferred Capital Receipts

These represent capital income still to be received after disposals have taken place.

Defined Benefit Scheme

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Ministry of Housing, Communities and Local Government (MHCLG)

The CLG is a key Department within Central Government with the overriding responsibility for determining the allocation of general resources to local authorities.

Depreciation

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed (non-current) asset.

Earmarked Reserves

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Accounts are authorised for issue.

Exceptional Items

Material items deriving from events or transactions that fall within the ordinary activities of the Council, but which need to be disclosed separately by virtue of their size and/or incidence, to give fair presentation of the accounts.

External Audit

The independent examination of the Council's activities and accounts to ensure that the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

Expenditure

This is amounts paid by the Council for goods and services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods or services have been received even if they have not been paid for.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Finance Lease

A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes Investments, trade receivables and trade payables.

General Fund

This is the main revenue fund of the Council and includes the net cost of all services financed by local taxpayers and Government Grants.

Heritage Assets

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Housing Revenue Account

Local authorities are required to maintain a separate account – the Housing Revenue Account – which sets out the expenditure and income arising from the provision of Council housing. Other services are charged to the General Fund.

Impairment

A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

Income

These are amounts due to the Council for goods supplied or services rendered of either a capital or a revenue nature. This does not necessarily involve a cash payment. Income is deemed to have been earned once the goods or the services have been supplied even if the payment hasn't been received (in which case the recipient is a debtor to the Council).

Infrastructure Assets

Fixed assets belonging to the Council that cannot be transferred or sold on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

Intangible Assets

These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include Software Licenses.

Internal Borrowing

The use of internal cash balances to pay for the unfinanced element of capital expenditure rather than taking on additional external borrowing.

International Financial Reporting Standards

These are defined Accounting Standards that must be applied by all reporting entities to all Financial Statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with Financial Statements of other entities.

Joint Operation

A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current Liabilities are usually payable within one year of the Balance Sheet date.

Materiality

The concept that the Accounts should include all amounts which, if omitted or mis-stated, could be expected to lead to a distortion of the Financial Statements and ultimately mislead a user of the accounts.

National Non-Domestic Rates (Business Rates)

This is one of the main sources of local taxation to local authorities. NDR is the levy on business property, based on a national rate in the pound applied to the rateable value of the property.

Net Book Value (NBV)

The amount at which fixed assets are included in the Balance Sheet, i.e., their historical costs or current value less the cumulative amounts provided for depreciation.

Net Debt

Net debt is the Council's borrowings less cash and liquid resources.

Net Realisable Value (NRV)

NRV is the open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Non-Current Assets (Fixed Assets)

Assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

Non-Operational Assets

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

Operational Assets

Fixed assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Operational Boundary

This reflects the maximum anticipated level of external debt consistent with budgets and forecast cash flows.

Operating Lease

This is a type of lease usually for computer equipment or office furniture and equipment where the balance of risks and rewards of holding assets remains with the lessor. The assets remain the property of the lessor and the lease costs are revenue expenditure to the Council.

Precept

The amount levied by various authorities that is collected by the Council on their behalf. The precepting authorities in South Holland are Lincolnshire County Council and the Police and Crime Commissioner for Lincolnshire.

Prior Year Adjustment

These are material adjustments which are applicable to an earlier accounting period arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provision

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

Public Works Loan Board (PWLB)

A Central Government Agency which provides loans, for one year and above, to Councils at interest rates only slightly higher than those at which the government can borrow itself.

Related Parties

Related parties are Central Government, other Local Councils, precepting and levying bodies, subsidiary and associated companies. Related parties are deemed to include the Council's elected members, the Chief Executive and its Directors. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual or member of their close family or the same household has a controlling interest.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expense allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received. Pension contributions payable by the employer are excluded.

Reserves

The accumulation of surpluses, deficits and appropriations arising from previous financial years. Reserves can either be usable; that is, available to meet the Council's future expenditure plans and unusable; that is, those maintained purely for accounting purposes.

Revaluation Reserve

The Reserve records the accumulated gains on the fixed assets held by the Council arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

Revenue Expenditure

Expenditure incurred on the day-to-day running of the Council. This mainly includes employee costs, general running expenses and capital financing costs.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred in year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the Comprehensive Income and Expenditure Statement.

Revenue Support Grant

A grant paid by Central Government towards the cost of providing General Fund services.

Right of Use Asset

An asset representing the lessee's right to use the leased asset for the lease term.

Service Potential

Future benefits that an asset is expected to bring to the Council.

Treasury Management

This is the process by which the Council controls its cash flow and its borrowing and lending activities.

Treasury Management Strategy

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

ANNUAL GOVERNANCE STATEMENT

For the Year Ended 31 March 2025

1. Scope of Responsibility

- 1.1 South Holland District Council (SHDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. SHDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, SHDC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3 The Council has approved and adopted a code of corporate governance. This is consistent with the principles of the latest CIPFA / SOLACE Framework *Delivering Good Governance in Local Government guidance*. This statement explains how the Council has met the requirements of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.
[SHDC LOCAL CODE OF CORPORATE GOVERNANCE.pdf \(sholland.gov.uk\)](#)

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 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 and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the Council for the year ended 31 March 2025 and up to the date of approval of the annual Accounts.

3. The Governance Framework

- 3.1 The Council's review of the effectiveness of its governance arrangements is set out below against the key elements identified in *Delivering Good Governance in Local Government: Framework*.

Key Elements	Description of Governance Mechanisms	Assurance Received
Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users	- The Sub-regional Strategy was approved at Council on the 22 November 2023. It sets out the vision and priorities for the Partnership and for the Council. The Alignment and Delivery Plan (ADP) for the Partnership sets out the projects/activities that will be taken forward to deliver on corporate priorities. - The Council is pro-active in reporting activity and outcomes to the public through the local press and online. - Most Council business is undertaken in public meetings	- The Performance Management Framework quarterly report is reported through the Cabinet and the Performance Monitoring Panel (PMP). - Portfolio Holders receive updates as required. - The Leadership Team receive quarterly reports to check the position on each indicator. Quarterly governance clinics (covering performance and risk) are also in place. - The Strategic Risk Register and Internal Audit Plan support the achievement of the Council's priorities - The Medium Term Financial Strategy which is reported at the March Council meeting not only sets the scene financially, it also identifies any change to priorities and/or new areas of focus.
Reviewing the Authority's vision and its implications for the Authority's governance arrangements	- Challenge sessions are held annually with Portfolio Holders and Senior Managers to consider the service priorities and the associated targets set in the performance framework. - Council approves the performance framework, following discussion at Joint Strategy Board.	- Review of current performance against priorities reported to Portfolio Holders. - Performance reporting is aligned to the Strategic Priorities of the Sub-regional Strategy - Feedback from community/member/staff consultation on Partnership and Council priorities
Translating the Vision into objectives	- The Alignment and Delivery Plan identifies activity that helps to deliver the priorities - The Medium Term Financial Strategy identifies risks and opportunities to achieving the delivery of the priorities - The Risk Strategy and Risk Registers support the delivery of priorities.	- The Alignment and Delivery Plan sets out the deliverables in the year-ahead. - Service performance is monitored via Performance Framework which reports into Cabinet and PMP quarterly. - MTFS recommended by the Cabinet and agreed by Council
Measuring the quality of service for users, for ensuring they are delivered in accordance with the Authority's objectives and for ensuring that they	- A range of surveys are carried out each year, co-ordinated through the Corporate Consultation programme - Monitoring of social networking - Quarterly Monitoring report contains both performance and finance indicators and to show the overall health of the organisation	- Performance Management Framework quarterly report, reported through Cabinet and PMP. - Feedback from service level surveys - Portfolio Holder meetings held as required. - Action plan from Peer Challenge and follow up visit in 2024.

Key Elements	Description of Governance Mechanisms	Assurance Received
represent the best use of resources and value for money	- Regular Portfolio Holder meetings held with key staff to monitor performance, project activity and new areas of work or policy. - Individual Services carry out their own customer satisfaction surveys which feed into service improvement - Corporate Peer Challenge by the LGA in July 2023	
Defining and documenting the roles and responsibilities of the Executive, non-Executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements	- This is set out in the Council's Constitution - The Constitution is updated where necessary. Significant changes are reported to the Governance & Audit Committee and then to Council	- Proposed changes/updates to the Constitution brought to Council for consideration including responsibility for functions. - The South & East Lincolnshire Councils Partnership has a Memorandum of Agreement in place signed up to by all three Councils. - Monitoring of partnering arrangements on an ongoing basis take place through the Partnerships Portfolio; and include reports to the Finance Portfolio Holder where appropriate. - Stakeholder Board and Joint Strategy Board in place to support the delivery of partnership activity between the Councils.
Developing, communicating and embedding codes of conduct , defining the standards of behaviour for members and staff	- This is set out in the Council Constitution - Expectations and requirements of staff behaviour are set out in the Staff Handbook provided to all new staff - The Constitution sets out expectations and guidance on Councillor/Officer working relationships - Training is provided to all members on the member code of conduct arrangements (mandatory training) - Standards Panel monitors member standards arrangements. This role is set out in the Constitution. - The Monitoring Officer provides ongoing support and advice to Councillors as required and/or requested. - The Monitoring Officer considers, and may investigate, complaints about SHDC Councillors, and Town and Parish Councillors	- Standards Panel oversees functions relating to standards of conduct of members. - A Standards Sub-Committee provides a Hearing Panel function for dealing with any serious complaints - The Officer Code of Conduct is embedded in the Council Constitution. - A Monitoring Officer is shared with the three Councils and Deputy Monitoring Officers support Councillors as required.
Reviewing the effectiveness of the Authority's decision-making framework ,	- This is set out in the Constitution - Decision making arrangements meet legislative requirements - Data sharing protocols are in place where necessary	All members and officers are provided with guidance on decision making arrangements with detailed delegations set out in the Constitution;

Key Elements	Description of Governance Mechanisms	Assurance Received
including delegation arrangements, decision making in partnerships and robustness of data quality	- Service Level Agreements with partners are in place and monitored carefully (financial and performance), with named officers and Portfolio responsibilities set out - Memoranda of Understanding documents are produced/signed up to where appropriate.	these are updated when necessary and reported to Council. Contractual arrangements or partnering arrangements are subject to GDPR reviews on an ongoing basis, particularly where there are any changes.
Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability	- Partnership Risk Register in place and monitored by SLT and members - Strategic Risk register in place and monitored by managers and members - Operational Risk Registers and Fraud Risk Register are in place and monitored by the Insights and Transformation Team and Leadership Team. - Operational staff able to escalate risks reporting to Management Team. - Risk Strategy aligned across the Partnership Councils and agreed at Full Council on 18th February 2024.	- The Risk Strategy has been fully refreshed and brought in-line with up to date methods of managing risk, and approved through Full Council. - An audit of our Risk Management arrangements in 2023 resulted in Substantial Assurance and included some very positive feedback. - Management Team update the Strategic Risk Register quarterly and feed into quarterly reporting to members – Cabinet and Governance & Audit Committee. - Operational Risks are identified - Service level monitoring - Risk is a standing item on the quarterly governance clinic agenda - The committee report template includes risk management implications.
Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained	- A review of Fraud arrangements took place in 2023/4 and the Council now subscribes to additional internal audit support in this area. - Service Managers complete an on-line training programme on fraud - The Council actively takes part in the National Fraud Initiative - A counter fraud e-learning package is provided for all staff - The Council is a member of the Lincolnshire Counter Fraud Partnership which provides access to best practice, guidance and support.	- Governance & Audit Committee and Staff training - Work with DWP arrangements - Reminders provided to staff to be aware of fraud risk. - Internal Audit have completed their counter fraud risk work which created the fraud risk register which is now part of the quarterly reporting alongside strategic and operational risks.

Key Elements	Description of Governance Mechanisms	Assurance Received
Ensuring effective management of change and transformation	• Reporting of significant changes to policy or provision are reported through Portfolio and Cabinet (and Council where appropriate) • Innovation, Transformation and Efficiency board in place in 24/25 • A Corporate Staff Development programme is in place • Workforce Strategy in place to ensure appropriate levels of support and training are in place to enable staff to manage change • Workforce Strategy Action plan in place and being delivered. • Strong internal communication to keep staff and members informed • 6-monthly staff survey to help monitor impact of change • Project Management Framework in place • Members of Corporate Management Team have corporate responsibility for projects that deliver change • Improved working relationship with PSPS that enables joint working on change programmes within back office services. • An Organisational Development function and transformation resource is in place to support change arrangements across the council – providing additional support to managers; • There is a shared management team in place to support the development of the Partnership between BBC, ELDC and SHDC. • Below management team, there are a range of other shared positions that support the bringing together of the Partnership.	• Leadership Team decisions • Portfolio/Cabinet reports and decisions • Cabinet reports considered by Scrutiny Committees prior to decision making • Client/Contractor management meetings are held regularly to discuss planned changes to service delivery and priorities • The Client Officer and members of management team were engaged with PSPS in the development of their Transformation Programme in 24/25 • A Workforce Strategy is in place.
Ensuring the Authority's financial management arrangements conform with the governance requirements of the <i>CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)</i> and, where they do not, explain why and	• Full compliance with the CIPFA guidance: – The Section 151 Officer has responsibilities set out in the Constitution; key member of Senior Leadership Team (SLT) and Corporate Management Team (CMT); professionally qualified accountant with direct access to the Chief Executive, Leader, Cabinet, Governance & Audit Committee & the appointed auditors – The Finance team is fit for purpose and has been reviewed by CIPFA for adequacy.	• Adequacy of financial arrangements are overseen by the S151 Officer, Portfolio Holder for Finance, Cabinet, Governance & Audit Committee and Full Council.

Key Elements	Description of Governance Mechanisms	Assurance Received
how they deliver the same impact	The Medium Term Financial Strategy, annual budget process, compliance with CIPFA codes and guidance on capital finance, treasury management and management of reserves	
Ensuring the authority's assurance arrangements conform with the governance requirements of the <i>CIPFA Statement on the Role of the Head of Internal Audit</i> (2019) and, where they do not, explain why and how they deliver the same impact	• Full compliance with the CIPFA guidance: – The Internal Audit Team/Head of Internal Audit provide an objective and evidence based opinion on all aspects of governance, risk management and internal control – Internal Audit is delivered through Lincolnshire County Council with a principal auditor allocated to South Holland District Council. This has improved the resilience of the audit team and enables access to specialist audit which previously had to be commissioned. – The internal audit service is fit for purpose – The Internal Audit Team and the Section 151 Officer are able to meet separately with the Chair of the Governance & Audit Committee should that be required – Audit Team attend external training as necessary, and access national network of governance support through CIPFA – The service has been assessed as conforming to the UK Public Sector Internal Audit Standards, a Quality Assurance Improvement Programme is maintained as part of those standards. The next external assessment is in 2026. The overall themed areas of Governance, Risk Management, Internal Control and Financial Control are all assessed as performing adequately.	• The Corporate Management Team receives and considers all Internal Audit reports • Senior Leadership Team reviews all low assurance reports. • Low assurance reports are subject to follow up audits. • Governance & Audit Committee monitor audit recommendations and receive updates where necessary • Audit recommendations are discussed at Governance Clinic.
Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function	• Set out in the Constitution • The Council shares a monitoring officer with East Lindsey District Council and Boston Borough Council.	• Council through the Constitution • Deputy Monitoring Officers appointed • The Monitoring Officer sits on the Senior Leadership Team
Ensuring effective arrangements are in place for the discharge of the head of paid service function	• Set out in the Constitution • The Council shares a Head of Paid Service with East Lindsey District Council and Boston Borough Council.	• Council through the Constitution

Key Elements	Description of Governance Mechanisms	Assurance Received
Undertaking the core functions of an Audit Committee , as identified in CIPFA's <i>Audit Committees: Practical Guidance for Local Authorities</i>	- The Terms of Reference which include the core functions are set out in the Constitution - The Governance & Audit Committee have had training to help them understand their role and responsibility - Training for a new Governance & Audit Committee and substitution members is now identified as mandatory in the Constitution. - The Chair and Vice Chair attend external training as necessary	- Council through the Constitution - Governance & Audit Committee - Annual Self-Assessment exercise undertaken and Annual Report submitted to Council
Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful	- Annual Internal Audit Plan work includes the review of compliance in some of these areas - The Section 151 Officer and Monitoring Officer advise on the legality of activity where appropriate, and Legal Services Lincolnshire provides advice on legislation and law - An Assurance Framework has been created to monitor conformance with all Regulatory, Legislative, Policy and Operational requirements	- Corporate Management Team, Governance & Audit Committee (through Internal Audit reporting) - External Audit Plan - Annual Assurance Report to Senior Management Team and Governance & Audit Committee following the creation of the Assurance Framework
Whistleblowing and for receiving and investigating complaints from the public	- A Whistleblowing policy is in place - A clear Feedback Policy and procedure is in place (including complaints) - A dedicated team delivers the complaints process and also trains and advises staff. - CMT receives a regular report setting out the number and type of complaints.	- Senior Leadership Team (Corporate Governance Meeting) - Corporate Feedback Policy reviewed and aligned with Ombudsman guidance - Feedback levels included in the Quarterly Performance Report
Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training	- Reserved Member Days are held for any training or awareness sessions requested by members and/or suggested by officers. - A very thorough member induction programme is delivered following elections, with further development / training delivered through rolling programmes thereafter - Training for named Committees is mandatory as set out in the Constitution - Training and development opportunities are circulated to members on a regular basis alongside internal training provision - Groups are encouraged to identify development priorities through local and national networks - Annual staff appraisals with interim check-ins mid-year.	- A corporate training system has been developed and rolled out to staff. This enables both individual staff and the organisation to more easily monitor completed training, especially where it is a requirement, and/or is linked to professional standards. - The Corporate Training Programme budget continues to be protected to ensure staff are able to access mandatory and discretionary training and development. - Corporate and Group training opportunities can be supported.

Key Elements	Description of Governance Mechanisms	Assurance Received
	An annual corporate training programme is developed and implemented annually, linked to service requirements and development needs	
Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation	- A range of consultations are carried out with service users (co-ordinated through a central team) - Pro-active communication through the press, along with communication through the SHDC website, Facebook and twitter - Thorough public consultations take place where there is a potentially significant change to a service and feedback is reported through the decision making process e.g. sub-regional strategy. - The Housing Service has in place a Tenant Engagement Framework.	- Partnership Communications Team in place to support messages to the public, including during emergency situations. - Corporate Management Team - Cabinet for key pieces of consultation - Information and feedback provided via the council website - Communication Strategy approved in 2023/4
Enhancing the accountability for service delivery and effectiveness of other public service providers	- The Scrutiny Committees take an active role in overseeing scrutiny of other public service providers - Significant changes to other public services communicated to members through briefing or awareness sessions - Members are informed of any significant consultations being held by key partner organisations (e.g. NHS) - There is now joint scrutiny of common topics for BBC, ELDC and SHDC.	- Joint Scrutiny undertaken by members where there are common topics across the partnership sub-region - Member and Senior Officer contribution to the Community Safety framework. - Joint scrutiny framework in place.
Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the Authority's overall governance arrangements	- Operational /strategic partnering arrangements are subject to contractual agreements and performance monitoring and reported on as part of service and budget monitoring - Portfolio Holders have responsibilities for receiving reports on key partner arrangements - PSPS arrangements are reported to and overseen by the Governance & Audit Committee if changes are required. A management Agreement and Service Level Agreements are in place; with regular client/PSPS meetings held - one senior manager is client lead across all 3 Councils for consistency - PSPS provide briefing sessions to members on a regular basis. - Joint working arrangements are subject to written agreements approved by Leadership Team and portfolio holders - Memoranda of Understanding documents are developed and signed up to where appropriate.	- Governance & Audit Committee - Corporate Management Team - Portfolio Holder (Leader) - Full Council - The governance arrangements of the PSPS Board have been reviewed following an external evaluation of the contractual arrangements; and a series of reports have been submitted to Full Council setting out new contractual and governance arrangements. - Client/Partner meetings held regularly - Shareholder Supervisory Board Meetings held regularly

Key Elements	Description of Governance Mechanisms	Assurance Received
	• The Council is the sole shareholder of South Holland Local Housing Community Interest Company. The board of directors are responsible for preparing the Director's report, financial statements and governance arrangements for the company. • Welland Homes Limited was set up during 2015/16 and became fully operational in 2016/17 with the Council as the sole shareholder. The Board of Directors is responsible for preparing the Director's report, Financial Statements and governance arrangements for the company. Officers of the Council work within this framework to deliver services to the company and Welland Homes operates within the governance arrangements of the Council when delivering services to the authority.	
Information Governance	• All staff and Members have access to Data Protection Act (DPA) training. • Specific and tailored training has been requested and delivered to key teams. • Further training will be designed to incorporate changes in Data (Use and Access) Act 2025. • The Data Protection Officer is experienced and qualified to provide advice and shared across the Partnership.	• Governance & Audit Committee • Leadership Team • Portfolio Holder • Performance Report • Data Protection Officer (DPO) • Data Sharing Agreements and contractual arrangements are reviewed by the DPO on an ongoing basis to ensure compliance with the UK GDPR. All new DSAs are assessed by the DPO before being signed, and challenged where necessary.

4 Review of Effectiveness

4.1 The Council has responsibility for conducting, at least annually, a review of effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The effectiveness of the governance framework has been evaluated in the following ways:

The Council:	The Council approves and keeps under regular review all the strategic policies which it reserves for its own consideration, including • The Constitution, • The Sub-regional Strategy • The Medium Term Financial Plan and Capital Strategy, • The Licensing Authority Policy Statement, • The Asset Management Strategy • The plan and Strategy which comprise the Housing Investment Programme • The Treasury Management and Investment Strategies, and • The Gambling Policy Statement.
The Leader:	Executive powers vest in the Leader and the Leader may determine to exercise any of the executive functions of the Council personal or may arrange for the exercise of any of the Council's executive functions by the Cabinet.
Cabinet	The Cabinet is appointed by the Leader and carries out the executive functions of the Council as required by legislation and the Council's constitution and accordingly: • Takes executive decisions, • Approves policies other than those reserved for Council, and • Recommends to Council policies and budgetary decisions.
Scrutiny	The Overview and Scrutiny Committees may undertake any work relating to the four key principles of scrutiny as follows: • Hold the Cabinet to Account (Call-In), • Performance Management, • Assist Policy Development and Review, and • Internal/External Scrutiny.
Governance & Audit Committee	The Governance & Audit Committee: • Considers and approves audit plans, • Considers audit reports, • Comments on the work of audit in addressing the authority's significant risks, • Satisfies itself that the control and governance arrangements have operated effectively by considering audit and risk reports and undertaking ad hoc reviews,

	• Annually self-assess themselves against best practice guidance to check their effectiveness, • Approves the Statements of Accounts, • Reviews treasury policy and performance.
Senior Leadership Team (SLT)	SLT review corporate responsibility, direction and delivery of the sub-regional strategy, direction and delivery of resources, horizon scanning and key controls. SLT has a monthly meeting focused specifically on governance and receives regular reports from a variety of governance boards which have been set up to manage corporate performance and risk. These boards cover performance and risk, employee relations, safeguarding, health and safety, emergency planning, and finance, as well as the statutory officers group. There are several other groups covering cross cutting themes and specific services.
Service Managers	Managers have carried out self-assessments of the processes and controls they have in place to allow them to achieve their service objectives. These are reviewed by Finance to provide assurance that effective controls were in place.
External Audit	External audit is provided by KPMG. Following the annual audit they issue an Audit Results Report to the Governance & Audit Committee covering the opinion on the financial statements, value for money and the Whole of Government Accounts submission. The Council takes appropriate action where improvements need to be made.
Internal Audit	Internal Audit is provided by Assurance Lincolnshire. Regular reports are provided to the Governance & Audit Committee and the lead auditor attends monthly LT meetings focused around Governance Issues.

5 Update to Significant Governance Issues 2024/25

Action	Lead	Status
In-year Audit Committee update and review of AGS and action plan on Forward Plan for 2024/25 (from internal audit annual report)	AD - Governance	Complete
Monitoring of controls around procurement cards (following no assurance audit)	DCX S151 Officer/PSPS	Complete and follow up audit undertaken
Monitoring of controls around payroll reconciliation (following limited assurance audit)	DCX S151 Officer/PSPS	Complete and follow up audit undertaken
Align key elements of Council constitutions	AD - Governance	Partnership alignment programme paused pending more clarity around Local Government Reorganisation.
Relaunch of the Member Development Group across the Partnership	AD - Governance	Closed - Agreement for sovereign Member Development approach to continue in each Council with opportunities for sharing development opportunities where appropriate.

6 Internal Audit Report 2024/25

- 6.1 The Council's Combined Assurance report is a key element of its governance and assurance arrangements. It provides the Senior Leadership & Governance & Audit Committee with better understanding on the assurances across all the Council's critical services, key risks, partnerships, and projects – identifying any areas for greater oversight, improvement and assurance gaps. Overall, there is a positive realistic assurance picture for the Council but one that reflects the complex environment in which it operates, recognising that some areas will remain Amber.
- Red Assurance – Up from 0% to 1%
 - Amber Assurance – Down from 42% to 37%
 - Green Assurance – Up from 58% to 62%
- 6.2 The Internal Audit Annual Report 2024/25 includes an opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it. It is the auditor's opinion that "the frameworks of governance, risk management and management controls provide adequate assurance."

7 Summary

- 7.1 We propose over the coming year to address and/or monitor the above matters to further enhance our governance arrangements and the understanding of those arrangements where there is any change. We are satisfied this will address the need for improvements that were identified in our review of effectiveness, or manage any significant change, and will monitor their implementations and operation as part of our annual review.

Action	Lead	Timescale
Establishing improved governance and processes to support the preparation of the 2026/27 budget and MTFS	S151 Officer	April 25 – March 26
Monitor the government's plans for remote meetings, proxy voting and standards arrangement and develop policies and procedures as appropriate	AD Governance and Monitoring Officer	April 25 – March 26

Rob Barlow, Chief Executive

Cllr Nick Worth, Leader of the Council

DATE:

DATE:

AYSCOUGHFEE HALL AND GARDENS

England & Wales - Charity number 515905

Accounts



CHARITY COMMISSION
FOR ENGLAND AND WALES

Trustees' Annual Report for the period

From **1st April 2023** To **31st March 2024**

Charity name: Ayscoughfee Hall and Gardens

Charity registration number: 515905

Objectives and Activities

	SORP reference	
Summary of the purposes of the charity as set out in its governing document	Para 1.17	The establishment and maintenance of a Museum and Recreation Ground
Summary of the main activities in relation to those purposes for the public benefit, in particular, the activities, projects or services identified in the accounts.	Para 1.17 and 1.19	Provision of a Museum and public gardens
Statement confirming whether the trustees have had regard to the guidance issued by the Charity Commission on public benefit	Para 1.18	

Additional information (optional)

You may choose to include further statements where relevant about:

	SORP reference	
Policy on grant making	Para 1.38	
Policy on social investment including program related investment	Para 1.38	
Contribution made by volunteers	Para 1.38	
Other		

Achievements and Performance

	SORP reference	
Summary of the main achievements of the charity, identifying the difference the charity's work has made to the circumstances of its beneficiaries and any wider benefits to society as a whole.	Para 1.20	Ayscoughfee Hall Museum reopened to pre-Covid pandemic levels in January 2024, seeing visitor numbers and associated donations increasing. Weddings continued to be a popular service provided, with 5 being held. Ayscoughfee Gardens remained open every day of the year (except Christmas Day), with a major refurbishment of the tennis courts taking place. Various events took place, including theatrical performances, outdoor cinema screenings, community events and group visits.

Additional information (optional)

You may choose to include further statements where relevant about:

Achievements against objectives set	Para 1.41	
Performance of fundraising activities against objectives set	Para 1.41	
Investment performance against objectives	Para 1.41	
Other		

Financial Review

Review of the charity's financial position at the end of the period	Para 1.21	
Statement explaining the policy for holding reserves stating why they are held	Para 1.22	
Amount of reserves held	Para 1.22	
Reasons for holding zero reserves	Para 1.22	
Details of fund materially in deficit	Para 1.24	
Explanation of any uncertainties about the charity continuing as a going concern	Para 1.23	

Additional information (optional)

You may choose to include further statements where relevant about:

The charity's principal sources of funds (including any fundraising)	Para 1.47	
Investment policy and objectives including any social investment policy adopted	Para 1.46	
A description of the principal risks facing the charity	Para 1.46	
Other		

Structure, Governance and Management

Description of charity's trusts:		
Type of governing document (trust deed , royal charter)	Para 1.25	Trust deed
How is the charity constituted? (e.g unincorporated association , CIO)	Para 1.25	Councillors act on behalf of the Trustee, South Holland District Council
Trustee selection methods including details of any constitutional provisions e.g. election to post or name of any person or body entitled to appoint one or more trustees	Para 1.25	Elected

Additional information (optional)

You may choose to include further statements where relevant about:

Policies and procedures adopted for the induction and training of trustees	Para 1.51	
The charity's organisational structure and any wider network with which the charity works	Para 1.51	
Relationship with any related parties	Para 1.51	
Other		

Reference and Administrative details

Charity name	Ayscoughfee Hall and Gardens
Other name the charity uses	Ayscoughfee Hall Museum and Gardens
Registered charity number	515905
Charity's principal address	Churchgate Spalding Lincolnshire PE11 2RA

Names of the charity trustees who manage the charity

	Trustee name	Office (if any)	Dates acted if not for whole year	Name of person (or body) entitled to appoint trustee (if any)
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				

Corporate trustees – names of the directors at the date the report was approved

[illegible]

Name of trustees holding title to property belonging to the charity

[illegible]

Funds held as custodian trustees on behalf of others

Description of the assets held in this capacity	
Name and objects of the charity on whose behalf the assets are held and how this falls within the custodian charity's objects	
Details of arrangements for safe custody and segregation of such assets from the charity's own assets	

Additional information (optional)

Names and addresses of advisers (Optional information)

Type of adviser	Name	Address

Name of chief executive or names of senior staff members (Optional information)

Exemptions from disclosure

Reason for non-disclosure of key personnel details

Other optional information

Declarations

The trustees declare that they have approved the trustees' report above.

Signed on behalf of the charity's trustees

Signature(s)		
Full name(s)		
Position (eg Secretary, Chair, etc)		
Date		

Subjective Analysis

Employees Direct
Employees Direct
Employees Direct
Employees Direct
Employees Direct
Employees Direct

Employees Direct
Employees Direct
Employees Direct

Income
Income
Income
Income
Income
Income

Premises
Premises
Premises
Premises
Premises
Premises
Premises

Support Services

Supplies & Services
Supplies & Services
Supplies & Services

Supplies & Services
Supplies & Services
Supplies & Services
Supplies & Services
Supplies & Services
Supplies & Services
Supplies & Services
Supplies & Services
Supplies & Services
Supplies & Services
Supplies & Services
Supplies & Services
Supplies & Services
Supplies & Services
Supplies & Services

Support Services
Support Services

Employees Direct
Employees Direct
Employees Direct
Employees Direct
Employees Direct
Employees Direct
Employees Direct

Employees Indirect

Income
Income
Income

MOVERESERVE
MOVERESERVE
MOVERESERVE
MOVERESERVE
MOVERESERVE

Premises
Premises
Premises
Premises

Supplies & Services
Supplies & Services
Supplies & Services
Supplies & Services
Supplies & Services
Supplies & Services
Supplies & Services
Supplies & Services
Supplies & Services
Supplies & Services
Supplies & Services

Support Services
Support Services

Tax & Non Spec Grant
Tax & Non Spec Grant

Transport

Employees Direct
Employees Direct

Income
Income
Income

MOVERESERVE

Premises
Premises
Premises
Premises

Supplies & Services
Supplies & Services
Supplies & Services
Supplies & Services
Supplies & Services
Supplies & Services
Supplies & Services

Support Services

Transport

CHARITY TRUST - AYSCOUGHFEED MUSEUM AND GARDENS

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2024

Main Account

4035 - Ayscoughfee Museum

Employees Direct

10000 - Gross Pay

10020 - Overtime

10050 - Employer's NI Contributions

10060 - Employer's Retirement Benefit Cost

10080 - Retirement Benefits - IAS19 Adjustment

15035 - Recharge of Salaries - General Fund

Employees Direct total

Employees Indirect

10260 - Other Employee Expenses

10261 - Other Employee Expenses (Non-Payroll)

Employees Indirect total

Income

90120 - Other Revenue Grants Reimbursements and Contributions (Non-Government)

90125 - Other Revenue Grants Reimbursements and Contributions (Other Local Authorities)

91590 - Fees and Charges General

91710 - Other Income

95035 - Recharge of Salaries - General Fund

95045 - Recharge of Salaries - Other

Income total

Premises

20010 - Buildings Maintenance - Responsive

21010 - Electricity

24010 - Water and Sewerage Charges

25010 - Fixtures and fittings

26010 - Operational Buildings Apportionment

28045 - Buildings Maintenance Recharge - GF to GF

29010 - Premises Insurance

Premises total

Transport

33015 - Public Transport (Non-Payroll)

Transport total

Supplies & Services

40010 - Furniture and Equipment

40030 - Materials and Consumables

40320 - External Printing and Design Costs

40330 - Stationery
41015 - Professional and Contractors Fees
41100 - Performers and Entertainers Fees
41110 - Public Courses and Workshops
42015 - Postages
42020 - Telephones
42060 - Computer Hardware Purchase
42080 - Computer Software Licence Costs
44120 - Subscriptions to Organisations and Other Bodies
45010 - Purchase of Goods for Resale
45030 - License Fees
45040 - Advertising - Events
45090 - Insurance
45100 - Other Miscellaneous Expenses

Supplies & Services total

Support Services

75010 - Recharges to/from Support Services
75015 - PSPS Recharges to Services

Support Services total

4035 - Ayscoughfee Museum total

4190 - Ayscoughfee Gardens**Employees Direct**

10000 - Gross Pay
10020 - Overtime
10050 - Employer's NI Contributions
10060 - Employer's Retirement Benefit Cost
10080 - Retirement Benefits - IAS19 Adjustment
10090 - Agency Staff
15035 - Recharge of Salaries - General Fund

Employees Direct total

Employees Indirect

10261 - Other Employee Expenses (Non-Payroll)

Employees Indirect total

Income

90125 - Other Revenue Grants Reimbursements and Contributions (Other Local Authorities)
91710 - Other Income
95035 - Recharge of Salaries - General Fund

Income total

MOVERESERVE

87025 - REFCUS
87050 - Capital Expenditure Charged in Year
87070 - Application of Capital Grants to CAA
87075 - Transfer to Capital Grant Unapplied
87125 - Transfers from Earmarked Reserves

MOVERESERVE total

Premises

20010 - Buildings Maintenance - Responsive
21010 - Electricity
24010 - Water and Sewerage Charges
28010 - Grounds Maintenance Contract (External)

Premises total

Supplies & Services

40010 - Furniture and Equipment
40030 - Materials and Consumables
40210 - Clothing Uniforms and Laundry
41015 - Professional and Contractors Fees
42020 - Telephones
42060 - Computer Hardware Purchase
44120 - Subscriptions to Organisations and Other Bodies
45030 - License Fees
45040 - Advertising - Events
45090 - Insurance
45100 - Other Miscellaneous Expenses

Supplies & Services total

Support Services

75010 - Recharges to/from Support Services
75015 - PSPS Recharges to Services

Support Services total

Tax & Non Spec Grant

64020 - Grants and Contributions to Outside Bodies - No Service Received
83095 - Capital Grants and Contributions (Non-Government)

Tax & Non Spec Grant total

Transport

30010 - Fuel and Oil

Transport total

4190 - Ayscoughfee Gardens total

4215 - Ayscoughfee Leisure

Employees Direct

10090 - Agency Staff
15035 - Recharge of Salaries - General Fund

Employees Direct total

Income

90150 - Costs Recharged to Outside Bodies
91710 - Other Income
92040 - Rents

Income total

MOVERESERVE

87120 - Transfers to Earmarked Reserves

MOVERESERVE total

Premises

20010 - Buildings Maintenance - Responsive
21010 - Electricity
21020 - Gas
24010 - Water and Sewerage Charges

Premises total

Supplies & Services

40010 - Furniture and Equipment
40030 - Materials and Consumables
40210 - Clothing Uniforms and Laundry
41015 - Professional and Contractors Fees
42020 - Telephones
45090 - Insurance
45100 - Other Miscellaneous Expenses

Supplies & Services total

Support Services

75015 - PSPS Recharges to Services

Support Services total

Transport

30010 - Fuel and Oil

Transport total

4215 - Ayscoughfee Leisure total

Summary

4035 - Ayscoughfee Museum total
4190 - Ayscoughfee Gardens total
4215 - Ayscoughfee Leisure total

Grand Total Ayscoughfee

2023/24

83,916
4,263
5,701
18,265
0
9,900
122,045

171
1,248
1,419

0
0
-1,250
-3,254
-21,300
0
-25,804

0
32,308
1,600
46
833
93,000
1,234
129,022

4
4

2,431
369
462

41
0
0
0
4
2,426
0
94
917
0
0
5,140
1,236
5,841
18,962

45,000
9,900
54,900
300,547

39,063
2,092
3,168
9,737
0
4,425
22,900
81,384

24
24

0
0
0
0

0
0
0
0
0
0

0
314
1,791
13,350
15,454

4,960
6,615
370
24,153
150
780
0
0
0
825
1,578
39,433

10,500
8,400
18,900

123,533
-101,443
22,090

42
42
177,326

4,425
1,900
6,325

-14,669
0
-6,000
-20,669

6,495
6,495

2,287
15,923
1,089
1,791
21,089

750
4,460
0
0
0
0
0
5,210

1,500
1,500

0
0
19,950

300,547
177,326
19,950
497,824



UNAUDITED FINANCIAL STATEMENTS

For the Year Ended 31 March 2024

C o n t e n t s

FINANCIAL STATEMENTS

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NARRATIVE REPORT 2023/24

This report seeks to provide a summary and a straightforward explanation of, often complicated, local government finance arrangements. It aims to summarise the key events during the year, their associated financial impact and make the Financial Statements easier to understand. The Narrative Report, together with the Annual Governance Statement and the auditor's report, are outside the scope of the formal Accounts, but all the documents constitute the Council's Financial Report for 2023/24.

The Narrative Report and the detailed accounts aim to provide information to members of the public; electors and residents of the district; council members; partners; stakeholders and other interested parties so that they can:

- understand the financial position of the Council and its outturn for 2023/24.
- have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner.
- be assured that the financial position of the Council is secure.

To assist readers in understanding the financial position of South Holland District Council, the Narrative Report is structured to provide additional information in the following sections:

- An explanation of the Financial Statements
- The way we achieve best value for council taxpayers' money through effective Financial Management
- Information about South Holland as a place
- Information about the Council's structure and management
- A summary of Performance for the Council 2023/24
- Overview of the Council's finances
- Future financial challenges that the Council faces

The Statement of Accounts were unfortunately not produced within the statutory deadlines set out in the Accounts and Audit Regulations 2015 due to significant resourcing issues and delays.

The Council's approach to finance will continue to evolve, developing the self-service nature of financial/service management in all operations whilst seeking to advance business partnering skills for services and particularly those undertaking service review or transformation programmes. This working model also supports current, and future, changes in the Council as it strives to increase income, reduce costs, manage demand, transform working practices, introduce innovation, and maintain performance.

The Narrative Report aims to give a clear picture of the Statement of Accounts and shows how Council Tax and other sources of income are used to provide the full range of Council Services. The Financial Statements are required to be prepared in line with International Financial Reporting Standards (IFRS) meaning that the Council's Accounts are prepared on a similar basis to those produced in other sectors of the economy.

1. The Statement of Accounts

The accounts are available on the Council's website at www.sholland.gov.uk

The Statements for the Council have been prepared on the going concern accounting basis, i.e., on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. This assessment is based in part on the sound financial position of the Council in particular:

- the delivery of a balanced outturn position for 2023/24,
- the establishment of a balanced budget for 2024/25 with an embedded transformation programme aimed at delivering ongoing savings,
- the Council has sufficient resources to meet its immediate financial commitments and
- has robust governance arrangements in place.

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2024. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, which in turn is underpinned by International Financial Reporting Standards.

The main financial statements are:

- The Comprehensive Income and Expenditure Statement which records the Council's income and expenditure for the year. The top half of the statement provides an analysis by Assistant Director area. The bottom half of the statement deals with corporate transactions and funding.
- The Movement in Reserves Statement that is a summary of the changes to the Council's reserves over the course of the year. The reserves are either "usable", which can be applied to fund expenditure or reduce local taxation, or "unusable" which must be set aside for specific purposes in the future.
- The Balance Sheet which is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the end of the year.
- The Cash Flow Statement which shows the reason for changes in the Council's cash balances during the year.
- Accounting Policies that explain the basis of the figures presented in the accounts.
- Notes to the Accounts that provide further detail relating to items in the main financial statements, assumptions made about the future and major estimations made.
- The Expenditure and Funding Analysis that shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services.

The Supplementary Financial Statements are:

- The Collection Fund which reflects the statutory requirement for the Council to maintain a separate account providing details of receipts of Council Tax and Business Rates, and any associated payments to precepting authorities, and the Government.
- The Housing Revenue Account which reflects the statutory requirement for the Council to maintain a separate account providing details of receipts of housing rents and other housing related income, and any associated expenditure on the administration of the housing stock and repairs to it.

The Council has produced Group Accounts for 2023/24, consisting of a Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement, consolidating the transactions relating to the council's subsidiary companies Welland Homes and South Holland Homes together with its share of Public Sector Partnership Services Limited (PSPSL), which is accounted for as an associate.

The Annual Governance Statement sets out the Council's approach to corporate governance and how it manages its governance arrangements in accordance with the Code of Governance.

A Glossary of key terms can be found at the end of this publication.

Financial Management

The Council remains committed to delivering the quality frontline services which its residents want, and which will deliver the Council's corporate priorities. Effective financial management at both corporate and service levels is a key to achieving this particularly in a period when the Councils' resources are reducing and likely to continue to do so.

The Council's approach to these challenges is set out in the 2024/25 Budget and the Medium-Term Financial Plan, approved by Council on 29 February 2024. These presented a balanced position after a wide-ranging review of activities and proactively sought reductions in costs and more efficient ways of working to ensure the Council's position remained stable. Within the capital programme, funding has been allocated to support growth in the district, specifically for commercial investments, more affordable housing, investment in new technology and improvements to private sector housing.

The council achieves effective financial management through:

- Regular and informative financial management reports aligned to service performance. These are available on demand for service managers and produced quarterly for Cabinet.
- Sound financial practices across the Council.
- Ensuring that money raised from public taxation is used efficiently and effectively to meet local needs and priorities.
- Ensuring that the Medium-Term Financial plan projections are robust, appropriate, and deliverable, so that services can be maintained at the highest quality possible despite the substantial contraction that is projected to take place in both revenue and capital budgets.
- Continuing Organisational Development which aims to reduce revenue costs and increase income in order to meet the ongoing financial challenges that the Council faces.
- Building on the South and East Lincolnshire Councils Partnership (S&ELCP) to ensure best use of taxpayer resources to deliver Council services.

The Government's transparency agenda encourages local authorities to make public data openly available. Details of transparency items such as the Council's spend on items over £500, contracts and pay, and benefits for senior officers can be found on the Council's website:

<https://www.sholland.gov.uk/article/5272/Transparency>

2. Our District

Surrounded by wide open countryside, the district of South Holland encompasses the flat fenlands of South East Lincolnshire, characterised by big skies and fertile land that was reclaimed from the sea over many centuries. Once renowned for its tulip industry, it is now recognised nationally as the hub of the UK agriculture, food manufacturing and logistics sectors. South Holland is a welcoming place of thriving local communities offering great schools, a quality of life well above the national average and broad ranges of high quality family and starter homes. It is a district with a unique history and an exciting future.

Our traditional market towns and villages retain the historic character that is unique to Lincolnshire. Our proud heritage, stretching back to Roman times, is displayed for all to see, from historic windmills to our modern-day flower industry, with the fens and drains in between. The main towns and population centres of Spalding, Crowland, Holbeach, Donington, Long Sutton and Sutton Bridge all feature strong community identities and activities, matched by thriving business and industry. The population is expanding healthily there are now 92,500 residents in the area with estimates that the population will reach 105,400 by 2041.

The continued success of major industries such as agriculture, horticulture, food processing, packaging and distribution, together with related commercial support services, is testament to the skills base, education and support for entrepreneurs. This success is reflected in an increasing demand for high quality housing, commercial developments and business support facilities.

South Holland District Council is at the forefront of innovative schemes to develop high quality affordable homes for purchase, shared ownership and rent.

3. South Holland District Council

Organisational Structure

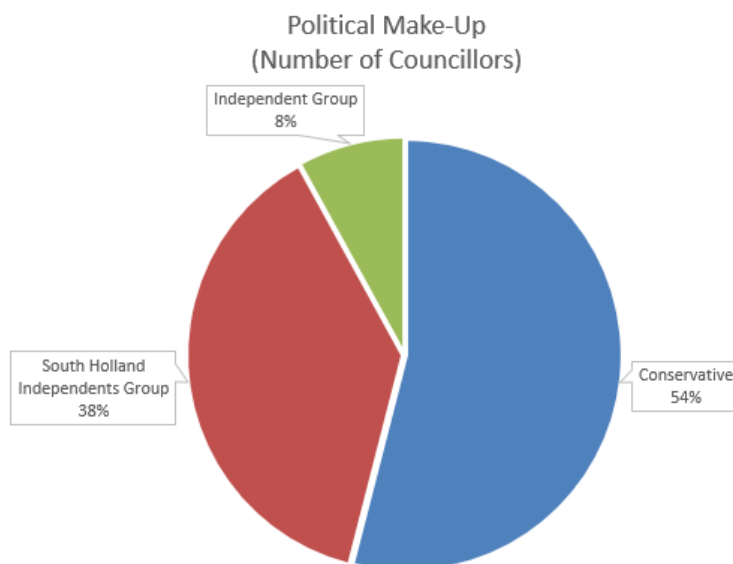
The Council, together with its partner organisations and external contractors, delivers a wide range of services to our residents, businesses and visitors.

The Council is organised into four directorates;

- Communities dealing with Wellbeing and Community Leadership, Regulatory, Leisure and Culture and Neighbourhoods
- Corporate development dealing with Corporate Strategy, Finance, Governance and Housing
- Growth dealing with Economic Growth, Planning and Strategic Infrastructure and Strategic Growth and Development
- Programme Delivery dealing with Strategic Projects and General Fund Assets

Political structure

South Holland has 18 electoral wards, and the Council consists of 37 councillors. The political makeup of the Council at the end of the year was:



South Holland District Council is a forward-thinking, entrepreneurial, and innovative authority, which continues to strive for excellence and deliver great value for money for its residents, whilst making the most of the huge opportunities for economic growth in the district.

The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Cabinet Functions.

All Councillors meet as the Council, here councillors decide the Council's overall policies and set the budget and council tax each year. The Cabinet is made up of the Leader, Deputy Leader and Portfolio Holders, each Portfolio Holder has specific responsibilities over an area of the Council's activities.

Cabinet Members are held to account by a system of scrutiny, which is also set out in the Constitution. Scrutiny of Cabinet decisions for 2023/24, including the setting of a balanced budget for 2024/25, has been

undertaken by the two scrutiny committees in a joint meeting of the Policy Development Panel and Performance Management Panel.

Staffing

The South and East Lincolnshire Councils Partnership (Boston Borough Council, East Lindsey District Council and South Holland District Council) launched on 1 October 2021. This created the senior management structure for the three authorities. This has led to each of the Councils saving money on their previous arrangements and has created opportunity for greater cross working and to drive out further efficiencies going forward such as shared resources and expertise, exploring the opportunity for joint procurements, knowledge sharing and creating a greater voice for south and east Lincolnshire on the national stage.

Significant savings and efficiencies have already been secured by each Partnership Council. The Corporate Management Team structure is available to view on the Partnership's website – www.selcp.co.uk/managementteam.

4. Council Priorities, Corporate Strategy and Performance

During 2023/24 the Council replaced its Corporate Strategy with a Sub-regional Strategy for the South & East Lincolnshire Councils Partnership area, setting out the Partnership priorities, as well as those priorities specific to South Holland district.

The Strategy has the following strategic priorities:

- Growth and Prosperity
- Healthy Lives
- Safe and Resilient
- Environment

There is also a corporate priority focused on being 'Efficient and Effective' as well as local priorities.

How South Holland District Council performed in 2023/24

The Council proactively monitors delivery of its services through a number of Key Performance Indicators (KPIs) which are linked to priorities within the Sub-Regional Strategy.

The indicators, which are included in the Partnership's Performance Management Framework are available to view at www.selcp.co.uk; alongside the Partnership's Annual Delivery Plan, which sets out the key projects to be delivered for the benefit of the people of South Holland district.

The KPIs are monitored by the Council's Insights and Transformation Team and reported to Management Team on a quarterly basis and to the Council's Cabinet and Scrutiny Committee on a quarterly basis.

In 2023/24, the Council monitored a total of 64 KPIs. Out of these 64 KPIs there were 20 KPI's meeting or exceeding their target, 4 slightly below target, 6 under-performing and 1 where data was unable to be provided. The remaining 33 are data only and do not have associated targets.

In 2023/24 the Council delivered the following actions from the Annual Delivery Plan (this is just a snapshot):

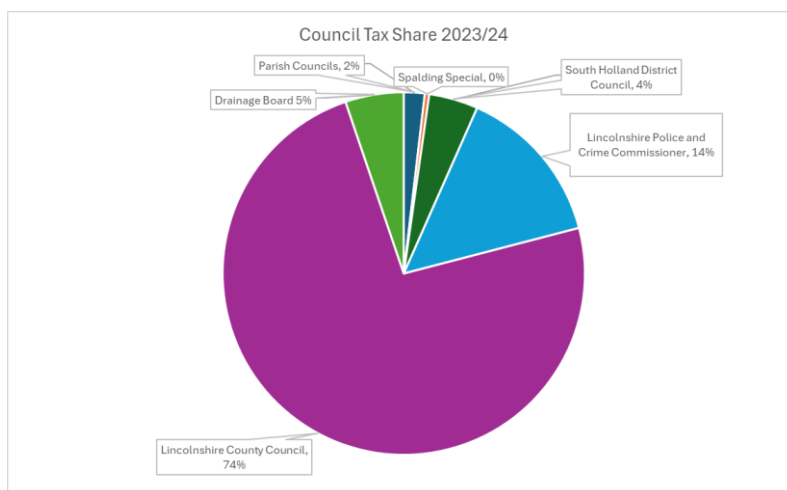
- Secured a commitment from the Government to seek a long term funding solution for the Internal Drainage Boards through an LGA Special Interest Group that has been formed, as well as additional funding of £3m in 2023/24 from Government for those Councils most impacted by the IDB levies.
- Secured additional investment from Government to support Levelling Up / regeneration in the Borough, including Long Term Towns Funding.
- Agreed a Partnership approach to risk management.
- Agreed a Partnership Communications Strategy.
- Launched a Partnership Procurement service that is driving savings through shared procurement.

- Undertaken a range of major ICT upgrades.
- Completed delivery of changing places toilet facilities.
- Extended the Town Centre Improvement Programme
- Commenced work towards the establishment of a business-led Town Centre Partnership for Spalding.

5. Financial Performance

Council Tax

The District Council as the Billing Authority collects the council tax for the County Council, the Lincolnshire Police Authority, Parish Councils, and Internal Drainage Boards. The diagram shows how it was distributed.



Where the Money Came From

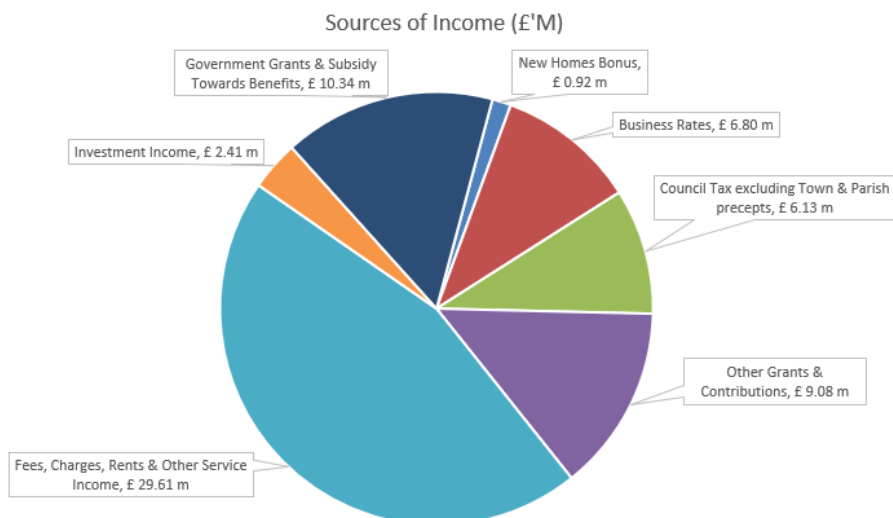
South Holland receives income from many sources, as shown in the chart below. Income is received from council tax (received from taxpayers levied by the Council for South Holland), from the Parishes, from Business Rates and Government grants.

The majority of the income comes from Housing Benefit Subsidy grant (which is paid out to claimants) and other non-specific Government grants.

Council Tax receipts (excluding town and parish precepts) totalled £6.13m (9% of the income), and Business Rates receipts totalled £6.80m.

£19.41m of the income was received from grant funding, and a further £0.92m was received for New Homes Bonus grant.

A total of £29.61m was received from fees, charges, rents, and other service income (45% of total income). Income from investments and interest totalled £2.41m (4% of income).



How the money was spent

The pie chart shows how the money was spent by Assistant Director area, as per the Comprehensive Income and Expenditure Statement on page 19.

Rent Allowances and Rebates is included with Finance and include only costs relating to the actual Housing Benefits provided, they do not include any staffing or other related costs. These benefits are funded from Government grants as can be seen from the “where the money came from” pie chart.

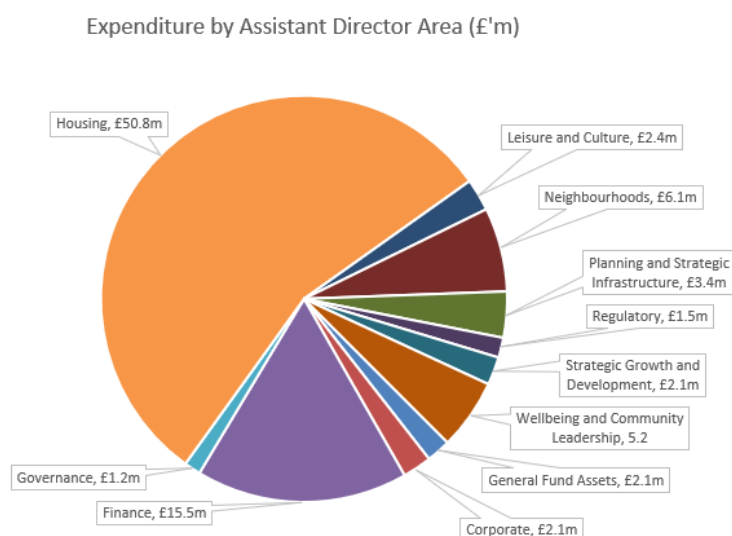
Running expenses and employee expenditure are included as part of the Assistant Director expenditure items.

Running expenses include costs relating to:

- Premises – such as rents, rates, electricity, water and similar
- Transport – such as cars, fares and similar
- Supplies and services – such as equipment, telephones, hired services and similar
- Contract payments for services provided by external contractors, e.g. Leisure

Employees expenditure includes costs relating to:

- Staffing – such as salaries, pensions, additional staff, professional subscriptions and similar costs.



Financial Performance

The Management Accounts below show the Council's actual financial performance for the year compared to the budget. Further information can be found in the Expenditure and Funding Analysis (Note 6).

General Fund

There was a service overspend of £0.115m due to staffing agency cost pressures within Neighbourhood services and the underachievement of income within Regulatory services. Overall, the full year outturn delivered an underspend of £0.116m mainly due to increased interest income on investments because of favourable market rates. The table below shows the outturn position reported to Cabinet:

Assistant Director Area	Revised Budget 2023/24	Outturn 2023/24	Variance (underspend)/ overspend
	£'000	£'000	£'000
Corporate	2,475	2,399	(76)
Finance	3,551	3,775	224
Housing	(114)	(134)	(20)
General Fund Assets	407	496	89
Governance	992	1,009	17
Leisure & Culture	1,273	1,332	59
Neighbourhoods	4,716	4,820	104
Planning & Strategic Infrastructure	302	177	(125)
Regulatory	832	917	85
Strategic Growth & Development	384	362	(22)
Strategic Project	152	128	(24)
Wellbeing & Community Leadership	1,411	1,215	(196)
Sub Total – Assistant Directors – Net Costs	16,381	16,496	115
Recharges to HRA	(3,069)	(3,083)	(14)
Internal Drainage Boards and Parish Precepts	3,996	3,999	3
Investment Income	(1,184)	(1,514)	(330)
Minimum Revenue Provision	177	309	132
Impairment Allowance – Bad debt provision	-	7	7
Capital Expenditure Charged in Year	808	758	(50)
Transfers to/(from) Earmarked Reserves	(810)	(825)	(15)
Efficiencies Requirement	(192)	-	192
Other Income and Expenditure	(274)	(349)	(75)
General Fund Budget net costs	16,107	16,147	40
Council Tax	(7,242)	(7,255)	(13)
Business Rates	(6,942)	(6,804)	138
Government Grants	(1,923)	(2,204)	(281)
Total Funding	(16,107)	(16,263)	(156)
Total Budget - (Surplus)/Deficit	-	(116)	(116)

Capital Financial Performance

The capital outturn for 2023/24 reported to Cabinet by scheme is as follows:

General Fund 2023/24 Capital Programme and Outturn			
Service Area	Revised Budget 2023/24 £'000	Outturn 2023/24 £'000	Variance (underspend)/ overspend £'000
ICT	270	270	-
Footway Lighting	98	98	-
Car Park Resurfacing	12	-	(12)
Capital Acquisitions re Growth and Commercialisation	1,329	1,304	(25)
Rough Sleeping Accommodation Programme (RSAP)	4	-	(4)
Neighbourhoods	629	592	(37)
Disabled Facilities Grants – Private Sector Housing	751	647	(104)
Decent Homes Unfit and Disrepair – Housing	75	-	(75)
Welland Homes	2,866	1,578	(1,288)
Disabled Facilities Grants – Private Sector Housing – Discretionary Better Care Additional Payments	126	126	-
Council Offices Priory Road – Boiler	32	-	(32)
South Holland Centre – Boiler	65	108	43
Spalding Gateway Public Realm Project	283	-	(283)
Assets and Property – Castle Sports	78	35	(43)
Assets and Property – Moulton Park & New Sheep Market	172	104	(68)
West Marsh Road Depot Projects	36	40	4
Next Steps Accommodation Programme (NSAP)	12	12	-
Changing Places	65	75	10
Ayscoughfee Tennis Court	116	124	8
Local Authority Housing Fund	738	581	(157)
Car Park Machines	63	55	(8)
Markets - Van	22	20	(2)
Insurance Claim	-	23	23
Total Non UKSPF & LUF Projects	7,780	5,792	(2,050)
UKSPF & LUF			
UKSPF	216	37	(179)
UKSPF - Rural	378	378	-
Total UKSPF	594	415	(179)
LUF - South Holland Health and Wellbeing Hub	799	799	-
Total LUF	799	799	-
Grand Total General Fund Capital Programme	9,235	7,006	(2,229)

The revised 2023/24 capital budget is £9.235m derived from the combination of the approved budget of £7.780m non-UKSPF and LUF projects, UKSPF projects at £0.594m and LUF projects at £0.799m. The overall outturn expenditure is £7.006m.

General Fund 2023/24 Capital Programme and Outturn			
Service Area	Revised Budget 2023/24 £'000	Outturn 2023/24 £'000	Variance (underspend)/ overspend £'000
Borrowing	-	-	-
Grants & Contributions	(4,403)	(3,825)	578
Capital Reserves	(857)	(751)	106
Direct Revenue Financing	(3,975)	(2,430)	1,545
Total	(9,235)	(7,006)	2,229

Housing Revenue Account

HRA 2023/24 Outturn

HRA 2023/24 Outturn			
Service Area	Revised Budget 2023/24 £'000	Outturn 2023/24 £'000	Variance (underspend)/ overspend £'000
Rent Income – Dwellings	(17,001)	(16,830)	171
Charges for Services and Facilities	(1,217)	(1,266)	(49)
Contributions to Expenditure	(399)	(413)	(14)
Total Income	(18,617)	(18,509)	108
Repairs and Maintenance	3,629	4,354	725
Supervision and Management	3,677	3,353	(324)
Rents, rates, taxes, and other charges	81	79	(2)
Depreciation	4,251	5,514	1,263
Movement in Allowance for bad debts	271	36	(235)
Statutory recharge to the HRA for support services	3,021	3,020	(1)
Total Expenditure	14,930	16,357	1,426
Contribution from Operations	(3,687)	(2,152)	1,534
Investment Income	(677)	(896)	(219)
Interest Payable	2,348	2,348	-
Net (Surplus)/Deficit	(2,016)	(701)	1,315

Housing Revenue Account (HRA) Capital Programme

HRA 2023/24 Capital Programme and Outturn			
Service Area	Revised Budget 2023/24 £'000	Outturn 2023/24 £'000	Variance (underspend)/ overspend £'000
Central Heating	945	923	(22)
Kitchen/Bathroom	1,495	1314	(181)
Renewable Energy	1061	1102	41
Smoke Alarms	210	332	122
Electrical Upgrades	96	202	106
Roofs and Gutters	888	885	(3)
Doors and Windows	468	446	(22)
Flat Entrance Doors Sheltered Schemes	482	486	4
Chimneys	196	159	(37)
Paths and Drives	36	72	36
Boundary Walls	90	50	(40)
Fees	219	215	(4)
10 Baulkins Drove Insurance Claim	29	29	-
15 Lansdowne Court – Insurance Claim	20	20	-
75 Wygate Road Insurance Claim	102	102	-
6 & 8 Farrow Avenue Insurance Claim	242	242	-
Sewerage Treatment Plant	273	273	-
The Square	370	370	-
Car Parks	-	-	-
Community Centre Refurbishment	18	18	-
Booking System for Community Centres and Guest Rooms	15	15	-
ICT Strategy / Infrastructure	268	146	(122)
Replacement Laptops	78	28	(50)
Major Adoptions	600	447	(153)
Sheltered Alarm Upgrade	94	94	-
Housing Repairs Vehicles	-	-	-
Wignals Gate S106	965	866	(99)
Albion Street Crowland	9	1	(8)
Northons Lane Holbeach	406	406	-
Jubilee Way Gosberton	1,298	1,298	-
Pheasant Street Holbeach	789	789	-
Primus Close Moulton Chapel	5	5	-
Biehler Avenue Weston	2,111	2,111	-
Cobgate Whaplode	907	907	-
Coalbeach Lane Surfleet	1,450	1,450	-
LAHF Frogmore Lane Holbeach	6	6	-
LAHF Tulip Fields Holbeach	738	738	-
Scheme Subject to detailed approval	-	-	-
Total	16,979	16,547	(432)

HRA 2023/24 Capital Funding and Outturn			
Service Area	Revised Budget 2023/24 £'000	Outturn 2023/24 £'000	Variance (underspend)/ overspend £'000
Capital Receipts	(1,238)	(1,176)	62
Major Repairs Reserve	(2,075)	(6,298)	(4,223)
Reserve Financing	(12,298)	(7,940)	4,358
Direct Revenue Financing	(272)	(272)	-
Grants and Contributions	(1,096)	(861)	235
Total	(16,979)	(16,547)	432

Collection Fund financial performance

The balance on the Council Tax Collection Fund at 31 March 2024 showed a £0.498m surplus. This will be shared between the District, Lincolnshire County Council and Lincolnshire Police and Crime Commissioner in proportion with each authority's relative precept. This surplus has resulted from a higher than budgeted tax base, SHDC's share is £0.59m.

The balance on the NNDR Collection Fund at 31 March 2024 showed a £1.747m surplus. This will be shared between the District, Lincolnshire County Council, and the Government in proportion with each party's relative proportionate share. SHDC's share is £0.699m.

Reserves and balances

The net decrease in specific and general reserves and balances for 2023/24 was £0.166m. The table below shows the balances at 31 March 2024 by reserve:

Specific and General Reserves Balance				
Reserve	Balances at 1 April 2023 £'000	Contributions into Reserves £'000	Use of Reserves £'000	Balances at 31 March 2024 £'000
General Fund				
Council Tax	656	667	(128)	1,195
Replacement and Refurbishment	-	108	(108)	-
Repayment Reserve	-	66	-	66
Investment and Growth	3,703	459	(1,308)	2,854
Transformation	129	116	(38)	207
Specific Reserves Total	4,488	1,416	(1,582)	4,322
General Fund	2,078	-	-	2,078
Total	6,566	1,416	(1,582)	6,400

At 31 March 2024, the Council also held reserve balances that are ringfenced and committed to future spend:

Reserve	Ringfenced Reserves Balance			
	Balances at 1 April 2023 £'000	Contributions into Reserves £'000	Use of Reserves £'000	Balances at 31 March 2024 £'000
Capital Receipts	3,835	2,716	(1,288)	5,263
1-4-1 Right to Buy Receipts	2,900	511	(1,176)	2,235
Earmarked Grants	683	225	(497)	411
S106 Reserve	238	383	-	621
Planning Reserve	-	394	-	394
Spalding Special	103	35	-	138
Climate Change	36	-	-	36
Total	7,795	4,264	(2,961)	9,098

Please note the following reserve movements that have taken place in 2023/24:

- Council Tax
 - Additions – General fund contribution
 - Use of reserve (Revenue) – District Elections
- Replacement and Refurbishment Reserve
 - Additions – General fund contribution
 - Use of reserve (Revenue) – Programmed use for asset maintenance (South Holland Centre Boiler)
- Repayment Reserve
 - Additions – General fund contribution (Repayment of Workshop van, Pollution Control equipment repayment, and green waste capital repayment)
- Investment and Growth Reserve
 - Additions – New Homes Bonus (NHB)
 - Use of reserve (Revenue) – Town centre improvement works, corporate savings, and use of New Homes Bonus (NHB) to alleviate in year budget pressures as approved in Q2 report.
 - Use of reserve (Capital) – ICT Infrastructure, Waste vehicles, Footway lighting, Car park machines, Market toilets, Town centre improvement works, Ayscoughfee and Castle Sports, Rough Sleeping Accommodation Programme.
- Transformation Reserve
 - Additions – General fund contribution (2023/24 surplus)
 - Use of reserve (Revenue) – Corporate training underspend which was rolled forward from 2022/23.

Reserve	HRA Reserves Balance			
	Balances at 1 April 2023 £'000	Contributions into Reserves £'000	Use of Reserves £'000	Balances at 31 March 2024 £'000
<u>Housing Revenue Account (HRA)</u>				
HRA General Reserve	22,513	701	(7,819)	15,395
Major Repairs Reserve	5,163	5,514	(6,298)	4,379
Insurance Reserve	200	-	-	200
Total	27,876	6,215	(14,117)	19,974

The HRA contribution into reserves is the HRA surplus for the year, and the Major Repairs Reserve contribution into reserves is the Depreciation charge for the year. The use of reserves is financing the HRA Capital Programme. There are no other movements in reserves.

Further information on reserves can be found in the Movement in Reserves Statement and Note 24 to the Financial Statements.

Pension fund

The accounts and notes with relation to the pension fund have been prepared in accordance with International Accounting Standard (IAS) 19. South Holland's Pension Fund liability included in the Balance Sheet as at 31 March 2024 stands at £4.044m compared with £1.525m the previous year, this represents the liability to the Lincolnshire Pension Fund. This amount is matched by a pension reserve also shown in the Balance Sheet and therefore has no impact on the Council's overall financial position at 31 March 2024. The IAS 19 Balance Sheet position for the Council shows an increased obligation and the net liability to the Council under IAS 19 pension deficit is higher in monetary terms at 31 March 2024. The actuary uses a set of demographic assumptions that are consistent with those used for the Lincolnshire Pension Fund. These are highlighted in note 36. Following the results of the triennial review in 2022, the Council's budget includes both a pension contribution percentage and also a lump sum payment each year which is forecast to bring the pension scheme into a fully funded position over a 20-year term.

Cash flows

Investments held by the Council are used to fund day to day cash flow requirements, and achieving a return on investments helps to support the low levels of council tax, support the reserves expenditure and to fund capital expenditure. Short term investments maturing in 2024/25 and long term investments mature beyond this or are open-ended.

Capital spend will reduce the cash held, however the Council does not currently have a need to borrow over the medium term. The Council's overall Capital Financing Requirement (CFR) which details the Council's underlying need to borrow can be found at Note 34.

There were no significant provisions, contingencies or write offs during the year. Full details on provisions and contingencies can be found at Note 22. However appeals from Business Rates (NNDR) continue to be a risk to the Council.

Current economic climate, outlook and risk

The creation of the 2024/25 budget has been challenging. It has been set within a background of unprecedented inflationary pressures with Internal Drainage Board precepts again significantly increasing and continued changes in resident, customer and business needs. Despite these issues the Council's financial position means that it is well placed and able to take a considered approach to mitigating these exceptional challenges. The Government has provided a one-year settlement which has taken some uncertainty away regarding certain grants, however, the uncertainty remains significant and into the medium-term. South Holland District Council remains sovereign in terms of its constitution and budget, as do the Councils we partner with, and our SHDC priorities are to ensure that the Council remains financially resilient, able to deliver services it has to by law, and to provide support to the district's most vulnerable residents. Secondly, to continue the process of redressing the imbalances still being felt from the pandemic by appropriately focussing on the provision of financial support to underpin economic recovery for the district and seeking to invest in our places. Work to develop new opportunities, efficiencies and income streams to support the Council's revenue budget has continued. The Council had made representations regarding the Internal Drainage Board pressures and some initial one-off funding has been awarded. An internal Innovation, Transformation and Efficiency Board has been established to give oversight, support and steer to new opportunities and this board will oversee the efficiency targets for the Council.

The Council remains in a strong financial position over the medium term, with significant plans for transformation, capital spend and reviewing the potential for more efficient delivery of services as well as investment in its communities. The Council needs to deal with any changes in funding levels resulting from any Fair Funding review or changes to Business Rates Retention with a measured and planned approach.

The Medium Term Financial Plan (MTFP) provides information on the Council's budget, transformation programme and reserves and can be found on the Council's website:

[Agenda item - Annual Budget Report 2023/24, Medium Term Financial Strategy, Capital Programme and Capital Strategy, Treasury Management Policy/Strategy and Annual Delivery Plan - South Holland District Council \(sholland.gov.uk\)](#)

The current level of reserves held by the Council is considered adequate to withstand current pressures and to invest in transformation projects, but it would not be financially sustainable to rely on these reserves to continue to fund the reduction in Central Government funding.

Key Risks

The internal Performance, Risk and Audit Board reviews updates on corporate and operational risks on a quarterly basis and takes any remedial actions as necessary (for example, escalation to the Senior Leadership Team or Audit and Governance committee). Quarterly updates on the corporate risk register are provided to both the Executive Management Team and the Governance and Audit Committee. The Governance and Audit Committee is responsible for monitoring the arrangements in place for identification, monitoring and management of strategic risk.

Future Opportunities

The Council is always looking for new opportunities, such as through the South and East Lincolnshire Council Partnership, service improvements and cost reductions through digitalisation of services, etc. All opportunities will be examined on their own merits and detailed business cases completed if the opportunity is considered worthy of implementation.

The 2023/24 Annual Delivery Plan sets out the projects to be brought forward by the Partnership Councils during this municipal year.

Further information on the Statement of Accounts is available from Public Sector Partnership Services Ltd (formerly Compass Point Business Services), who provide all financial services for the Council. This is available as follows:

- In writing - to Financial Services, Council Offices, Priory Road, Spalding, Lincolnshire PE11 2XE.
- By telephone – 01775 761161
- By e-mail - to Customer Services at info@sholland.gov.uk



Christine Marshall, Deputy Chief Executive Corporate Development and Section 151 Officer

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Deputy Chief Executive – Corporate Development (S151)
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Financial Statements, delegated to the Governance and Audit Committee.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Council'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 (the Code)*.

In preparing the Financial Statements, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code
- kept proper accounting records which were up to date and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification by the Chief Financial Officer

I hereby certify that the unaudited Financial Statements give a 'true and fair' view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31 March 2024.



Christine Marshall
Deputy Chief Executive Corporate Development
& S151 Officer

Dated: 18 July 2024

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure Statement shows 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 (or rents). The Council raises taxation and 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 and the Movement in Reserves Statement.

Gross Expenditure £'000	2022/23 Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	2023/24 Gross Income £'000	Net Expenditure £'000
2,029	(857)	1,172	General Fund Assets	1,790	(847)	943
16,256	(13,079)	3,177	Finance	15,508	(12,984)	2,524
7,938	(6,972)	966	Economic Growth	-	-	-
1,146	(28)	1,118	Governance	1,216	(105)	1,111
4,470	(3,046)	1,424	Wellbeing and Community Leadership	5,152	(3,584)	1,568
2,121	(756)	1,365	Leisure and Culture	2,363	(833)	1,530
2,443	(292)	2,151	Corporate	2,124	(408)	1,716
5,757	(800)	4,957	Neighbourhoods	6,149	(936)	5,213
1,364	(1,504)	(140)	Planning and Strategic Infrastructure	3,368	(3,524)	(156)
1,384	(844)	540	Regulatory	1,460	(696)	764
1,694	(1,028)	666	Strategic Growth and Development	2,056	(1,776)	280
14,204	(18,187)	(3,983)	Housing	50,810	(18,506)	32,304
60,806	(47,393)	13,413	Cost of Services	91,996	(44,199)	47,797
6,322	(2,768)	3,554	Other operating expenditure (Note 10)	7,352	(3,333)	4,019
5,219	(3,354)	1,865	Financing and investment income and expenditure (Note 11)	6,286	(6,290)	(4)
6,291	(21,209)	(14,918)	Taxation and non-specific grant income and expenditure (Note 12)	6,483	(26,764)	(20,281)
78,638	(74,724)	3,914	(Surplus) or Deficit on the Provision of Services	112,117	(80,586)	31,531
		(8,290)	Surplus on revaluation of property, plant and equipment assets			(93,323)
		77	(Surplus) or Deficit from investments in equity instruments			621
		(28,719)	designated at fair value through other comprehensive income			3,250
		(36,932)	Other Comprehensive Income and Expenditure			(89,452)
		(33,018)	Total Comprehensive Income and Expenditure			(57,921)

The notes to the accounts on pages 24 - 86 form an integral part of the Financial Statements.

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e., those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

2023/24	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	HRA Earmarked Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2023	2,078	5,548	22,513	200	5,163	6,735	3,040	45,277	165,333	210,610
Movement in Reserves during 2023/24										
Total Comprehensive Income and Expenditure	2,270	-	(33,801)	-	-	-	-	(31,531)	89,452	57,921
Adjustments between accounting basis and funding basis under regulations (Note 8)	(1,793)	-	26,683	-	(784)	763	2,153	27,022	(27,022)	-
Increase/(Decrease) in 2023/24	477	-	(7,118)	-	(784)	763	2,153	(4,509)	62,430	57,921
Transfer to/(from) Earmarked Reserves	(477)	477	-	-	-	-	-	-	-	-
Transfer to/from Other Reserves	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2024 carried forward	2,078	6,025	15,395	200	4,379	7,498	5,193	40,768	227,763	268,531

2022/23	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	HRA Earmarked Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2022	2,078	9,537	24,464	200	3,944	4,335	4,152	48,710	128,882	177,592
Movement in Reserves during 2022/23										
Total Comprehensive Income and Expenditure	(3,632)	-	(282)	-	-	-	-	(3,914)	36,932	33,018
Adjustments between accounting basis and funding basis under regulations (Note 8)	(688)	-	(1,669)	-	1,219	2,351	(781)	432	(432)	-
Increase/(Decrease) in 2022/23	(4,320)	-	(1,951)	-	1,219	2,351	(781)	(3,482)	36,500	33,018
Transfer to/(from) Earmarked Reserves	3,989	(3,989)	-	-	-	-	-	-	-	-
Transfer to/from Other Reserves	331	-	-	-	-	49	(331)	49	(49)	-
Balance at 31 March 2023 carried forward	2,078	5,548	22,513	200	5,163	6,735	3,040	45,277	165,333	210,610

The notes to the accounts on pages 24 - 86 form an integral part of the Financial Statements

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. 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 that 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 Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2023 £'000		Note	31 March 2024 £'000
231,920	Property, Plant and Equipment	13	300,234
113	Heritage Assets	14	98
2,468	Investment Property	15	2,255
279	Intangible Assets	16	101
5,362	Long Term Investments	17	5,308
4,986	Long Term Debtors		5,949
245,128	Long Term Assets		313,945
32,046	Short Term Investments	17	25,849
2,449	Assets Held for Sale	20	935
6,618	Short Term Debtors	18	8,080
6,459	Cash and Cash Equivalents	19	2,762
47,572	Current Assets		37,626
-	Cash and Cash Equivalents	19	-
(26)	Short Term Borrowing		(26)
(8,959)	Short Term Creditors	21	(7,808)
(219)	Provisions	22	(138)
(9,204)	Current Liabilities		(7,972)
(67,456)	Long Term Borrowing		(67,456)
(1,525)	Other Long Term Liabilities – Pension Liability	36	(4,044)
(3,709)	Other Long Term Liabilities – S106 and Rent Deposits		(3,152)
(196)	Grants Receipts in Advance – Capital	32	(416)
(72,886)	Long Term Liabilities		(75,068)
210,610	Net Assets		268,531
(45,277)	Usable Reserves*		(40,768)
(165,333)	Unusable Reserves	24	(227,763)
(210,610)	Total Reserves		(268,531)

* See Movement in Reserves Statement on pages 20 – 21.

The notes to the accounts on pages 24 - 86 form an integral part of the Financial Statements.

CASH FLOW STATEMENT

The Cash Flow Statement 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, investing and financing activities. 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 from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the Council.

2022/23 £'000	2022/23 £'000		2023/24 £'000	2023/24 £'000
	(3,914)	Net surplus/(deficit) on the provision of services		(31,531)
3,831		Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 25)	46,499	
(11,325)	(7,494)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 25)	(8,770)	37,729
	(11,408)	Net cash flows from Operating Activities		6,198
	4,551	Investing Activities (Note 26)		(7,597)
	1,538	Financing Activities (Note 27)		(2,296)
	(5,319)	Net increase in cash and cash equivalents		(3,695)
	11,786	Cash and cash equivalents at the beginning of the reporting period		6,459
	(8)	Other Cash Movements		(2)
	6,459	Cash and cash equivalents at the end of the reporting period (Note 19)		2,762

The notes to the accounts on pages 24 - 86 form an integral part of the Financial Statements.

NOTES TO THE ACCOUNTS

NOTE 1 – ACCOUNTING POLICIES

1. General Principles

The Financial Statements summarise the Council's transactions for the 2023/24 financial year and its position at the year end of 31 March 2024. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Financial Statements is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are not carried as inventories on the Balance Sheet due to their immateriality.
- Expenses in relation to services received, including services provided by employees, are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount, where considered material, is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

5. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets 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, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

6. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e., the 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, billing authorities, 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.

Accounting for Council Tax and NDR

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

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 and prepayments and appeals.

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 any form of leave e.g., 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 made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

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 General Fund Balance and Housing Revenue 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 Movement in Reserves Statement, 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 members of the Local Government Pension Scheme, administered by Lincolnshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

The liabilities of the Lincolnshire County Council pension fund attributable to the Council 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 assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 4.8% (2.6% in 2021/22), based on the indicative rate of return on high quality corporate bonds.

The assets of the Lincolnshire County Council 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 liability is analysed into the following components:

Service Cost comprising:

- **current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- **past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
- **net interest on the net defined benefit liability**, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of

the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- **the return on plan assets** – excluding amounts included in the net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **actuarial gains and losses** – changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **contributions paid to the Lincolnshire County Council pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.
- **changes in effect of asset ceiling** – an increase in the pensions liabilities recognised by the Council to reflect the current commitment to pay employer's contributions, to recover a deficit in the Pension Fund that has been assessed as greater than the net pensions liability established under Accounting Code requirements.

In relation to retirement benefits, statutory provisions require the General Fund Balance and Housing Revenue Account Balance 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. In the Movement in Reserves Statement, this means that there are transfers 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 General Fund and Housing Revenue Account 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 also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8. Events after the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Financial Statements are adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Financial Statements are 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 Financial Statements.

9. 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 Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate 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.

For the long term borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The Council has provided a guarantee in relation to the liabilities of Public Sector Partnership Services, based on 28% of any outstanding liabilities, in the event the Company should cease trading.

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. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e., where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, or where relevant FVOCI, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The Council has issued five loans to its subsidiary, Welland Homes Limited, and has assessed lifetime expected losses for these loans on a collective basis. The Council relies on past due information and calculates losses based on lifetime credit losses for all loans more than 30 days past due.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

For Financial Assets measured at Fair Value through Profit and Loss, monthly dividend/distribution income receivable is credited to the Financial and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in other comprehensive expenditure and taken to the financial instruments' revaluation reserve, except for impairment gains or losses until the financial asset is derecognised or reclassified.

Where financial assets are measured at FVPL or FVOCI, the fair value measurements are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

10. 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 Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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 and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance and Housing Revenue Account Balance in the Movement in

Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

11. Heritage Assets

The extent of the Council's holdings of heritage assets is limited. Heritage assets are held to help increase the knowledge, understanding and appreciation of the Council's history and local area. Heritage assets are recognised and measured, including the treatment of revaluation gains and losses, in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Council's heritage assets fall into two categories; Civic Regalia and Works of Art, and Archaeological Sites, Smallholdings and other Land and Sites of Special Interest and are accounted for as follows:

Civic Regalia and Works of Art:

- Civic regalia and Tulip paintings – insurance value; valued by an external valuer

Archaeological Sites, Smallholdings and other Land and Sites of Special Interest:

- Chain Bridge Forge (formerly Blacksmith's shop) – current use; valued by an external valuer
- Nature reserve – Historic Cost

Heritage assets not recognised on the Council's Balance Sheet:

- Community Beacon, Gas Wharf, Pill box, HMS Hornet bell and model of HMS Taku submarine – not included on the Balance Sheet as the cost of obtaining valuations outweighs the benefit to the users of the statements.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g., where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see item 19 in this summary of significant accounting policies. Depreciation is not charged as the assets are deemed to be held in perpetuity. Should any heritage assets be disposed of the proceeds are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

12. Intangible Assets

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

Intangible assets are measured initially at cost and are carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. Amortisation is calculated on the following basis:

- Computer software and licences – straight line basis

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, the amortisation charge is not permitted to have an impact on the General Fund Balance or Housing Revenue Account Balance. It is therefore reversed out of the General Fund Balance and Housing Revenue Account Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

13. Interest in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries and associates and require it to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost. The Group Accounts included with the financial statements incorporate South Holland Homes, Welland Homes and Public Sector Partnership Services Ltd.

14. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

15. Investment Property

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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. 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 Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Assets are transferred into or out of the Investment Property class only when there is evidence of a change of use.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account 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 transfer 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.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council has no finance lease commitments as at 31 March 2024.

The Council as Lessee - *Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement 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 - *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 relevant line in the Comprehensive Income and Expenditure Statement. 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. Material Items of Income or Expense

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

18. Overheads and Support Services

Following revisions to the Accounting Code, the cost of overheads and support services are not charged to service segments, within the Financial Statements, in accordance with the Council's arrangements for accountability and financial performance. However, they are apportioned to comply with the requirements of various government returns.

19. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual's 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 assets potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

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 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 authority). 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 authority.

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

- infrastructure assets, community assets and assets under construction – depreciated historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective

- all other assets – current 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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 Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value 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 in the Comprehensive Income and Expenditure Statement.

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

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 Comprehensive Income and Expenditure Statement.

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

Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight line allocation over the life of the property as estimated by the valuer
- Vehicles, plant and equipment – straight line allocation over the life of the asset, as advised by a suitably qualified officer

- Infrastructure – straight line allocation.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Materiality levels have been assessed and a materiality level of £0.5m for major components has been applied. Council dwellings are separated into their principal components, which are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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 Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous 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 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 Property, Plant and Equipment or assets held for sale, is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement 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 Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals 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. Receipts are appropriated to the Reserve from the General Fund Balance and Housing Revenue Account Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax or housing rents, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance and Housing Revenue Account Balance in the Movement in Reserves Statement.

Infrastructure Assets

Infrastructure assets include sewage treatment works and street furniture.

Recognition

Expenditure on the acquisition or replacement of components of these assets is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

Measurement

Infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Annual depreciation is provided on these assets over their useful lives on a straight-line basis, as follows:

- Street lighting – 10 years
- Sewage treatment works – 10-19 years

Disposals and derecognition

When an infrastructure asset is disposed of, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, 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).

The written-off amounts of disposals are 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 transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

20. Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties, and some of its financial instruments at fair value at each reporting date. 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.

When measuring the fair value of a non-financial asset, the authority 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.

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 authority 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.

21. 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 can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council has an obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now 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, 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.

22. 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.

23. 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.

24. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingences. Reserves are created by transferring amounts out of the General Fund Balance. 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 Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement, and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

25. Revenue Expenditure Funded from Capital under Statute

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 Comprehensive Income and Expenditure Statement 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 Movement in

Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

26. 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.

NOTE 2 – ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) has introduced several changes in accounting standards which will be required from 1 April 2024.

- IFRS 16 Leases, mandatory from 1 April 2024
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Non-Current Liabilities with Covenants (Amendment to IAS 1)

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new accounting standard, but one which has not yet been implemented.

It is not anticipated that the above amendments will have a material impact on the information provided in the financial statements, i.e., there is unlikely to be material change to the reported information in the net cost of services or the surplus or deficit on the provision of services.

NOTE 3 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying, the accounting policies set out at Note 1 the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the statement of accounts are:

- There is a large degree of uncertainty about future levels of funding for local government. However, the council has determined that this high level of uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- At the time the accounts were authorised for issue, the Council's valuers have provided values for the Council's assets taking into account what was known at the time. The Council's judgement was that there was not enough information to indicate that the assets were impaired and that balance sheet values should be reduced.
- The Council has examined its leases and classified them as either operating leases or finance leases. In some cases, the lease transaction is not always conclusive, and the Council uses judgements in determining whether the lease is a finance lease that transfers substantially all the risks and rewards incidental to ownership. With effect from 2024/25 financial accounts all lessee operational agreements (apart from those of less than 12 months or those of low value assets) are required to be shown on the balance sheet.
- One factor that has had a demonstrable impact on the accounts in the past five years concerns the assumptions surrounding pensions and the likelihood of legislative change and the impact of such change. The sensitivity analysis, shown in note 36, estimates the likely impact of changes to the assumptions used when reporting the pension liability.
- Investments - Investment in banks and other financial institutions are secure and will not suffer impairments. A certain amount of volatility in financial markets was apparent at the time the accounts were authorised for issue and expected credit losses were calculated based on information available at the time.

NOTE 4 – ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Financial Statements contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates have been made taking into account historical experience, current trends and other relevant factors. The assumptions and other sources of estimation uncertainty disclosed below relate to the estimates that require the council's most difficult, subjective or complex judgements. As a number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex. As a result, balances cannot be determined with certainty and actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Assets and Liability

The estimation of the net defined benefit liability at 31 March 2024 was £4.044m (£1.525m liability at 31 March 2023) to pay pensions depends on a number of complex judgements relating to the discount rate 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 expert advice about the assumptions to be applied.

During 2023/24, the actuaries advised that South Holland's net pension liability had decreased by £2.519m. This is made up of:

- £3.250m actuarial gain
- £0.731m loss arising from employer contributions of £2.562m being more than the pension obligations of £1.831m.

Debt Impairment

At 31 March 2024, the Council had a balance of sundry debtor and housing benefit overpayments of £3.082m. The Council's normal approach to review significant items suggested that an impairment allowance for doubtful debts of 24% (£0.746m) was appropriate. However, in the current economic climate it is not certain that the allowance will be sufficient.

If collection rates were to deteriorate, increasing the impairment for doubtful debts to 50% of the total debt would require an additional £0.795m to be set aside as an allowance.

The change in the impairment allowance for bad debts is presented within Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Business Rates

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities need to account for any reduction in Business Rates income and repayment to ratepayers, in respect of successful appeals against business rates for current and earlier years. A provision has been made in the accounts based on the best estimate of the amount that the Council might need to repay as a result of successful appeals up to 31 March 2024.

For appeals already lodged, this estimate has been calculated using the latest Valuation Office Agency list of outstanding appeals with an assessment being made of the likely impact of those appeals, taking into account past national decisions together with any specific / local implications. This assessment has been undertaken by an external provider and reviewed by officers to reflect local circumstances. The Council's share of the provision as at 31 March 2024 is £0.138m (40% of £0.344m).

If the appeals provision increased by 10% the Council's share would increase to £0.152m.

Fair Value Measurements

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e., Level 1 inputs), their fair value is measured using valuation techniques (e.g., quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.

Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the external valuer). Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 13 and 15.

Asset Lives

Asset lives are determined by the valuers and if asset lives were reduced by one year the impact on the depreciation charged to the CIES would be immaterial.

NOTE 5 – EVENTS AFTER THE BALANCE SHEET DATE

Events taking place after 31 March 2024 are not reflected in the Financial Statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

NOTE 6 – EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local Councils in comparison with those resources consumed or earned by Councils in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2022/23				2023/24		
Net Expenditure Chargeable to the General Fund and HRA Balance £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund and HRA Balance £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
1,389	(217)	1,172	General Fund Assets	2,504	(1,561)	943
2,818	359	3,177	Finance	3,038	(514)	2,524
(250)	1,216	966	Economic Growth	-	-	-
1,087	31	1,118	Governance	1,129	(18)	1,111
1,076	348	1,424	Wellbeing and Community Leadership	1,681	(113)	1,568
1,096	269	1,365	Leisure and Culture	1,446	84	1,530
2,361	(210)	2,151	Corporate	1,704	12	1,716
4,353	604	4,957	Neighbourhoods	4,965	248	5,213
(204)	64	(140)	Planning and Strategic Infrastructure	(111)	(45)	(156)
458	82	540	Regulatory	820	(56)	764
672	(6)	666	Strategic Growth and Development	648	(368)	280
(2,530)	(1,453)	(3,983)	Housing	5,272	27,032	32,304
12,326	1,087	13,413	Net Cost of Services	23,096	24,701	47,797
(6,055)	(3,444)	(9,499)	Other Income and Expenditure	(16,455)	189	(16,266)
6,271	(2,357)	3,914	(Surplus) or Deficit	6,641	24,890	31,531

General Fund Balance £'000	HRA Balance £'000	Total £'000		General Fund Balance £'000	HRA Balance £'000	Total £'000
2,078	24,463	26,541	Opening Balance at 1 April	2,078	22,513	24,591
-	(1,950)	(1,950)	Surplus or (Deficit) in Year (after transfers to/from earmarked reserves)	-	(7,118)	(7,118)
2,078	22,513	24,591	Closing Balance at 31 March	2,078	15,395	17,473

NOTE 6A – NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2023/24				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
General Fund Assets	(1,527)	(34)	-	(1,561)
Finance	(352)	(162)	-	(514)
Economic Growth	-	-	-	-
Governance	-	(18)	-	(18)
Wellbeing and Community Leadership	(48)	(65)	-	(113)
Leisure and Culture	105	(21)	-	84
Corporate	(30)	43	(1)	12
Neighbourhoods	432	(184)	-	248
Planning and Strategic Infrastructure	-	(45)	-	(45)
Regulatory	3	(59)	-	(56)
Strategic Growth and Development	(324)	(44)	-	(368)
Housing	27,182	(155)	5	27,032
Net Cost of Services	25,441	(744)	4	24,701
Other Income and Expenditure from the Funding Analysis	(96)	13	272	189
Difference between General Fund (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (Surplus)/Deficit	25,345	(731)	276	24,890

2022/23				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
General Fund Assets	(278)	61	-	(217)
Finance	-	359	-	359
Economic Growth	1,182	34	-	1,216
Governance	5	26	-	31
Wellbeing and Community Leadership	274	74	-	348
Leisure and Culture	244	25	-	269
Corporate	(67)	59	(202)	(210)
Neighbourhoods	358	246	-	604
Planning and Strategic Infrastructure	-	64	-	64
Regulatory	3	79	-	82
Strategic Growth and Development	6	(12)	-	(6)
Housing	(1,784)	355	(24)	(1,453)
Net Cost of Services	(57)	1,370	(226)	1,087
Other Income and Expenditure from the Funding Analysis	(556)	700	(3,588)	(3,444)
Difference between General Fund (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (Surplus)/Deficit	(613)	2,070	(3,814)	(2,357)

Adjustments for Capital Purposes

This column adds in depreciation and impairment, revaluation gains and losses and transfer to the Major Repairs Reserve for future capital investment in the service lines, 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., Minimum Revenue Provision 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. 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 the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income are reflected as follows:

- **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 or credited to the Comprehensive Income and Expenditure Statement and amounts payable or receivable to be recognised under statute are as follows:

- **For services** the other differences column recognises adjustments to the General Fund and Housing Revenue Account for accumulated absences.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and business 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.

NOTE 7 – EXPENDITURE AND INCOME ANALYSED BY NATURE

The authority's expenditure and income is analysed as follows:

2022/23		2023/24
£'000		£'000
	<u>Expenditure</u>	
16,067	Employee benefits expenses	14,666
26,909	Other service expenses	22,093
10,903	Benefits expenditure	10,893
5,995	Depreciation, amortisation, impairment	6,695
2,347	Interest payments	2,348
3,847	Precepts and levies	4,298
136	Increase in impairment allowance	107
218	Changes in fair value of investment property	493
1	Payments to Housing Capital Receipts Pool	3
6,291	Business Rates tariff and levy	6,483
2,474	Loss on disposal of non-current assets	3,051
953	Loss on revaluation of non-current assets	37,667
2,497	Pensions interest cost	3,320
78,638	Total Expenditure	112,117
	<u>Income</u>	
(16,332)	Income from council tax and non-domestic rates	(17,598)
(13,385)	Government grants and contributions	(7,217)
(1,994)	Other grants and contributions	(6,277)
(26,142)	Fees, charges and other service income	(29,608)
(10,930)	Benefits income	(10,504)
(42)	Decrease in impairment allowance	(51)
(1,263)	Interest and investment income	(2,411)
-	Change in fair value of equity investments	-
(71)	Changes in fair value of investment property	(280)
-	Gain on revaluation of non-current assets	-
(2,768)	Gain on disposal of non-current assets	(3,333)
(1,797)	Pensions interest income	(3,307)
(74,724)	Total Income	(80,586)
3,914	(Surplus) or Deficit on the Provision of Services	31,531

NOTE 8 – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year. However, as a Housing authority the balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance

The Housing Revenue Account 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 as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at year end.

Capital Receipts Reserve

The Capital Receipts Reserve 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.

Capital Grants Unapplied

The Capital Grants Unapplied Account 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.

2023/24	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
Adjustments to Revenue Resources					
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>					
• Pension costs	(558)	(173)	-	-	-
• Council Tax and Non-Domestic Rates	272	-	-	-	-
• Holiday pay	(1)	5	-	-	-
• Movements in the market value of Investment Properties	213	-	-	-	-
• Capital grants and contributions applied to capital financing	(2,481)	(861)	-	-	(50)
• Capital grants and contributions not applied to capital financing	(1,315)	-	-	-	1,315
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	4,708	43,984	-	-	-
Total Adjustments to Revenue Resources	838	42,955	-	-	1,265
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,632)	(1,685)	3,317	-	-
Administrative costs of non-current asset disposals	64	28	(92)	-	-
Payments to the government housing receipts pool	3	-	(3)	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	(5,514)	-	5,514	-
Minimum Revenue Provision	(309)	-	-	-	-
Other income that cannot be credited to the CIES	-	-	-	-	-
Capital expenditure financed from revenue balances	(757)	(8,213)	-	-	-
Total Adjustments between Revenue and Capital Resources	(2,631)	(15,384)	3,222	5,514	-
Adjustments to Capital Resources					
Use of Capital Receipts Reserve to finance capital expenditure	-	-	(2,461)	-	-
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	(6,298)	-
Use of capital grants to finance capital expenditure	-	(888)	-	-	888
Cash payments in relation to deferred capital receipts	-	-	2	-	-
Total Adjustments to Capital Resources	-	(888)	(2,459)	(6,298)	888
Total Adjustments	(1,793)	26,683	763	(784)	2,153

2022/23	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
Adjustments to Revenue Resources					
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>					
• Pension costs	1,538	532	-	-	-
• Council Tax and Non-Domestic Rates	(3,588)	-	-	-	-
• Holiday pay	(203)	(24)	-	-	-
• Movements in the market value of Investment Properties	148	-	-	-	-
• Movements in fair value of financial assets designated to fair value other comprehensive income	-	-	-	-	-
• Capital grants and contributions applied to capital financing	(7,914)	(13)	-	-	(1,603)
• Capital grants and contributions not applied to capital financing	(822)	-	-	-	822
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	11,574	7,684	-	-	-
Total Adjustments to Revenue Resources	733	8,179	-	-	(781)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(150)	(2,618)	2,618	-	-
Administrative costs of non-current asset disposals	-	41	(41)	-	-
Payments to the government housing receipts pool	1	-	(1)	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	(5,017)	-	5,018	-
Minimum Revenue Provision	(137)	-	-	-	-
Other income that cannot be credited to the CIES	(47)	-	-	-	-
Capital expenditure financed from revenue balances	(1,088)	(2,254)	-	-	-
Total Adjustments between Revenue and Capital Resources	(1,421)	(9,848)	2,576	5,018	-
Adjustments to Capital Resources					
Use of Capital Receipts Reserve to finance capital expenditure	-	-	(227)	-	-
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	(3,799)	-
Use of capital grants to finance capital expenditure	-	-	-	-	-
Cash payments in relation to deferred capital receipts	-	-	2	-	-
Total Adjustments to Capital Resources	-	-	(225)	(3,799)	-
Total Adjustments	(688)	(1,669)	2,351	1,219	(781)

NOTE 9 – MOVEMENTS IN EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2023/24.

	Balance 31 March 2022 £'000	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	Balance 31 March 2023 £'000	Transfers Out 2023/24 £'000	Transfers In 2023/24 £'000	Balance 31 March 2024 £'000
General Fund							
Council Tax Reserve	1,585	(969)	40	656	(128)	666	1,194
Replacement and Refurbishment Reserve	77	(176)	99	-	(108)	108	-
Investment and Growth Reserve	4,136	(1,607)	1,174	3,703	(1,308)	459	2,854
Transformation Reserve	97	-	32	129	(38)	116	207
Repayment Reserve	-	-	-	-	-	66	66
Climate Change	-	-	37	37	-	-	37
S106 Reserve	-	(1,992)	2,229	237	-	383	620
Planning Reserve	-	-	-	-	-	394	394
Spalding Special Expenses	-	-	-	-	-	138	138
Earmarked Grants Reserve	3,642	(2,942)	86	786	(497)	225	514
Total General Fund	9,537	(7,686)	3,697	5,548	(2,079)	2,556	6,025
Housing Revenue Account							
Insurance Reserve	200	-	-	200	-	-	200
Total Housing Revenue Account	200	-	-	200	-	-	200
Total Earmarked Reserves	9,737	(7,686)	3,697	5,748	(2,079)	2,556	6,225

NOTE 10 – OTHER OPERATING EXPENDITURE

2022/23 £'000		2023/24 £'000
1,014	Parish Council Precepts	1,131
2,833	Internal Drainage Board Levies	3,167
1	Payments to the Government Housing Capital Receipts Pool	3
(294)	(Gains)/Losses on the disposal of non-current assets	(282)
3,554	Total	4,018

NOTE 11 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2022/23 £'000		2023/24 £'000
2,347	Interest payable and similar charges	2,348
700	Net interest on the net defined benefit liability for pensions	13
(1,263)	Interest receivable and similar income	(2,411)
94	Movement in the impairment allowance for bad debts	56
(14)	Income and expenditure in relation to investment properties and changes in their fair value	(10)
1,865	Total	(4)

NOTE 12 – TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE

2022/23 £'000		2023/24 £'000
(6,852)	Council Tax income	(7,255)
(3,189)	Retained Business Rates income and expenditure	(3,860)
(1,987)	Section 31 Grant	(2,067)
(650)	Section 31 Grant – Extended Reliefs	(877)
(286)	Revenue Support Grant	(424)
(1,677)	Non-ringfenced government grants	(1,508)
(230)	Capital grants and contributions	(4,290)
(47)	Asset Exchange	-
(14,918)	Total	(20,281)

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT - Movements on Balances

2023/24	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<u>Movements on balances</u>							
Cost or Valuation							
At 1 April 2023	201,841	23,103	7,882	1,184	1,779	269	236,058
Additions	13,576	2,230	1,127	12	-	3,262	20,207
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	85,891	3,573	-	-	(753)	-	88,711
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(38,109)	(209)	-	-	(230)	-	(38,548)
Derecognition – disposals	(979)	-	(619)	-	(32)	-	(1,630)
Assets reclassified (to)/from Held for Sale	(437)	-	-	-	-	-	(437)
Other movements in Cost or Valuation	2,263	-	-	-	-	(2,263)	-
At 31 March 2024	264,046	28,697	8,390	1,196	764	1,268	304,361
Accumulated Depreciation and Impairment							
At 1 April 2023	-	-	(4,204)	(146)	-	(5)	(4,355)
Depreciation charge	(5,142)	(395)	(862)	-	(6)	-	(6,405)
Depreciation written out to the Revaluation Reserve	4,284	344	-	-	-	-	4,628
Depreciation written out to the Surplus/Deficit on the Provision of Services	825	51	-	-	6	-	882
Derecognition – disposals	33	-	620	-	-	-	653
At 31 March 2024	-	-	(4,446)	(146)	-	(5)	(4,597)
Net Book Value							
At 31 March 2023	201,841	23,103	3,678	1,038	1,779	264	231,703
At 31 March 2024	264,046	28,697	3,944	1,050	764	1,263	299,764

2022/23	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<u>Movements on balances</u>							
Cost or Valuation							
At 1 April 2022	193,816	21,953	7,690	1,121	1,162	1,054	226,796
Additions	6,352	381	1,579	63	504	737	9,616
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	4,145	320	(990)	-	130	-	3,604
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,801)	(490)	-	-	(17)	-	(2,308)
Derecognition – disposals	(732)	(234)	(359)	-	-	-	(1,325)
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-
Other movements in Cost or Valuation	61	1,173	(38)	-	-	(1,522)	(326)
At 31 March 2023	201,841	23,103	7,882	1,184	1,779	269	236,058
Accumulated Depreciation and Impairment							
At 1 April 2022	-	-	(4,871)	(146)	-	-	(5,017)
Depreciation charge	(4,668)	(357)	(703)	-	-	(5)	(5,733)
Depreciation written out to the Revaluation Reserve	3,328	325	1,027	-	-	-	4,680
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,324	31	-	-	-	-	1,355
Derecognition – disposals	16	1	343	-	-	-	360
At 31 March 2023	-	-	(4,204)	(146)	-	(5)	(4,355)
Net Book Value							
At 31 March 2022	193,816	21,953	2,819	975	1,162	1,054	221,779
At 31 March 2023	201,841	23,103	3,678	1,038	1,779	264	231,703

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – major components
 - Structure – 36-70 years
 - Roofs – 1-80 years
 - Kitchens – 1-20 years
 - Bathrooms – 1-25 years
 - Windows and Doors – 1-30 years
- Other Land and Buildings – 2-72 years
- Vehicles, Plant, Furniture & Equipment – 4-25 years
- Infrastructure – 2-19 years

Capital Commitments

At 31 March 2024, the Council has entered into contracts for the enhancement of Property, Plant and Equipment in 2023/24 and future years budgeted at a cost of £9.3m. Similar commitments at 31 March 2023 were £6.8m, mainly relating to works to dwellings. The major commitments are:

• Central Heating Replacements	£4.2m
• General Works	£2.7m
• Roofing and Fixtures	£1.4m
• Disabled Adaptations HRA	£1.0m

Effects of Changes in Estimates

No material changes were made to the Council's accounting estimates for Property, Plant and Equipment in 2023/24.

Revaluations

The Council carries out a programme that ensures that all Property, Plant and Equipment required to be measured at current value is regularly revalued. A full revaluation of all Council housing stock and other land and buildings is undertaken every 5 years, although a desktop review of all assets is carried out in each of the intervening years. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors Global Standards, incorporating the ISVC International Valuation Standards.

In addition, due regard has been taken of amendments introduced in the CLG document "Stock Valuation for Resource Accounting – Guidance for Valuers 2010". The basis of valuation is Current Value (EUV) for non-housing property and Existing Use Value for Social Housing (EUV – SH) for Council dwellings. Surplus property is valued at Fair Value, estimated at highest and best use from a market participant's perspective.

Revaluations during 2023/24 were undertaken by Ed Cox MRICS, the South East Lincolnshire Partnership's qualified valuer and Mark Aldis BSc (Hons), MRICS, RICS Registered Valuer (Wilks Head and Eve).

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	-	8,390	2,894	1,196	-	1,268	13,748
Valued at fair value as at: 31 March 2024	264,046	28,697	-	-	-	764	-	293,507
Total Cost or Valuation	264,046	28,697	8,390	2,894	1,196	764	1,268	307,255

Fair Value Hierarchy – Surplus Assets

Details of the authority's surplus assets and information about the fair value hierarchy as at 31 March 2024 is as follows:

Fair Value Level 2 2022/23 £'000		Fair Value Level 2 2023/24 £'000
1,779	Surplus Land	764
1,779	Balance at end of the year	764

Valuation Techniques Used to Determine Level 2 Fair Values for Surplus Assets

Significant Observable Inputs – Level 2

The fair value of surplus assets have been measured using either the income or comparative approach methods.

For land only assets the Valuers have compared sale prices of comparable land in applicable uses and similar locations before making adjustments for differences in key attributes such as land size.

For some assets the Valuers have relied upon data ascertained from current evidence of passing rents on comparable properties including new lettings and rent reviews. Evidence of yields has been taken from the sale of comparable investments having regard to the type of property, covenant strength and lease terms. Factors of relevance in the leases include the lease term, rent review frequency, any break clauses and obligations for repair, maintenance and buildings insurance.

Valuation inputs for rental and yield which are directly applicable i.e., an almost identical property let to a similar covenant on the same repairing and insuring terms for a similar term to the valuation subject are said to be at Level 2 in the fair value hierarchy as they are directly comparable with limited adjustment.

Highest and best use of Surplus Assets

In estimating the fair value of the Council's surplus assets, the highest and best use of the properties is deemed to be their current use for some assets and alternative use for others.

Valuation Process for Surplus Assets

The fair value of the Council's surplus assets is measured at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional

standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers regarding all valuation matters.

Infrastructure Assets

Movement on balances

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

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2023/24 £'000	2022/23 £'000
Net book value (modified historical cost) at 1 April	217	244
Additions	381	70
Depreciation	(128)	(97)
Net book value at 31 March	470	217

	2023/24	2022/23
Infrastructure assets	470	217
Other PPE assets	299,764	230,483
Total PPE assets	300,234	231,920

The authority has determined in accordance with Regulation 30M of 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.

NOTE 14 – HERITAGE ASSETS

Reconciliation of the carrying value of Heritage Assets held by the Council:

		Civic Regalia and Works of Art	Archaeological Sites, Smallholdings and other Land and Sites of Special Interest	Total
2021/22 £'000		2022/23 £'000	2022/23 £'000	2022/23 £'000
108	Cost or valuation	62	51	113
5	1 April	-	(15)	(15)
113	31 March	62	36	98

The Council's heritage assets fall into two categories: Civic Regalia and Works of Art, and Archaeological Sites, Smallholdings and other Land and Sites of Special Interest. All the assets have been in the Council's ownership for a number of years and are held for their intrinsic worth as opposed to financial gain. As such they are unlikely to be sold. There were no additions or disposals in the current financial year.

Heritage assets recognised on the Council's Balance Sheet:

Civic Regalia and Works of Art:

- Civic regalia – included in the Balance Sheet at their insurance valuation. These valuations were undertaken on 31 March 2015 by an external specialist valuer – Bonham's.
- Tulip paintings – included in the Balance Sheet at their insurance value. These valuations were undertaken on 31 March 2016 by Woodbine Contemporary Arts.

Archaeological Sites, Smallholdings and other Land and Sites of Special Interest:

- Chain Bridge Forge – recorded at existing use value as determined by the Council's internal valuer, Ed Cox MRICS, and was last valued on 31 March 2024.
- Nature reserve – recorded at Historic Cost.

Heritage assets not recognised on the Council's Balance Sheet:

- Community Beacon, Gas Wharf, Pill box, HMS Hornet bell and model of HMS Taku submarine have been classified as heritage assets but are not included on the Council's Balance Sheet as the cost of obtaining valuations outweighs the benefit to the users of the Financial Statements.

NOTE 15 – INVESTMENT PROPERTY

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2022/23 £'000		2023/24 £'000
(181)	Rental Income from investment property	(241)
20	Direct operating expenses arising from investment property	18
147	Net (gains)/losses from fair value adjustments	213
(14)	Net (gain)/loss	(10)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

2022/23 £'000		2023/24 £'000
2,146	Balance at start of the year	2,468
469	Additions and Enhancements	-
(147)	Net gains/(losses) from fair value adjustments	(213)
2,468	Balance at end of the year	2,255

Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2024 is as follows:

Fair Value Level 2 2022/23 £'000		Fair Value Level 2 2023/24 £'000
2,468	Commercial Industrial Units	2,255
2,468	Balance at end of the year	2,255

Valuation Techniques Used to Determine Level 2 for Investment Properties

Significant Observable Inputs – Level 2

The fair value of investment properties has been measured using two main approaches - the income method and the comparable method.

For land only assets the Valuers have compared sale prices of comparable land in applicable uses and similar locations before making adjustments for differences in key attributes such as land size.

For land and building assets the Valuers have relied upon data ascertained from current evidence of passing rents on comparable properties including new lettings and rent reviews. Evidence of yields has been taken from the sale of comparable investments having regard to the type of property, covenant strength and lease terms. Factors of relevance in the leases include the lease term, rent review frequency, any break clauses and obligations for repair, maintenance and buildings insurance.

Valuation inputs for rental and yield which are directly applicable i.e., an almost identical property let to a similar covenant on the same repairing and insuring terms for a similar term to the valuation subject are said to be 'observable inputs' as they are directly comparable with limited adjustment and are said to be a Level 2 in the fair value hierarchy.

Highest and best use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is deemed to be their current use.

Valuation Process for Investment Properties

The fair value of the Council's investment properties is measured at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers regarding all valuation matters.

NOTE 16 – INTANGIBLE ASSETS

The Council accounts for its software as intangible assets. Intangible assets include purchased licenses.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The carrying amount of intangible assets is amortised on a straight-line basis, over 1 to 10 years. The amortisation of £163,000 was charged to an overhead account and then absorbed across service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

2022/23 £'000		2023/24 £'000
	Balance at start of year:	
1,283	- Gross carrying amounts	1,302
(858)	- Accumulated amortisation	(1,023)
425	Net carrying amount at start of year	279
	Additions:	
19	- Purchases	-
(165)	Amortisation for the period	(163)
-	Derecognition	(15)
279	Net carrying amount at end of year	101
	Comprising:	
1,302	- Gross carrying amounts	1,287
(1,023)	- Accumulated amortisation	(1,186)
279		101

NOTE 17 – FINANCIAL INSTRUMENTS

The following categories of financial instrument are carried in the Balance Sheet:

Financial Assets	Non-Current				Current				Total	
	Long-term Investments		Long-term Debtors		Short-term Investments		Short-term Debtors			
	31	31	31	31	31	31	31	31	31	31
	March	March	March	March	March	March	March	March	March	March
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through other comprehensive income – Designated equity instruments	5,362	5,308	-	-	-	-	-	-	5,362	5,308
Amortised cost										
Investments	-	-	-	-	32,046	25,849	-	-	32,046	25,849
Cash & cash equivalents	-	-	-	-	6,458	2,762	-	-	6,458	2,762
Mortgages and car loans	-	-	109	86	-	-	37	32	146	118
Loans to Welland Homes	-	-	4,783	5,795	-	-	-	-	4,783	5,795
Trade debtors	-	-	94	68	-	-	2,944	3,833	3,038	3,901
Total financial assets	5,362	5,308	4,986	5,949	38,504	28,611	2,981	3,865	51,833	43,733

Financial Liabilities	Non-Current				Current				Total	
	Long-term Borrowings		Long-term Creditors		Short-term Borrowings		Short-term Creditors			
	31	31	31	31	31	31	31	31	31	31
	March	March	March	March	March	March	March	March	March	March
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost										
External borrowing	(67,456)	(67,456)	-	-	(26)	(26)	-	-	(67,482)	(67,482)
Trade creditors	-	-	-	-	-	-	(3,238)	(4,884)	(3,238)	(4,884)
Total financial liabilities	(67,456)	(67,456)	-	-	(26)	-	(3,238)	(4,884)	(70,720)	(72,366)

Income, expense, gains and losses

	2022/23 Surplus or Deficit on the Provision of Services £'000	2023/24 Surplus or Deficit on the Provision of Services £'000
Net gains/losses on:		
Interest Revenue		
Financial assets measured at amortised cost	(1,264)	(2,411)
Interest expense	2,347	2,348
Fee Expense		
Brokers fees	8	7

Fair Value of Financial Assets

The Council has a shareholding interest in the UK Municipal Bonds Agency (MBA). The fair value has been written down to zero as the balance sheet of the MBA shows negative equity. The authority did not intend to dispose of the shares at the Balance Sheet date.

The authority is the sole shareholder of Welland Homes Limited, which is the Council's wholly owned Housing Development Company. The fair value of the equity balance brought forward was £4.199m. During 2023/24 an additional equity investment of £567k was made. This equity is categorised as Level 3 inputs due to there being no active market for the shares. The Company accounts reported capital and reserves balances of £4.071m as at 31 March 2024. This is presented in the Financial Assets table above, as fair value through other comprehensive income – designated equity instruments. The authority did not intend to dispose of the shares at the Balance Sheet date.

The authority is also the sole shareholder of South Holland Local Community Housing Interest Company. The fair value of the equity balance brought forward was £1.163m and this equity is categorised as Level 3 inputs due to there being no active market for the shares. The Company accounts reported capital and reserves balances of £1.237m as at 31 March 2024. This is presented in the Financial Assets table above, as fair value through other comprehensive income – designated equity instruments. The authority did not intend to dispose of the shares at the Balance Sheet date.

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between input levels 1 and 2 during the year.

Changes in the Valuation Technique

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

Fair Values of Assets and Liabilities that are not measured at Fair Value (but which fair value disclosures are required)

Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment highlighting the impact of the

alternative valuation;

- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

LIABILITIES	31 March 2023		31 March 2024	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Borrowing	(67,482)	(54,364)	(67,482)	(48,690)

For long term borrowing, the fair value is lower than the carrying amount because the authority's portfolio of loans includes fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2024) arising from a commitment to pay interest to lenders below current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £48.690m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the reduced level of interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty Interest rates. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £67.482m would be valued at £54.364m. If the Council were to prematurely repay the loans to the PWLB a discount would be receivable based on rates as at 31 March 2024. The exit price for the PWLB loans including the discount would be £57.960m.

ASSETS	31 March 2023		31 March 2024	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Short Term investments	32,046	32,046	25,849	25,849
Loans to Subsidiaries	4,784	3,762	5,795	4,420
Castle Sports	94	94	68	68

The loans to subsidiaries are loans to Welland Homes Limited, which is the Council's wholly owned Housing Company. The Council has made loans totalling £5.795m with a fair value of £4.420m. These loans are categorised under Level 1 inputs and the fair value has been calculated using the comparable PWLB new loan rates for a similar duration with a margin added for credit risk equivalent to the margin at the time when the loan was issued.

NOTE 18 – DEBTORS

31 March 2023 Net £'000		31 March 2024 Gross £'000	31 March 2024 Impairment £'000	31 March 2024 Net £'000
144	Trade debtors	257	(150)	107
1,413	Council Tax & NDR debtors	3,514	(667)	2,847
2,117	Related parties	1,593	-	1,593
523	Prepayments	868	-	868
154	Costs	474	(295)	179
2,267	Other entities and individuals	3,574	(1,088)	2,486
6,618	Total	10,280	(2,200)	8,080

NOTE 18A – DEBTORS FOR LOCAL TAXATION

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

31 March 2023 £'000		31 March 2024 £'000
597	Less than one year	740
1,347	More than one year	1,375
1,944	Total	2,115

NOTE 19 – CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2023 £'000		31 March 2024 £'000
323	Bank current accounts	719
6,136	Deposits with Banks on Instant Access	2,043
6,459	Cash and Cash Equivalents categorised as Current Assets	2,762
-	Bank current accounts	-
-	Cash and Cash Equivalents categorised as Current Liabilities	-
6,459	Total Cash and Cash Equivalents	2,762

NOTE 20 – ASSETS HELD FOR SALE

Assets held for sale represent Council Houses to be sold under the Governments Right to Buy (RTB) Scheme. Fair Value is deemed to be the discounted RTB price paid by tenants to acquire the dwelling. This represents level 1 under the fair value hierarchy.

The balance outstanding at 31 March 2024 has significantly increased from the prior year due to more RTB applications being at the accepted stage by tenants who are eligible to purchase them.

2022/23 £'000		2023/24 £'000
3,592	Balance outstanding at start of year	2,449
778	Assets newly classified as held for sale:	738
	- Property, Plant and Equipment	
(454)	Assets declassified as held for sale:	(301)
	- Property, Plant and Equipment	
(1,466)	Assets sold	(1,951)
2,449	Balance outstanding at year end	935

NOTE 21 – CREDITORS

2022/23 £'000		2023/24 £'000
(2,165)	Trade payables	(3,553)
(3,245)	Council Tax & NDR payables	(876)
(1,878)	Other payables	(2,059)
(1,671)	Receipts in Advance	(1,320)
(8,959)	Total	(7,808)

NOTE 22 – PROVISIONS

	Business Rate Appeals £'000
Balance at 1 April 2023	(219)
Additional provisions made in 2023/24	(74)
Amounts used in 2023/24	-
Unused amounts reversed in 2023/24	155
Balance at 31 March 2024	(138)

The provision represents South Holland's share (40% of £0.548m) of the total provision for appeals against the rateable values set by the Valuation Office Agency (VOA) not settled as at 31 March 2024. The total provision has been recognised in the Collection Fund Statement (page 92).

NOTE 23 – USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

NOTE 24 – UNUSABLE RESERVES

31 March 2023 £'000		31 March 2024 £'000
51,656	Revaluation Reserve	141,444
111,678	Capital Adjustment Account	87,738
(1,525)	Pensions Reserve	(4,044)
40	Deferred Capital Receipts Reserve	38
1,020	Collection Fund Adjustment Account	748
(76)	Accumulated Absences Account	(80)
2,540	Financial Instruments Revaluation Reserve	1,919
165,333	Total Unusable Reserves	227,763

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. 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 and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2022/23 £'000	2022/23 £'000		2023/24 £'000	2023/24 £'000
	45,572	Balance at 1 April		51,656
9,880		Upward revaluation of assets	110,860	
(1,590)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(17,537)	
	8,290	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		93,323
(1,339)		Difference between fair value depreciation and historical cost depreciation	(1,676)	
(867)		Accumulated gains on assets sold or scrapped	(1,859)	
	(2,206)	Amount written off to the Capital Adjustment Account		(3,535)
	51,656	Balance at 31 March		141,444

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 Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and

current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2022/23 £'000		2023/24 £'000
(28,174)	Balance at 1 April	(1,525)
28,719	Remeasurements of the net defined benefit liability	(3,250)
(4,555)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,831)
2,485	Employer's pensions contributions and direct payments to pensioners payable in the year	2,562
(1,525)	Balance at 31 March	(4,044)

Capital Adjustment Account

The Capital Adjustment Account 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 additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction, and subsequent costs. The Account contains accumulated gains and losses on Investment Properties.

It also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2022/23 £'000	2022/23 £'000		2023/24 £'000	2023/24 £'000
	111,695	Balance at 1 April		111,678
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(5,831)		Charges for depreciation and impairment of non-current assets	(6,532)	
(955)		Reversal of Revaluation losses on Property, Plant and Equipment	(37,667)	
(165)		Amortisation of intangible assets	(163)	
(9,877)		Revenue expenditure funded from capital under statute	(1,386)	
(2,282)		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,944)	
	(19,110)			(48,692)
	867	Adjusting amounts written out of the Revaluation Reserve		1,859
	1,339	Net written out amount of the cost of non-current assets consumed in the year		1,676
		Capital financing applied in the year:		
227		Use of the Capital Receipts Reserve to finance new capital expenditure	2,461	
3,799		Use of the Major Repairs Reserve to finance new capital expenditure	6,298	
9,530		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	3,392	
137		Minimum Revenue Provision	309	
-		Application of grants to capital financing from the Capital Grants Unapplied Account	-	
3,342		Capital expenditure charged against the General Fund and HRA balances	8,970	
	17,035			21,430
	(148)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(213)
	111,678	Balance at 31 March		87,738

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2022/23 £'000		2023/24 £'000
42	Balance at 1 April	40
(2)	Transfer to the Capital Receipts Reserve upon receipt of cash	(2)
-	Other Movements	-
40	Balance at 31 March	38

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2022/23 £'000		2023/24 £'000
(2,568)	Balance at 1 April	1,020
	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	
3,588		(272)
1,020	Balance at 31 March	748

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance and Housing Revenue Account Balance from accruing for compensated absences earned but not taken in the year, e.g., annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance and Housing Revenue Account Balance is neutralised by transfers to or from the Account.

2022/23 £'000	2022/23 £'000		2023/24 £'000	2023/24 £'000
	(302)	Balance at 1 April		(76)
302		Settlement or cancellation of accrual made at the end of the preceding year	76	
(76)		Amounts accrued at the end of the current year	(80)	
		Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(4)
	226			
	(76)	Balance at 31 March		(80)

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve holds the gains and losses on the fair value of financial instruments.

2022/23 £'000		2023/24 £'000
2,617	Balance at 1 April	2,540
(71)	Welland Homes equity	(695)
(6)	South Holland Local Housing Community Interest Company equity	74
-	Investment in Municipal Bonds Agency (MBA)	-
2,540	Balance at 31 March	1,919

NOTE 25 – CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2022/23 £'000		2023/24 £'000
750	Interest received	2,108
(2,347)	Interest paid	(2,348)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2022/23 £'000		2023/24 £'000
5,831	Depreciation	6,532
470	Impairment and downward valuations	37,667
483	Impairment and revaluation losses/(gains) on HRA non dwellings	-
165	Amortisation of intangible assets	163
(1)	(Increase)/decrease in interest debtors	(303)
(5,104)	(Increase)/decrease in creditors	698
(2,220)	Increase/(decrease) in debtors	(602)
2,070	Movement in pension liability	(731)
(293)	Contribution to/(from) provisions	(81)
-	Adjustment for movements in fair value of investments classified as Fair Value through Other Comprehensive Income	-
2,282	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	2,943
-	Movement in Investment Property Values	213
148	Other non-cash items charged to the net surplus or deficit on the provision of services	-
3,831		46,499
-	<i>Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities</i>	-
-	Proceeds from short-term and long-term investments	-
(8,749)	Capital Grants credited to surplus or deficit on the provision of services	(5,545)
(2,576)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,225)
(11,325)		(8,770)

NOTE 26 – CASH FLOW STATEMENT – INVESTING ACTIVITIES

2022/23 £'000		2023/24 £'000
(9,720)	Purchase of property, plant and equipment, investment property and intangible assets	(21,558)
(32,021)	Purchase of short term and long term investments	(25,566)
(1,045)	Other payments for investing activities	(1,026)
2,579	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,227
35,996	Proceeds from sale of short term investments	31,500
8,762	Other receipts from investing activities	5,826
4,551	Net cash flows from investing activities	(7,597)

NOTE 27 – CASH FLOW STATEMENT – FINANCING ACTIVITIES

2022/23 £'000		2023/24 £'000
1,538	Other payments for financing activities	(2,296)
1,538	Net cash flows from financing activities	(2,296)

NOTE 28 - RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2023/24 1 April £'000	Financing Cashflows £'000	Non-Cash Changes £'000	2023/24 31 March £'000
Debtors	547	(1,407)	(860)	(2,267)
Creditors	(1,450)	14	(1,436)	(1,422)
Total Liabilities from Financing Activities	(903)	(1,393)	(2,296)	(3,689)

NOTE 29 – MEMBERS' ALLOWANCES

The Council paid the following amounts to members of the Council during the year.

	2023/24 £'000	2022/23 £'000
Basic Allowance	230	231
Special Responsibility Expenses	146	165
	10	10
Total	386	406

NOTE 30 – OFFICERS’ REMUNERATION

The tables below include those officers who report directly to members or the Chief Executive and who have responsibility for the strategies of the Council. During 2021/22 a partnership was created between South Holland District Council, East Lindsey District Council and Boston Borough Council to form the South and East Lincolnshire Council’s Partnership (S&ELCP) where senior officers are shared between the three authorities. This includes the Chief Executive Officer, Monitoring Officer, Deputy Chief Executive for Communities and SIRO being employed by East Lindsey District Council and the Deputy Chief Executive for Growth being employed by Boston Borough Council with their costs being recharged to the Council. The total remuneration for these employees are as follows; South Holland District Council’s costs for these roles are shown separately. Details relating to other costs of the partnership arrangements are included in the Related Party Transactions Note 33.

2023/24	Salary, fees, and allowances	Expenses Allowances	Pension Contribution	Redundancy Payments	Total	SHDC Costs Only
Job Title	£	£	£	£	£	£
* Chief Executive	142,162	237	35,164	-	177,563	55,045
*Deputy Chief Executive (Programme Delivery & SIRO)	119,747	-	27,963	-	147,710	45,790
* Deputy Chief Executive (Communities)	124,905	-	29,141	-	154,046	47,754
Deputy Chief Executive (Corporate Development & S151)	130,697	1,170	29,141	-	161,008	49,912
*Deputy Chief Executive (to 10/09/23)	53,080	5,855	11,322	-	70,257	21,780
Assistant Director (Governance and MO)	87,737	612	20,365	-	108,714	33,701

2022/23	Salary, fees, and allowances	Expenses Allowances	Pension Contribution	Redundancy Payments	Total	SHDC Costs Only
Job Title	£	£	£	£	£	£
* Chief Executive	142,887	109	24,437	-	167,433	51,904
*Deputy Chief Executive (Growth)	108,051	2,006	18,695	-	128,752	39,913
* Deputy Chief Executive (Programme Delivery & SIRO)	108,415	-	18,434	-	126,849	39,323
Deputy Chief Executive (Corporate Development & S151)	126,610	1,310	20,585	-	148,504	46,036
*Deputy Chief Executive (Communities)	109,974	-	18,974	-	128,948	39,974
Assistant Director (Governance and MO) to 31/05/22	16,364	125	2,639	36,949	56,078	17,384
* Assistant Director (Governance and MO) from 01/06/22	68,321	779	11,597	-	80,698	25,016

*These statutory officers are employed by either East Lindsey District Council or Boston Borough Council, with their costs being recharged to the Council as part of the shared management arrangement for the strategic alliance and S&ELCP, included for completeness.

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration band	2023/24 Number of Employees	2022/23 Number of Employees
£50,000-£54,999	5	7
£55,000-£59,999	5	2
£60,000-£64,999	2	2
£65,000-£69,999	1	1
£70,000-£74,999	3	1
£75,000-£79,999	1	-
£80,000-£84,999	1	1
£85,000-£89,999	-	3
£90,000-£94,999	2	-
£95,000-£99,999	-	1
£100,000-£104,999	1	1
£105,000-£109,999	1	7

The Council terminated the contracts of 5 employees in 2023/24 incurring liabilities of £18,942 (£37,634 in 2022/23). The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the following table.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
£0-£20,000	-	-	5	2	5	2	18,942	685
£20,001 - £40,000	-	-	-	1	-	1	-	36,949
Total cost included in bandings and in CIES (£)							18,942	37,634

NOTE 31 – EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Financial Statements.

	2023/24 £'000	2022/23 £'000
Statutory Audit Services		
Fees payable to KPMG with regard to external audit services carried out for the year by the appointed auditor for the year	140	-
Fees payable to Ernst and Young with regard to external audit services carried out for the year by the appointed auditor for the year	-	45
Fees payable to Ernst and Young with regard to external audit services carried out for the year by the appointed auditor for prior years	34	28
Fees payable to KPMG with regard to certification of grants and claims	15	26
	189	99

NOTE 32 – GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2023/24.

	2023/24	2022/23
	£'000	£'000
Credited to Taxation and Non Specific Grant Income and Expenditure		
Covid-19 Related Grants and Contributions		
Local Authority Covid Support Grant	-	-
Covid-19 Income Compensation	-	-
Business Rates Relief Grant – Expanded Retail and Nursery Relief	-	-
Other Grants and Contributions		
Revenue Support Grant	(424)	(286)
S31 Grant – Business Rates	(2,944)	(2,638)
New Homes Bonus Scheme Grant	(918)	(1,118)
Other non-specific grants	(590)	(558)
Grants in relation to capital expenditure	(4,290)	(230)
Total Credited to Taxation and Non Specific Grant Income and Expenditure	(9,166)	(4,830)
Credited to Services		
Other Grants and Contributions		
Housing Benefit Subsidy	(10,335)	(10,671)
Council Tax and Housing Benefit Administration	(169)	(259)
Discretionary Housing Payments	(130)	(56)
Disabled Facilities Grant	(1,104)	(994)
UK Shared Prosperity Fund	(988)	(43)
Homelessness Grants	(277)	(188)
Grants for Growth	(111)	(991)
Housing Infrastructure Funding	-	(6,912)
Covid-19	-	(135)
Other grants	(1,116)	(1,183)
Total Credited to Services	(14,230)	(21,432)
Total Grants	(23,396)	(26,262)
Sources of Grants:		
Central Government	(21,387)	(24,540)
Other Local Authorities	(1,878)	(1,648)
Other Bodies	(131)	(74)
Total	(23,396)	(26,262)

Grants Received in Advance - Capital

	2023/24	2022/23
	£'000	£'000
Long Term Liabilities		
MHCLG – Gypsy and Travellers	(196)	(196)
Local Authority Housing Fund	(220)	-
Total	(416)	(196)

NOTE 33 – RELATED PARTIES

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

UK Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g., housing benefits).

Details of material transactions with Central Government are shown below. 2022/23 comparators shown in brackets.

• Funding from Government	Note 32	£21.387m	(£24.540m)
• Non-Domestic Rates Share Payable	Collection Fund	£12.119m	(£11.341m)
• Debtors		£1.098m	(£1.808m)
• Creditors		£1.147m	(£3.493m)

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2023/24 is shown in note 29. During 2023/24 a number of members had links to local Parish Councils, held positions on Internal Drainage Boards and other Local Community associations. Two members are directors of Public Sector Partnership Services Ltd (formerly Compass Point Business Services (East Coast) Ltd). During 2023/24 six members were directors of South Holland Local Housing Community Interest Company, and six members were directors of Welland Homes Ltd.

Payments to companies during the year (other than to those companies mentioned above) for which members are directors, amounted to £20,149 (£18,427 in 2022/23).

Details of specific transactions where members declared their interests are recorded in the Register of Members' Interest, open to public inspection at the Council Offices during office hours. The Council is compliant with the Localism Act 2012.

Other Public Bodies

During 2021/22 a partnership was created between South Holland District Council, Boston Borough Council and East Lindsey District Council to form the South and East Lincolnshire Council's Partnership (S&ELCP). The partnership shares a Chief Executive, Deputy Chief Executives, Assistant Directors along with a number of shared officers.

South Holland District Council were charged by East Lindsey District Council £636,097 and by Boston Borough Council £309,495 for their share of these posts. South Holland received income of £582,019 from East Lindsey District Council and £329,335 from Boston Borough Council for the share of the costs it incurred in the year.

Transactions with the Lincolnshire Pension Fund are detailed in note 36, Defined Benefits Pension Scheme.

Precepts paid to other authorities from Council Tax collected and other authorities retained share of National Non-Domestic Rates are detailed in the Collection Fund note.

The precept value paid to parish and town councils is included in Other Operating Expenditure in Note 10 and was £1.130m in 2023/24 (£1.014m in 2022/23).

Entities Controlled or Significantly Influenced by the Council

Public Sector Partnership Services Ltd (formerly Compass Point Business Services)

Joint merged service organisation arrangements for the shared provision of a number of back office services with East Lindsey District Council were implemented with effect from 1 August 2010, delivered through Public Sector Partnership Services Ltd (PSPS, formerly Compass Point Business Services (CPBS) (East Coast) Ltd). The company added a further shareholder on 1 April 2021 in Boston Borough Council, and the Council accounts for this as an associate within the Group Accounts from 2021/22. The net balance outstanding between the Council and the Company at the 31 March 2024 was nil (£34,042 in 2022/23).

Two officers and two councillors were directors of PSPS Ltd during the year. During 2022/23 payments totalling £5.0m were paid to PSPS (£4.3m 2022/23).

Further information about the accounts of PSPS is available from the Company Secretary, New Bailey, 4 Stanley Street, Manchester M3 5JL.

South Holland Homes and Welland Homes Ltd

The Council has two wholly owned subsidiary companies, South Holland Local Housing Community Interest Company and Welland Homes Ltd. Information and transactions for the year are set out in the group accounts. One officer was the company secretary for Welland Homes Ltd during 2023/24 and South Holland Homes does not have a formal company secretary, although the company secretarial duties were carried out.

NOTE 34 – 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. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR). This is a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2023/24 £'000	2022/23 £'000
Opening Capital Financing Requirement	81,592	77,131
Capital Investment		
Property, Plant and Equipment	20,664	10,107
Intangible Assets	-	19
Revenue Expenditure Funded from Capital under Statute	1,312	9,877
Long Term Investments – Welland Homes	567	598
Long Term Debtor – Welland Homes	1,011	1,045
Sources of finance		
Capital receipts	(2,461)	(377)
Government grants and other contributions	(3,392)	(9,530)
Major Repairs Reserve	(6,298)	(3,799)
Sums set aside from revenue:		
Direct revenue contributions	(8,970)	(3,342)
Minimum Revenue Provision	(309)	(137)
Closing Capital Financing Requirement	83,716	81,592
Explanation of movements in year		
Minimum Revenue Provision	(309)	(137)
Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	2,433	4,598
Increase/(decrease) in Capital Financing Requirement	2,124	4,461

NOTE 35 – LEASES**Council as Lessee*****Operating Leases***

The Council has acquired some of its vehicle fleet by entering into operating leases, which typically have a 5 year life. It also has entered into some property leases.

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

	31 March 2024 £'000	31 March 2023 £'000
Not later than 1 year	4	38
Later than 1 year and not later than 5 years	3	3
Later than 5 years	11	11
	18	52

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2023/24 £'000	2022/23 £'000
Minimum lease payments	31	25
	31	25

Council as Lessor***Operating Leases***

The Council leases out a number of items of land and property under operating leases.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2024 £'000	31 March 2023 £'000
Not later than 1 year	308	306
Later than 1 year and not later than 5 years	689	632
Later than 5 years	119	138
	1,116	1,076

In addition, the Council received £119,325 as a charge for office space (£119,325 in 2022/23) from Public Sector Partnership Services Ltd in respect of the usage of office space only. No formal long term arrangement currently exists.

There are no contingent rents payable to/from the Council, both as lessee and lessor.

NOTE 36 – DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, there is a commitment to make the payments and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered by Lincolnshire County Council. This is a funded defined benefit scheme, meaning that the employer and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Lincolnshire pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Lincolnshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme, changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax and housing rents is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance and Housing Revenue Account Balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme	
	2023/24 £'000	2022/23 £'000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
<i>Service cost comprising</i>		
Current service cost	1,761	3,804
Administration Costs	57	51
Past Service costs (including curtailments)	-	-
<i>Financing and Investment Income and Expenditure</i>		
Net interest expense	13	700
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	1,831	4,555
<i>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>		
Remeasurement of net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(3,585)	2,170
Other actuarial gains/(losses) on assets	-	-
Actuarial (gains) and losses arising on changes in demographic assumptions	(1,043)	-
Actuarial (gains) and losses arising on changes in financial assumptions	(1,615)	(38,983)
Other experience	187	8,094
Impact of asset ceiling	9,306	-
Total Remeasurements recognised in Other Comprehensive Income and Expenditure	3,250	(28,719)
Total Post-employment Benefit charged to the Comprehensive Income and Expenditure Statement	5,081	(24,164)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	731	(2,070)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	2,489	2,407
Contributions in respect of unfunded benefits	73	78

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme	
	2023/24 £'000	2022/23 £'000
Present value of the funded liabilities	(69,810)	(69,826)
Present value of the unfunded liabilities	(599)	(658)
Fair value of plan assets	75,671	68,959
Impact of asset ceiling	(9,306)	-
Net Liability arising from defined benefit obligation	(4,044)	(1,525)

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	Local Government Pension Scheme	
	2023/24	2022/23
	£'000	£'000
Opening fair value scheme assets	68,959	68,818
Interest Income	3,307	1,797
Remeasurement gain/(loss)	-	-
The return on plan assets, excluding the amount included in the net interest expense	3,585	(2,170)
Contributions from employer	2,489	2,407
Contributions from employees into the scheme	668	598
Contributions in respect of unfunded benefits	73	78
Administration Cost	(57)	(51)
Benefits paid	(3,353)	(2,518)
Closing fair value of scheme assets	75,671	68,959

Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme	
	2023/24	2022/23
	£'000	£'000
Opening Balance at 1 April	70,484	96,992
Current Service Cost	1,761	3,804
Past Service Cost	-	-
Interest Cost	3,320	2,497
Contributions from scheme participants	668	598
<i>Remeasurements (gains) and losses:</i>		
Actuarial (gains) and losses arising on changes in demographic assumptions	(1,043)	-
Actuarial (gains) and losses arising from changes in financial assumptions	(1,615)	(38,983)
Other experience	187	8,094
Benefits paid	(3,353)	(2,518)
Closing Balance at 31 March	70,409	70,484

Local Government Pension Scheme assets comprised:

	2023/24		2022/23	
	Quoted prices in active markets £'000	% of Total assets	Quoted prices in active markets £'000	% of Total assets
Cash and Cash Equivalents	2,270	3%	2,067	4%
<u>Equity Instruments</u>				
UK	6,054	8%	10,344	15%
Overseas	31,781	42%	27,584	40%
<u>Debt Securities</u>				
Corporate Bonds - UK	9,081	12%	6,206	9%
Corporate Bonds - Overseas	-	-	-	-
Fixed Interest Government - UK	-	-	690	1%
Fixed Interest Government - Overseas	-	-	-	-
Index Linked Government - UK	-	-	690	1%
Index Linked Government - Overseas	-	-	-	-
Property	3,784	5%	4,138	6%
Private equity	-	-	-	-
<u>Others</u>				
Hedge Fund	-	-	-	-
Infrastructure	-	-	-	-
Bonds	-	-	-	-
Commodities	-	-	-	-
Credit Diversified Income	7,567	10%	3,448	5%
Other Diversified Alternatives	-	-	-	-
Private Debt	-	-	-	-
Forward Currency Contracts	-	-	-	-
Total	60,537	80%	55,167	81%

	2023/24		2022/23	
	Unquoted prices in active markets £'000	% of Total assets	Unquoted prices in active markets £'000	% of Total assets
Cash and Cash Equivalents	-	-	-	-
<u>Equity Instruments</u>				
UK	-	-	-	-
Overseas	-	-	-	-
<u>Debt Securities</u>				
Corporate Bonds - UK	-	-	-	-
Corporate Bonds - Overseas	-	-	-	-
Fixed Interest Government - UK	-	-	-	-
Fixed Interest Government - Overseas	-	-	-	-
Index Linked Government - UK	-	-	-	-
Index Linked Government – Overseas	-	-	-	-
Property	1,513	2%	690	1%
Private equity	5,297	7%	5,517	8%
<u>Others</u>				
Hedge Fund	4,540	6%	2,758	4%
Infrastructure	3,027	4%	2,758	4%
Bonds	-	-	-	-
Commodities	-	-	-	-
Credit Diversified Income	-	-	-	-
Other Diversified Alternatives	-	-	-	-
Private Debt	757	1%	1,379	2%
Forward Currency Contracts	-	-	-	-
Total	15,134	20%	13,102	19%

Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme liabilities have been estimated by Barnett Waddingham, an independent firm of actuaries, estimates for the Lincolnshire Pension Fund being based on the latest full valuation of the scheme as at 31 March 2022. The next actuarial valuation of the Fund will be carried out as at 31 March 2025.

The significant assumptions, for the Council, used by the actuary have been:

Local Government Pension Scheme		
	2023/24	2022/23
<i>Mortality assumptions:</i>		
Longevity at 65 for current pensioners (years):		
- Men	19.5	19.8
- Women	22.7	22.9
Longevity at 65 for future pensioners (years):		
- Men	20.8	21.1
- Women	24.1	24.4
Rate of increase in salaries	3.90%	3.95%
Rate of increase in pensions	2.90%	2.95%
Rate for discounting scheme liabilities	4.90%	4.80%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e., on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme		
	Present Value of Obligation £'000	Projected Service Cost £'000
0.1% decrease in Discount Rate	71,444	1,762
0.1% increase in the Salary Increase Rate	70,487	1,704
0.1% increase in the Pension Increase Rate	71,386	1,762

Impact on the Council's Cash Flows

The contributions paid by the Council are set by the Fund Actuary at each triennial actuarial valuation, the most recent being 31 March 2022. The employer's contribution rate, over the period to 31 March 2024, has been stabilised.

Employer contributions payable to the scheme in 2024/25 are estimated to be £2.576m.

NOTE 37 – CONTINGENT LIABILITIES

At 31 March 2024 the Council identified no material contingent liabilities.

NOTE 38 – CONTINGENT ASSETS

At 31 March 2024 the Council has identified the following material contingent assets:

Decent Homes Loans

The Council has, for a number of years, been giving property owners loans to enable them to improve their homes to meet a decent standard. These loans have been registered with Land Registry and will only become repayable, together with interest and a proportion of the increased property value, once the dwelling is sold or otherwise disposed of. The disposal and therefore repayment could be many years in the future. Loans outstanding as at 31 March 2024 are £496,000 (£496,000 at 31 March 2023).

NOTE 39 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

The Council's activities expose it to a variety of financial 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 rate movements.

Overall procedures for managing risk

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

Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Capital and Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This 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, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below.

This Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries.

The full Investment Strategy for 2023/24 was approved by Council on 2 March 2023 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The following analysis summarises the Council's maximum exposure to credit risk as at 31 March 2024. The table (composite defaults from Fitch & Moody's and Standard & Poor's) gives details of global corporate finance average cumulative default rates for the period to December 2023. Defaults shown are by long term rating category on investments out to one year, which were the most commonly held investments during the year.

	Credit Risk Rating	Gross Carrying Amount	Potential Credit Risk
	%	£'000	£'000
'AA' rated counterparties	0.02	10,312	2
'A' rated counterparties	0.05	11,527	6
Total		32,046	8

The Council maintains strict credit criteria for investment counterparties. As a result of these high credit criteria, we have maintained historical default rates as a good indicator under these current conditions. No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions:

	Amount at 31 March 2024 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2024 %	Estimated maximum exposure to default and uncollectability at 31 March 2024 £'000	Estimated maximum exposure at 31 March 2023 £'000
	A	B	C	(A x C)	
Debtors	3,865	19.36	19.36	748	18

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for its customers, such that £440,851 of the £3.865m trade debtor balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2024 £'000	31 March 2023 £'000
Less than three months	12	22
Three to six months	14	81
Six months to one year	189	371
More than one year	226	249
TOTAL	441	723

During the reporting period the Council held no collateral as security.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities (borrowing) is as follows:

	31 March 2024 £'000	31 March 2023 £'000
Less than one year	26	26
More than ten years	67,456	67,456
	67,482	67,482

Most trade and other payables are due to be paid in less than one year. The exceptions to this relate to car loans to staff and a loan to Castle Leisure which are due to be paid within five years.

Refinancing and maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments for greater than one year in duration are the key parameters used to address this risk. The approved treasury and investment strategies address the main risks and the treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's Day to day cash flow needs, and the spread of longer-term investments.

Market Risk

Interest Rate Risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- borrowings at fixed rates – the fair value of the borrowing will fall
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The treasury team monitors market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns; similarly, the drawing of longer term fixed rate borrowing would be postponed.

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

	£'000
Increase in interest receivable on variable rate investments	94
Impact on Surplus or Deficit on the Provision of Services	94
Share of overall impact credited to the HRA	38

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk - The Council does not generally invest in equity share.

However, it does have a shareholding in Public Sector Partnership Services Ltd), a joint venture with East Lindsey District Council and Boston Borough Council. These shares have been elected/classified as Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve.

It also holds an equity stake in the UK Municipal Bonds Agency and is the sole shareholder of Welland Homes Limited and South Holland Local Community Housing Interest Company. This equity is valued at fair value through other comprehensive income each year and full details are shown in Note 17 – Financial Instrument.

Foreign Exchange Risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

NOTE 40 – TRUST FUNDS

The Council is custodian trustee for:

IVO Day Care Centre

The Council holds and invests £10,000 on behalf of the trust. This is not held on the Council's Balance Sheet.

Weston St Mary's Village Hall

The Council is a custodian trustee for the village hall. It has no liability for debts and is not responsible for the management of the trust property.

Ayscoughfee Hall and Gardens (registered charity 515905)

The Council, as trustee, holds the deeds on behalf of the people of Spalding.

Sir Halley Stewart Playing Field (registered charity 1084450)

Day to day running costs for Ayscoughfee Hall and Gardens and the Sir Halley Stewart Playing Field are included in the Council's Comprehensive Income and Expenditure Statement. Values placed on these assets, by a RICS qualified valuer are shown below. They are not included in the Council's Balance Sheet.

Ayscoughfee Hall and Gardens £3,424,500 last revalued as at 31 March 2024.

Sir Halley Stewart Playing Field £180,000 last revalued as at 31 March 2024.

Trust Fund Revenue Account	2023/24			2022/23		
	Expenditure £'000	Income £'000	Net £'000	Expenditure £'000	Income £'000	Net £'000
Ayscoughfee Hall and Gardens	405	(46)	359	469	(64)	405
Sir Halley Stewart Playing Field	32	(11)	21	35	(10)	25

NOTE 41 – GOING CONCERN**Introduction and Accounting and Audit Requirement**

The Council is required to compile its Statement of Accounts in accordance with the Code of Practice for Local Authority Accounting as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The provisions in the 2023/24 Code section 3.4 (Presentation of Financial Statements) on the going concern accounting requirements, reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, it would not be appropriate for their financial statements to be prepared on anything other than a going concern basis.

To demonstrate compliance with the Code and provide our external auditors with the necessary audit evidence, the Council completes an annual going concern assessment. The assessment is contained within this report, and the following areas have been considered as part of the assessment:

- Current Financial Position
- Medium Term Financial Plan Update
- Balance Sheet
- Cash Flow
- Governance Arrangements
- Regulatory and Control Environment applicable to the Council as a local authority

Current Financial Position**General Fund**

The Council underspent on the General Fund revenue budget in 2023/24 by £0.116m. As at 31 March 2024 the Council held a General Fund Balance of £2.078m and held Earmarked Reserves totalling £6.025m. The Earmarked Reserves balance has increased by £0.477m during the year. The adequacy of reserves and balances and the ongoing requirement for specified earmarked reserves, is reviewed on a regular basis.

Housing Revenue Account (HRA)

The financial performance in 2023/24 resulted in a net underspend of £0.701m on the HRA revenue budget. As at 31 March 2024 the Council held an HRA Balance of £15.395m. The level of adequate reserves and balances and the ongoing requirement for specified earmarked reserves, is reviewed on an annual basis.

The Section 151 Officer is satisfied that the Council's 2023/24 financial outturn for both General Fund and HRA, does not present any material uncertainties regarding the Council's ability to continue as a going concern.

Medium Term Financial Plan Update

The Council sets a five year Medium Term Financial Plan (MTFP) annually. An updated plan which included budget proposals for 2024/25 alongside financial plans for the following four years was considered by Council on 29 February 2024. The financial position and the operating environment of the Council is actively monitored throughout the year to ensure plans remains deliverable.

Balance Sheet

The Council's net assets as at the 31 March 2024 amounted to £268.531m and Usable Reserves totalled £40.768m. We are satisfied that there are no material liabilities or underlying issues regarding the strength of the Council's balance sheet which present any material uncertainties regarding the Council's ability to continue as a going concern.

Cash Flow

The Council maintains short and long term cash flow projections, and manages its cash, investments and borrowing in line with the Council approved Treasury Management Strategy. As at the 31 March 2024 the Council has long term borrowing commitments of £67.456m, held £25.849m in short term investments and had £2.762m in Cash and Cash Equivalents. The Council has adequate financial resources to meet its immediate financial obligations. We are satisfied that there are no significant issues regarding the strength of the Council's underlying cash flow which present any material uncertainties regarding the Council's ability to continue as a going concern.

Governance Arrangements

The most recent and comprehensive assessment of the council's governance arrangements is the Annual Governance Statement. The statement does not identify any significant issues with the council's governance arrangements.

Regulatory and Control Environment

The Council operates within a highly legislated and controlled environment. The Council is required to set a balanced budget each year considering robustness of the budget estimates and adequacy of reserves. The legal framework, central government control, the role undertaken by external audit as well as the statutory requirement in some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies are other important factors.

Material Uncertainties

The Council is aware that there is a requirement to consider any material uncertainties which would impact on the Council's ability to continue as a going concern.

We are satisfied that there are no material uncertainties which, under the Code of Practice on Local Authority Accounting framework, represent significant issues regarding the Council's ability to continue as a going concern.

SUPPLEMENTARY FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT

2022/23 £'000		2023/24 £'000
	Expenditure	
3,772	Repairs and maintenance	4,136
5,271	Supervision and management	5,377
119	Rents, rates, taxes and other charges	80
5,017	Depreciation of non-current assets (Note 6)	5,514
483	Revaluation of non-current assets	37,212
82	Debt management expenses	82
14,744	Total Expenditure	52,401
	Income	
(15,861)	Dwelling and non-dwelling rents	(16,827)
(1,168)	Charges for services & facilities	(1,266)
(39)	Contribution towards expenditure	(19)
-	Revaluation of non-current assets	-
(17,068)	Total Income	(18,112)
	Net income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	(34,289)
834	HRA share of Corporate and Democratic Core	575
(1,490)	Net income for HRA Services	34,864
	HRA Share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement	
(393)	(Gain)/loss on sale of HRA non-current assets	(399)
2,347	Interest payable and similar charges	2,347
51	Movement in the allowance for bad debts	36
(398)	Interest and investment income	(896)
178	Net interest on the net defined benefit liability	3
(13)	Capital grants and contributions	(2,154)
282	Deficit for the year on HRA services	33,801

The accompanying notes form an integral part of the Financial Statements.

MOVEMENT ON THE HRA STATEMENT

2022/23 £'000		2023/24 £'000
24,463	Balance on the HRA at the end of the previous reporting period	22,513
(282)	(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement	(33,801)
(1,668)	Adjustments between accounting basis and funding basis under statute	26,683
22,513	Balance on the HRA at the end of the current reporting period	15,395

Adjustments between accounting basis and funding basis under statute

2022/23 £'000		2023/24 £'000
(393)	(Gain)/loss on sale of HRA non-current assets	(1,657)
21	Employee Benefits	4
488	HRA Share of contributions to or from the Pension Reserve	(173)
(2,254)	Capital expenditure financed from Revenue Balances	(8,212)
(5,017)	Transfers to the Major Repairs Reserve	(5,514)
(13)	Application of Capital Grants to Capital Adjustment Account	(1,749)
5,017	Funding of depreciation from Capital Adjustment Account	5,514
483	Reversal of Revaluation movement on HRA Property	38,470
(1,668)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	26,683

The accompanying notes form an integral part of the Financial Statements.

NOTES TO THE HOUSING REVENUE ACCOUNT

NOTE 1 – PURPOSE OF HRA STATEMENT

The HRA Income and Expenditure Statement shows the economic cost in the year 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 Housing Revenue Account Statement.

NOTE 2 – HOUSING STOCK

The Council was responsible for managing 3,792 dwellings at 31 March 2024 (3,739 at 31 March 2023). The stock is analysed below by number of bedrooms. The Council has an equity share in 49 shared ownership properties, with the Council's equity share being equivalent to 33.7 dwellings.

Analysis of Housing Stock at 31 March 2024	1 Bed	2 Bed	3 Bed	3+ Bed	Total
HRA Housing Stock					
Houses	25	358	1,420	16	1,819
Bungalow	668	993	-	-	1,661
Flats	110	153	-	-	263
Shared Ownership	1	29	19	-	49
Total	804	1,533	1,439	16	3,792

NOTE 3 – RENT ARREARS

Rent arrears at 31 March 2024 amounted to £787,000 (£753,000 in 2022/23) and are analysed as follows:

	31 March 2024 £'000	31 March 2023 £'000
Rent Arrears Due From		
Residential - Current Tenants	366	369
- Former Tenants	409	371
Non Residential - Garages	12	13
Total	787	753
These arrears include all charges due from tenants: rents, service charges and other charges.		
Allowance for bad debts	(492)	(456)

NOTE 4 – ASSET VALUES

The Balance Sheet value of assets within the Council's HRA is shown below:

	31 March 2024 £'000	31 March 2023 £'000
Property, Plant and Equipment		
Council Dwellings	264,046	201,841
Other Land and Buildings	428	283
Infrastructure – Housing Sewerage	362	201
Vehicles, Plant and Equipment	481	410
Surplus Assets	18	642
Community Assets	46	46
	265,381	203,423
Non-operational assets		
Assets Under Construction	363	170
Intangible Non-Current Assets	101	227
Assets Held for Sale	936	881
Total	266,781	204,701

NOTE 5 – VACANT POSSESSION

The vacant possession value is the Council's estimate of the total sum that it would receive if all the dwellings were sold on the open market. The Balance Sheet value is calculated on the basis of rents receivable on existing tenancies. These are less than would be obtainable on the open market, and the Balance Sheet value is therefore lower than the vacant possession valuation. The difference between the two values therefore shows the economic cost of providing housing at less than market value. The vacant possession value of dwellings within the HRA is shown below:

	2023/24 £'000	2022/23 £'000
Vacant possession value	614,055	486,637

NOTE 6 – DEPRECIATION

	2023/24 £'000	2022/23 £'000
Depreciation		
Council dwellings	5,099	4,673
Other Land and Buildings	4	4
Infrastructure - Housing Sewerage	122	88
Vehicles, Plant & Equipment	120	121
	5,345	4,886
Amortisation		
Intangible Assets	126	131
Total	5,471	5,017

NOTE 7 – CAPITAL EXPENDITURE AND FINANCING

	2023/24 £'000	2022/23 £'000
Expenditure		
Improvements and enhancements to Council Dwellings	7,404	6,051
New Build – Council Dwellings	-	7
Improvements to wastewater treatments	283	64
Purchase of Units	8,576	586
Vehicles, Plant & Equipment	94	132
Information systems	190	113
Total Expenditure	16,547	6,953
Financing		
Capital receipts	1,176	227
Major Repairs Reserve	6,298	3,799
Housing Revenue Account	7,940	2,254
Grants and Contributions	1,133	673
Total Financing	16,547	6,953

NOTE 8 – CAPITAL RECEIPTS FROM DISPOSAL OF ASSETS

	2023/24 £'000	2022/23 £'000
Sale of Council Houses under the Right to Buy Scheme	1,036	2,555
Repayment of RTB Discount	-	63
Shared Ownership Sales Proceeds	619	-
Total from Disposals	1,655	2,618

NOTE 9 – MAJOR REPAIRS RESERVE

The Major Repairs Reserve is maintained to meet HRA Capital Investment. Movements on the reserve were:

	2023/24 £'000	2022/23 £'000
Balance at 1 April	5,163	3,944
Transfers from the HRA		
Depreciation	5,514	5,017
Funding set-aside for Capital Investment	-	-
Financing of Capital Investment	(6,298)	(3,798)
Balance at 31 March	4,379	5,163

COLLECTION FUND STATEMENT

Council Tax £'000	2022/23 Non- Domestic Rates £'000	Total £'000		Council Tax £'000	2023/24 Non- Domestic Rates £'000	Total £'000
(57,972)	-	(57,972)	Income			
-	(22,308)	(22,308)	Council Tax receivable (Note 2)	(61,730)		(61,730)
-	(4,400)	(4,400)	Non-Domestic Rates receivable (Note 3)		(23,974)	(23,974)
-	(3,521)	(3,521)	Contributions towards previous year's Collection Fund deficit			
-	(880)	(880)	Central Government	-	-	-
-	-	-	South Holland District Council	-	-	-
-	-	-	Lincolnshire County Council	-	-	-
-	-	-	Transitional Protection Payments	-	(1,419)	(1,419)
(57,972)	(31,109)	(89,081)	Total Income	(61,730)	(25,393)	(87,123)
			Expenditure			
-	11,341	11,341	Precepts, demands and shares			
6,821	9,073	15,894	Central Government	-	12,119	12,119
42,096	2,268	44,364	South Holland District Council	7,202	9,695	16,897
8,121	-	8,121	Lincolnshire County Council	44,870	2,424	47,294
8	8	8	Police and Crime Commissioner for Lincolnshire	8,691	-	8,691
			Transitional Protection Payments	-	-	-
684	(384)	(300)	Impairment of debts/appeals			
-	(672)	(672)	Increase/(decrease) in allowance for impairment	519	(204)	315
	106	106	Increase/(decrease) in provision for appeals (Note 4)	-	96	96
	344	344	Cost of Collection Allowance	-	106	106
			Renewable Energy	-	420	420
37	-	37	Contributions towards previous year's Collection Fund surplus			
-	-	-	South Holland District Council	40	586	626
225	-	225	Central Government	-	732	732
44	-	44	Lincolnshire County Council	244	146	390
			Police and Crime Commissioner for Lincolnshire	47	-	47
58,028	22,084	80,112	Total Expenditure	61,613	26,120	87,733
56	(9,025)	(8,969)	(Surplus)/Deficit arising during year	(117)	727	610
(437)	6,551	6,114	(Surplus)/Deficit at beginning of year	(381)	(2,474)	(2,855)
(381)	(2,474)	(2,855)	(Surplus)/Deficit at end of year (Note 5)	(498)	(1,747)	(2,245)

NOTES TO THE COLLECTION FUND STATEMENT

NOTE 1 – PURPOSE OF COLLECTION FUND STATEMENT

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities and the Government of council tax and non-domestic rates.

NOTE 2 – COUNCIL TAX RECEIVABLE

Council Tax income derives from charges raised according to the value of residential properties that have been classified into eight Valuation Bands (A to H). Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Lincolnshire County Council, Police and Crime Commissioner for Lincolnshire and South Holland District Council, together with the relevant Parish requirement.

This is then divided by the council tax base, i.e., the number of properties in each valuation band, converted to an equivalent number of band D dwellings and adjusted for discounts and exemptions.

The council tax base was calculated as follows:

Band	No. of properties on Valuation List	No. of chargeable dwellings	Ratio	Band D equivalent dwellings
A (with Disabled Relief)		38	5/9	21
A	16,374	12,213	6/9	8,142
B	9,437	8,060	7/9	6,269
C	10,426	9,321	8/9	8,285
D	4,549	4,401	9/9	4,401
E	2,048	1,916	11/9	2,342
F	414	389	13/9	562
G	123	118	15/9	197
H	17	14	18/9	28
Band D Equivalents				30,247
Allowance for non-collection (1.34%)				(406)
District Tax Base				29,841

The basic amount of council tax for a band D property including an average parish charge, £2,036.22 (2022/23 £1,940.56), is then multiplied by the ratio specified for the particular band to give an individual amount due.

NOTE 3 – NON-DOMESTIC RATES RECEIVABLE

Under the arrangements for non-domestic rates, the Council collects rates for its area based on local rateable values (determined by the Valuation Office Agency, an executive agency of HM Revenue and Customs) multiplied by the multiplier (determined by the Government). For 2023/24 there are two multipliers, the non-domestic rating multiplier of 51.2p (51.2p in 2022/23) and the small business non-domestic rating multiplier of 49.9p (49.9p in 2022/23).

The Council's total Non-Domestic Rates Rateable Value at 31 March 2024 was £65.841m (31 March 2023 £61.352m).

NOTE 4 – NON-DOMESTIC RATES PROVISION FOR APPEALS

The Collection Fund provides for a provision for appeals against the Rateable Value set by the Valuation Office Agency (VOA) not settled at 31 March 2024.

	Business Rate Appeals	
	£'000	£'000
Balance at 1 April 2023		(548)
Amounts used in 2023/24		-
		(548)
Additional provisions made in 2023/24	(185)	
Unused amounts reversed in 2023/24	389	
		204
Balance at 31 March 2024		(344)

NOTE 5 – COLLECTION FUND DEFICIT/ (SURPLUS)

As at 31 March 2024, the net surplus on the Collection Fund is £2.246m (Net surplus £2.855m at 31 March 2023).

The Council Tax surplus is apportioned to the relevant precepting bodies based on the following year's Council Tax requirement. The Business Rates deficit relating to 2023/24 is apportioned to South Holland (40%), Central Government (50%) and Lincolnshire County Council (10%).

The balance on the Collection Fund is allocated as follows:

2022/23			2023/24	
Council Tax	Non-Domestic Rates		Council Tax	Non-Domestic Rates
£'000	£'000		£'000	£'000
	(1,237)	Central Government		(873)
(45)	(990)	South Holland District Council	(59)	(699)
(281)	(247)	Lincolnshire County Council	(368)	(175)
(55)		Police and Crime Commissioner for Lincolnshire	(71)	
(381)	(2,474)	(Surplus)/deficit	(498)	(1,747)

GROUP ACCOUNTS

The Council is not required to produce a Group Expenditure and Funding Analysis.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure £'000	2022/23 Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	2023/24 Gross Income £'000	Net Expenditure £'000
2,029	(857)	1,172	General Fund Assets	1,790	(847)	943
16,256	(13,079)	3,177	Finance	15,508	(12,984)	2,524
7,938	(6,972)	966	Economic Growth	-	-	-
1,146	(28)	1,118	Governance	1,216	(105)	1,111
4,443	(3,025)	1,418	Wellbeing and Community Leadership	5,124	(3,569)	1,555
2,121	(756)	1,365	Leisure and Culture	2,363	(833)	1,530
2,443	(292)	2,151	Corporate	2,124	(408)	1,716
5,757	(800)	4,957	Neighbourhoods	6,149	(936)	5,213
1,364	(1,504)	(140)	Planning and Strategic Infrastructure	3,368	(3,524)	(156)
1,384	(844)	540	Regulatory	1,460	(696)	764
1,694	(1,028)	666	Strategic Growth and Development	2,056	(1,776)	280
14,204	(18,163)	(3,959)	Housing	50,810	(18,477)	32,333
60,779	(47,348)	13,431	Cost of Services	91,968	(44,155)	47,813
6,322	(2,768)	3,554	Other operating expenditure	7,352	(3,333)	4,019
5,416	(3,496)	1,920	Financing and investment income and expenditure	7,149	(6,600)	549
6,291	(21,209)	(14,918)	Taxation and non-specific grant income and expenditure	6,483	(26,764)	(20,281)
78,808	(74,821)	3,987	(Surplus)/Deficit on the Provision of Services	112,952	(80,852)	32,100
-	-	-	Excess of fair value of net assets over the cost of investments of associates	-	-	-
	(3,674)	(3,674)	Share of the (Surplus)/Deficit on the provision of services by associates	-	53	53
3	-	3	Tax expenses of associates and subsidiaries	4	-	0
78,811	(78,495)	316	Group (Surplus)/Deficit on the Provision of Services	112,956	(80,799)	32,157
		(8,290)	Surplus on revaluation of property, plant and equipment assets			(93,323)
		(28,719)	Remeasurements of the net defined benefit liability			3,250
		(37,009)	Other Comprehensive Income and Expenditure			(90,073)
		(36,693)	Total Comprehensive Income and Expenditure			(57,915)

The accompanying notes form an integral part of the Financial Statements.

GROUP MOVEMENT IN RESERVES STATEMENT

2023/24	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	HRA Earmarked Reserve	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Reserves of Subsidiaries	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2023	2,078	5,548	22,513	200	5,163	6,735	3,040	45,277	164,483	209,760	1,194	210,954
Movement in Reserves during 2023/24												
Total Comprehensive Income and Expenditure	2,270	-	(33,801)	-	-	-	-	(31,531)	89,452	57,921	(626)	57,295
Adjustments between accounting basis & funding basis under regulations	(1,793)	-	26,683	-	(784)	763	2,153	27,022	(27,022)	-	-	-
Adjustments between group accounts and authority accounts	-	-	-	-	-	-	-	-	4	4	617	621
Net (Increases)/Decreases before transfers	477	-	(7,118)	-	(784)	763	2,153	(4,509)	62,434	57,925	(9)	57,916
Transfer to/from Earmarked Reserves	(477)	477	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2024 carried forward	2,078	6,025	15,395	200	4,379	7,498	5,193	40,768	226,916	267,685	1,185	268,870

2022/23	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	HRA Earmarked Reserve	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Reserves of Subsidiaries	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2022	2,078	9,537	24,464	200	3,944	4,335	4,152	48,710	128,045	176,755	(2,494)	174,261
Movement in Reserves during 2022/23												
Total Comprehensive Income and Expenditure	(3,632)	-	(282)	-	-	-	-	(3,914)	36,932	33,018	3,598	36,616
Adjustments between accounting basis & funding basis under regulations	(688)	-	(1,669)	-	1,219	2,351	(781)	432	(432)	-	-	-
Adjustments between group accounts and authority accounts	-	-	-	-	-	-	-	-	(13)	(13)	90	77
Net (Increases)/Decreases before transfers	(4,320)	-	(1,951)	-	1,219	2,351	(781)	(3,482)	36,487	33,005	3,688	36,693
Transfer to/from Earmarked Reserves	3,989	(3,989)	-	-	-	-	-	-	-	-	-	-
Transfer to/from Other Reserves	331	-	-	-	-	49	(331)	49	(49)	-	-	-
Balance at 31 March 2023 carried forward	2,078	5,548	22,513	200	5,163	6,735	3,040	45,277	164,483	209,760	1,194	210,954

A description of the nature and purpose of each of the usable reserves can be found in Note 9 on page 48. Unusable reserves can be found in Note 24 on pages 63-67. The accompanying notes form an integral part of the Financial Statements.

GROUP BALANCE SHEET

31 March 2023 £'000		31 March 2024 £'000
231,920	Property, Plant and Equipment	300,234
113	Heritage Assets	98
12,615	Investment Property	13,360
279	Intangible Assets	101
203	Long Term Debtors	296
347	Liabilities in Associates	154
245,477	Long Term Assets	314,243
32,046	Short Term Investments	25,849
2,449	Assets Held for Sale	935
6,562	Short Term Debtors	8,105
7,199	Cash and Cash Equivalents	3,445
48,256	Current Assets	38,334
-	Cash and Cash Equivalents	-
(26)	Short Term Borrowing	(26)
(8,974)	Short Term Creditors	(7,854)
(219)	Provisions	(138)
(9,219)	Current Liabilities	(8,018)
(67,456)	Long Term Borrowing	(67,456)
(5,501)	Other Long Term Liabilities	(7,463)
(407)	Long Term Provisions	(354)
(196)	Grants Receipts in Advance – Capital	(416)
(73,560)	Long Term Liabilities	(75,689)
210,954	Net Assets	268,870
48,764	Usable Reserves	43,630
162,190	Unusable Reserves	225,240
210,954	Total Reserves	268,870

The accompanying notes form an integral part of the Financial Statements.

GROUP CASH FLOW STATEMENT

2022/23 £'000	2022/23 £'000		2023/24 £'000	2023/24 £'000
	(3,987)	Net surplus on the provision of services		(32,100)
3,920		Adjustments to net surplus or deficit on the provision of services for non-cash movements	47,115	
(11,279)	(7,359)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(8,823)	38,292
	(11,346)	Net cash flows from Operating Activities		6,192
	3,454	Investing Activities		(8,659)
	2,583	Financing Activities		(1,285)
	(5,309)	Net increase/(decrease) in cash and cash equivalents		(3,752)
	12,517	Cash and cash equivalents at the beginning of the reporting period		7,199
	(9)	Other movements		(2)
	7,199	Cash and cash equivalents at the end of the reporting period		3,445

The accompanying notes form an integral part of the Financial Statements.

South Holland Homes and Welland Homes

The Council is the sole owner of two subsidiary companies: South Holland Local Housing Community Interest Company ("South Holland Homes"), and Welland Homes Ltd ("Welland Homes"), holding 100% of the issued share capital in each. It therefore has control over both of these entities and is required to prepare group accounts, which reflect the financial position, financial performance and cash flows of the group.

Public Sector Partnership Services Limited

PSPS Ltd was set up on 1 August 2010 by South Holland and East Lindsey District Councils, who transferred a number of their back office services to the company. On 1 April 2021, the Company gained an additional shareholder, Boston Borough Council. Each Council is required to incorporate the relevant proportion of PSPS Ltd's financial position into the Group Accounts using the equity method. For South Holland District Council, the relevant proportion is 30%.

Explanatory Notes to the Group Accounts

Where figures in the group accounts differ materially from the Council's accounts, the relevant explanatory notes have been prepared on a consolidated basis. The notes below give information on the areas that have materially changed on consolidation of the group entities into the Council's accounts.

1. ACCOUNTING POLICIES

The financial statements of South Holland Homes and Welland Homes have been prepared in accordance with the Financial Reporting Standard 102 Section 1A - "The Financial Reporting Standard applicable in the UK and Republic of Ireland". There are no significant differences in the accounting policies of the subsidiary companies and the Council that would cause a material adjustment in the consolidation of the Group Accounts. Any statutory adjustments between accounting and funding basis included in the Council's accounting policies do not apply to the subsidiary company.

Notes within the group accounts have not been provided except where there are material differences to those provided in the notes above.

2. GROUP INVESTMENT PROPERTY

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Group Comprehensive Income and Expenditure Statement:

2022/23 £'000		2023/24 £'000
(554)	Rental Income from investment property	(732)
261	Direct operating expenses arising from investment property	290
(53)	Net (gains)/losses from fair value adjustments	883
(346)	Net (gain)/loss	441

There are no restrictions on the Group's ability to realise the value inherent in its investment property or on the Group's 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 £'000		2023/24 £'000
10,692	Balance at start of the year	12,615
2,164	Additions resulting from acquisitions	1,628
-	Transfers to/from Property, Plant and Equipment	-
(241)	Net gains/(losses) from fair value adjustments	(883)
12,715	Balance at end of the year	13,360

Fair Value Hierarchy

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2024 is as follows:

Fair Value Level 2 2022/23 £'000		Fair Value Level 2 2023/24 £'000
2,468	Commercial Industrial Units	2,255
10,147	Residential Investment Property	11,105
12,615	Balance at end of the year	13,360

Valuation Techniques Used to Determine Level 2 for Investment Properties

Significant Observable Inputs – Level 2

The fair value of investment properties has been measured using two main approaches - the income method and the comparable method.

3. GROUP CASH AND CASH EQUIVALENTS

The balance of Group Cash and Cash Equivalents is made up of the following elements:

31 March 2023 £'000		31 March 2024 £'000
1,063	Bank current accounts	1,402
6,136	Deposits with Banks on Instant Access	2,043
7,199	Cash and Cash Equivalents categorised as Current Assets	3,445
-	Bank current accounts	-
-	Cash and Cash Equivalents categorised as Current Liabilities	-
7,199	Total Cash and Cash Equivalents	3,445

4. ADDITIONAL INFORMATION

The notes that follow relating to each entity are produced to assist the reader's understanding of the relationship between the Council and the entity.

Contingent Liabilities

There are no contingent liabilities for 2023/24 relating to the interests in the companies and joint venture or in the entities themselves that are not disclosed elsewhere in the Accounts.

4.1 South Holland Local Housing Community Interest Company – South Holland Homes

South Holland Homes was established by the Council in 2008/09 for the purpose of accessing social housing grant from the Homes and Communities Agency. This was in order to provide affordable and social housing for the benefit of the local community. In 2009/10, 6 new properties were constructed. These are tenanted and managed by the Council.

The strategy for South Holland Homes is to be reviewed and following any decisions taken, a business plan will be produced.

In 2023/24 the Council collected rent of £28,299 on behalf of the Company and charged management, support fees and other expenses of £9,274. There was an outstanding balance of £957 due to the Council at 31 March 2024 (£1,727 31 March 2023). There was an outstanding balance due to South Holland Homes from the Council of £2,177 (£2,595 31 March 2023).

Retained Surplus/Deficit - In 2023/24 the company made a profit after tax of £48,980 (2022/23 loss of £5,730). This is included in the Group Comprehensive Income and Expenditure Statement.

Assets and Liabilities – At 31 March 2024, South Holland Homes held fixed assets valued at £1,020,400 and current assets totalling £568,207. Liabilities consisted of short term creditors of £10,005 and long term creditors of £267,000 and a provision for a deferred tax liability of £99,511.

Commitments under capital contracts - At 31 March 2024 the company had no commitments under capital contracts (31 March 2023 nil).

Audit fees - Accountancy and audit fees were incurred at a cost of £3,600.

Inter-organisation Balances - Group accounting regulations require that inter-organisation balances be removed. The following balances were removed in 2023/24:

- Debtors £2,177 (2022/23 £2,595)
- Creditors £957 (2022/23 £1,727)

Inter-organisation transactions - Group accounting regulations require that inter-organisation transactions be removed. The following transactions were removed in 2022/23:

- Rent £28,299 (2022/23 £26,988)
- Management and support fees and other expenses £9,274 (2022/23 £9,274)

Further information about the accounts of South Holland Homes is available from the Council Offices, Priory Road, Spalding, Lincolnshire, PE11 2XE.

4.2 Welland Homes Ltd

During 2015/16 the Council established a wholly owned subsidiary company, Welland Homes Ltd, in order to meet a number of social and economic objectives including increasing housing supply in the area to address existing demand and meet the needs of a growing population. In 2016/17, 4 new build residential properties were purchased.

During 2017/18, Welland Homes purchased a further 11 new build residential properties. All 15 properties are rented to private tenants at market value. Welland Homes also purchased a piece of land for future residential development. The Council committed to providing financial support to Welland Homes in the form of a £1,393,261 loan facility, to be used to construct residential property. £187,676 of the loan facility was drawn down in 2017/18.

During 2018/19 work started on the building of a further 10 properties for rental to private tenants at market value, using the land purchased in 2017/18. £883,948 of the £1,393,261 loan facility was drawn down during the year to finance this project. A further 5 properties were purchased for rental to private tenants at market value. The Council committed to providing financial support in the form of a £719,983 loan facility, of which £466,771 was drawn down during the year.

During 2019/20 the 10 properties started in 2018/19 were completed, and a further £255,384 of the £1,393,261 loan facility was drawn down. A further 5 properties were purchased for rental to private tenants at market value. The Council committed to providing financial support in the form of a £564,086 loan facility, of which £555,548 was drawn down during the year.

During 2020/21, Welland Homes Purchased a further 4 properties were purchased for rental to private tenants at market value. The Council committed to providing financial support in the form of a £500,136 loan facility, of which £461,791 was drawn down during the year. In respect of loans, there was a balance of £3,710,031 outstanding to the Council as at 31 March 2021 (£3,226,517 at 31 March 2020).

During 2021/22, Welland Homes did not purchase any further properties for rental. For the project purchased in 2020/21, the Council committed to providing financial support in the form of a £500,136 loan facility, of which £461,791 was drawn down during 2020/21 and £28,286.40 during 2021/22. In respect of loans, there was a balance of £3,738,318 outstanding to the Council as at 31 March 2022 (£3,710,031 at 31 March 2021).

During 2022/23, Welland Homes Purchased a further 7 properties for rental to private tenants at market value. The Council committed to providing financial support in the form of a £1,111,243 loan facility, of which £1,045,130 was drawn down during the year. As above, £28,286 was also drawn down in respect of the previous years loan facility. In respect of loans, there was a balance of £4,783,448 outstanding to the Council as at 31 March 2022 (£3,738,318 at 31 March 2020).

During 2023/24, Welland Homes Purchased a further 7 properties for rental to private tenants at market value. The Council committed to providing financial support in the form of a £1,052,266 loan facility, of which £952,142 was drawn down during the year. A further £59,207 was also drawn down in respect of the previous years loan facility. In respect of loans, there was a balance of £5,794,797 outstanding to the Council as at 31 March 2024 (£4,783,448 at 31 March 2023).

The Council charged £211,245 interest to Welland Homes during the year, a further £35,700 of expenses was recharged and capitalised. The Council also recharged expenses incurred on behalf of Welland Homes of £34,160 in the year.

Retained Surplus/Deficit - In 2023/24 the company made a loss after tax of £624,003 (2022/23 £71,315 loss). This is included in the group Comprehensive Income and Expenditure Statement. The majority of the fall in profits was due to the losses on property revaluations £634,450 loss and charitable donations made on behalf of Welland Homes of £128,274 (2022/23 £114,960).

Assets and Liabilities - At 31 March 2024, Welland Homes held fixed assets valued at £10,084,917 and current assets totalling £142,367. Liabilities consisted of short-term creditors of £36,439, long term creditors of £5,794,797 and a provision for a deferred tax liability of £254,100.

Commitments under capital contracts - At 31 March 2024 the company had no commitments under capital contracts. (31 March 2023 nil).

Audit fees - Accountancy and audit fees were incurred at a cost of £4,290.

Inter-organisation Balances - Group accounting regulations require that inter-organisation balances be removed. The following balances were removed in 2023/24:

Creditors: Amounts falling due within one year – (nil) (2022/23 £38,821)
Long term creditors – £5,794,797 (2022/23 £4,783,448)

Inter-organisation transactions- Group accounting regulations require that inter-organisation transactions be removed. The following transactions were removed in 2023/24:

Management and support fees and other expenses £28,930 (2022/23 £23,886)
Loan Interest £211,245 (2022/23 £131,142)

Further information about the accounts of Welland Homes is available from the Company Secretary, V Cherry, Council Offices, Priory Road, Spalding, Lincolnshire, PE11 2XE.

4.3 Public Sector Partnership Services Limited

In 2022/23, the Company's statement of comprehensive income shows a deficit for the year of £168k. Of this, the Council's proportion of £50k is included in the Group Comprehensive Income and Expenditure Statement. At 31 March 2024, the net worth of PSPS Ltd was £987k. South Holland's share of the net worth, £296k, has been incorporated into the Group Balance Sheet.

PSPS Ltd operates from three primary locations at the offices of South Holland District Council in Spalding, East Lindsey District Council in Horncastle and Boston Borough Council in Boston.

Voting Rights

At 31 March 2024, South Holland held 3 seats out of 8 on the Board of Directors, therefore holding 37.5% of the voting rights of the company. This therefore provides the Council with significant influence over PSPS Ltd.

GLOSSARY OF TERMS

Accounting Period

This is the period of time covered by the accounts, normally twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accruals Basis

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods and services are received rather than when the payment is made.

Actuarial Gains and Losses

Actuaries assess financial and non-financial information by the Council to project levels of future pension fund requirements. Changes in actuarial deficits or surpluses can arise leading to a loss or gain because:

- events have not coincided with the actuarial assumptions made for the last valuation
- the actuarial assumptions have changed

Appointed Auditors

Public Sector Audit Appointments Limited (PSAA) appoints external auditors to every local authority from one of the major firms of registered auditors. For South Holland this is Ernst and Young.

Balance Sheet

This is a statement of the recorded assets, liabilities and other balances held at the end of the accounting period.

Balances

The balances of the Council represent the accumulated surplus of income over expenditure on any of the funds.

Capital Adjustment Account

The Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (e.g., Disabled Facilities Grants). The balance on this account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure

This is expenditure on the acquisition of a non-current asset (fixed asset), or expenditure, which adds to, and not merely maintains, the value of an existing non-current asset.

Capital Receipts

Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

Carrying Amount

The Balance Sheet value recorded of either an asset or a liability.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the financial year.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services

Collection Fund

A fund administered by the Council showing the transactions of the billing authority (South Holland) in relation to the collection from taxpayers and the distribution to local authorities and the Government of council tax and non-domestic rates.

Community Assets

These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately and for which, provision has not been made in the Council's accounts.

Council Tax

This is one of the main sources of local taxation to local authorities. Council tax is levied on households within its area by the billing authority (South Holland) and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.

Council Tax Requirement

This is the estimated revenue expenditure on General Fund services that is required to be financed from council tax after deducting income from fees and charges, certain specific grants and any funding from reserves,

Creditors

Amounts owed by the Council for work done, goods received, or services rendered, for which payment has not been made at the Balance Sheet date.

Current Service Cost

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e., the ultimate pension benefits "earned" by employees in the current year's employment.

Curtailement

Curtailements will allow the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year

Debtors

These are sums of money due to the Council that have not been received at the Balance Sheet date.

Deferred Capital Receipts

These represent capital income still to be received after disposals have taken place.

Defined Benefit Scheme

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Ministry of Housing, Communities and Local Government (MHCLG)

The CLG is a key Department within Central Government with the overriding responsibility for determining the allocation of general resources to local authorities.

Depreciation

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed (non-current) asset.

Earmarked Reserves

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Accounts are authorised for issue.

Exceptional Items

Material items deriving from events or transactions that fall within the ordinary activities of the Council, but which need to be disclosed separately by virtue of their size and/or incidence, to give fair presentation of the accounts.

External Audit

The independent examination of the Council's activities and accounts to ensure that the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

Expenditure

This is amounts paid by the Council for goods and services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods or services have been received even if they have not been paid for.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Finance Lease

A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes Investments, trade receivables and trade payables.

General Fund

This is the main revenue fund of the Council and includes the net cost of all services financed by local taxpayers and Government Grants.

Heritage Assets

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Housing Revenue Account

Local authorities are required to maintain a separate account – the Housing Revenue Account – which sets out the expenditure and income arising from the provision of Council housing. Other services are charged to the General Fund.

Impairment

A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

Income

These are amounts due to the Council for goods supplied or services rendered of either a capital or a revenue nature. This does not necessarily involve a cash payment. Income is deemed to have been earned once the goods or the services have been supplied even if the payment hasn't been received (in which case the recipient is a debtor to the Council).

Infrastructure Assets

Fixed assets belonging to the Council that cannot be transferred or sold on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

Intangible Assets

These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include Software Licenses.

Internal Borrowing

The use of internal cash balances to pay for the unfinanced element of capital expenditure rather than taking on additional external borrowing.

International Financial Reporting Standards

These are defined Accounting Standards that must be applied by all reporting entities to all Financial Statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with Financial Statements of other entities.

Joint Operation

A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current Liabilities are usually payable within one year of the Balance Sheet date.

Materiality

The concept that the Accounts should include all amounts which, if omitted or mis-stated, could be expected to lead to a distortion of the Financial Statements and ultimately mislead a user of the accounts.

National Non-Domestic Rates (Business Rates)

This is one of the main sources of local taxation to local authorities. NDR is the levy on business property, based on a national rate in the pound applied to the rateable value of the property.

Net Book Value (NBV)

The amount at which fixed assets are included in the Balance Sheet, i.e., their historical costs or current value less the cumulative amounts provided for depreciation.

Net Debt

Net debt is the Council's borrowings less cash and liquid resources.

Net Realisable Value (NRV)

NRV is the open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Non-Current Assets (Fixed Assets)

Assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

Non-Operational Assets

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

Operational Assets

Fixed assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Operational Boundary

This reflects the maximum anticipated level of external debt consistent with budgets and forecast cash flows.

Operating Lease

This is a type of lease usually for computer equipment or office furniture and equipment where the balance of risks and rewards of holding assets remains with the lessor. The assets remain the property of the lessor and the lease costs are revenue expenditure to the Council.

Precept

The amount levied by various authorities that is collected by the Council on their behalf. The precepting authorities in South Holland are Lincolnshire County Council and the Police and Crime Commissioner for Lincolnshire.

Prior Year Adjustment

These are material adjustments which are applicable to an earlier accounting period arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provision

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

Public Works Loan Board (PWLB)

A Central Government Agency which provides loans, for one year and above, to Councils at interest rates only slightly higher than those at which the government can borrow itself.

Related Parties

Related parties are Central Government, other Local Councils, precepting and levying bodies, subsidiary and associated companies. Related parties are deemed to include the Council's elected members, the Chief Executive and its Directors. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual or member of their close family or the same household has a controlling interest.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expense allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received. Pension contributions payable by the employer are excluded.

Reserves

The accumulation of surpluses, deficits and appropriations arising from previous financial years. Reserves can either be usable; that is, available to meet the Council's future expenditure plans and unusable; that is, those maintained purely for accounting purposes.

Revaluation Reserve

The Reserve records the accumulated gains on the fixed assets held by the Council arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

Revenue Expenditure

Expenditure incurred on the day-to-day running of the Council. This mainly includes employee costs, general running expenses and capital financing costs.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred in year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the Comprehensive Income and Expenditure Statement.

Revenue Support Grant

A grant paid by Central Government towards the cost of providing General Fund services.

Service Potential

Future benefits that an asset is expected to bring to the Council.

Treasury Management

This is the process by which the Council controls its cash flow and its borrowing and lending activities.

Treasury Management Strategy

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

ANNUAL GOVERNANCE STATEMENT For the Year Ended 31 March 2024

1. Scope of Responsibility

- 1.1 South Holland District Council (SHDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. SHDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, SHDC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3 The Council has approved and adopted a code of corporate governance. This is consistent with the principles of the latest CIPFA / SOLACE Framework *Delivering Good Governance in Local Government guidance*. This statement explains how the Council has met the requirements of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement. [SHDC LOCAL CODE OF CORPORATE GOVERNANCE.pdf \(sholland.gov.uk\)](https://www.sholland.gov.uk/shdc-local-code-of-corporate-governance.pdf)

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 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 and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the Council for the year ended 31 March 2024 and up to the date of approval of the annual Accounts.

3 The Governance Framework

- 3.1 The Council's review of the effectiveness of its governance arrangements is set out below against the key elements identified in *Delivering Good Governance in Local Government: Framework*.

Key Elements	Description of Governance Mechanisms	Assurance Received
Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users	- The Sub-regional Strategy was approved at Council on the 22 November 2023. It sets out the vision and priorities for the Partnership and for the Council. The Annual Delivery Plan for the Partnership sets out the projects/activities that will be taken forward to deliver on corporate priorities. - The Council is pro-active in reporting activity and outcomes to the public through the local press and online. - The vast majority of Council business is undertaken in public meetings	- The Performance Management Framework quarterly report is reported through the Cabinet and the Performance Monitoring Panel (PMP). - Portfolio Holders receive updates on key indicators and finance matters, on a six weekly basis. - The Management Team receive the full quarterly reports to check the position on each indicator. Quarterly governance clinics (covering performance and risk) are also in place. - The Strategic Risk Register and Internal Audit Plan support the achievement of the Council's priorities - The Medium Term Financial Strategy which is reported at the March Council meeting not only sets the scene financially, it also identifies any change to priorities and/or new areas of focus.
Reviewing the Authority's vision and its implications for the Authority's governance arrangements	- Challenge sessions are held annually with Senior Managers to consider the service priorities and the associated targets set in the performance framework. - Council approves the performance framework, following discussion at Joint Strategy Board.	- Review of current performance against priorities reported to Portfolio Holders. - Performance reporting is aligned to the Strategic Priorities of the Partnership Business Case and Sub-regional Strategy - Feedback from community/member/staff consultation on Partnership and Council priorities
Translating the Vision into objectives	- The Annual Delivery Plan identifies activity that helps to deliver the priorities - The Medium Term Financial Strategy identifies risks and opportunities to achieving the delivery of the priorities - The Risk Strategy and Risk Registers support the delivery of priorities.	- The Annual Delivery Plan sets out the deliverables in the year-ahead. - Service performance is monitored via Performance Framework which reports into Cabinet and PMP quarterly. - MTFS recommended by the Cabinet and agreed by Council
Measuring the quality of service for users, for ensuring they are delivered in accordance with the Authority's objectives and for ensuring that they represent the best	- A range of surveys are carried out each year, co-ordinated through the Corporate Consultation programme - Monitoring of social networking - Quarterly Monitoring report contains both performance and finance indicators and to show the overall health of the organisation - Regular Portfolio Holder meetings held with key staff to monitor performance, project activity and new areas of work or policy.	- Performance Management Framework quarterly report, reported through Cabinet and PMP; including finance data and decisions as well as performance target detail. - Feedback from service level surveys - Portfolio Holder meetings timetabled for the full year. - Action plan from Peer Challenge and follow up visit in 2024.

Key Elements	Description of Governance Mechanisms	Assurance Received
use of resources and value for money	- Individual Services carry out their own customer satisfaction surveys which feed into service improvement - Corporate Peer Challenge by the LGA in July 2023	
Defining and documenting the roles and responsibilities of the Executive, non-Executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements	- This is set out in the Council's Constitution - The Constitution is updated where necessary. Significant changes are reported to the Governance & Audit Committee and then to Council	- Proposed changes/updates to the Constitution brought to Council for consideration including responsibility for functions. - The South & East Lincolnshire Councils Partnership has a Memorandum of Agreement in place signed up to by all three Councils. - Monitoring of partnering arrangements on an ongoing basis take place through the Partnerships Portfolio; and include reports to the Finance Portfolio Holder where appropriate. - Stakeholder Board and Joint Strategy Board in place to support the delivery of partnership activity between the Councils.
Developing, communicating and embedding codes of conduct , defining the standards of behaviour for members and staff	- This is set out in the Council Constitution - Expectations and requirements of staff behaviour are set out in the Staff Handbook provided to all new staff - The Constitution sets out expectations and guidance on Councillor/Officer working relationships - Training is provided to all members on the member code of conduct arrangements (mandatory training) - Standards Panel monitors member standards arrangements. This role is set out in the Constitution. - The Monitoring Officer provides ongoing support and advice to Councillors as required and/or requested. - The Monitoring Officer can provide guidance to Town & Parish Councils as requested - The Monitoring Officer considers, and may investigate, complaints about SHDC Councillors, and Town and Parish Councillors	- Standards Panel oversees functions relating to standards of conduct of members. - A Standards Sub-Committee provides a Hearing Panel function for dealing with any serious complaints - The Officer Code of Conduct is embedded in the Council Constitution. - A Monitoring Officer is shared with the three Councils and Deputy Monitoring Officers support Councillors as required.
Reviewing the effectiveness of the Authority's decision-making framework , including delegation	- This is set out in the Constitution - Decision making arrangements meet legislative requirements - Data sharing protocols are in place where necessary	All members and officers are provided with guidance on decision making arrangements with detailed delegations set out in the Constitution; these are updated when necessary and reported to Council.

Key Elements	Description of Governance Mechanisms	Assurance Received
arrangements, decision making in partnerships and robustness of data quality	- Service Level Agreements with partners are in place and monitored carefully (financial and performance), with named officers and Portfolio responsibilities set out - Memorandum of Understanding documents are produced/signed up to where appropriate.	- A full and comprehensive review of the Constitution is taking place across the Partnership. - Contractual arrangements or partnering arrangements are subject to GDPR reviews on an ongoing basis, particularly where there are any changes.
Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability	- Partnership Risk Register in place and monitored by SLT and members - Strategic Risk register in place and monitored by managers and members - Operational Risk Registers in place and monitored by the Group Manager - Insights and Transformation and Senior Officers - Operational staff able to escalate risks reporting to Management Team. - Risk Strategy aligned across the Partnership Councils and agreed at Full Council on 18th February 2024.	- The Risk Strategy has been fully refreshed and brought in-line with up to date methods of managing risk, and approved through Full Council. - An audit of our Risk Management arrangements in 2023 resulted in Substantial Assurance and included some very positive feedback. - Management Team update the Strategic Risk Register quarterly and feed into quarterly reporting to members – Cabinet and Governance & Audit Committee. - Operational Risks are identified - Service level monitoring - Risk is a standing item on the quarterly governance clinic agenda - The committee report template includes risk management implications.
Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained	- A review of Fraud arrangements took place in 2023/4 and the Council now subscribes to additional internal audit support in this area. - Service Managers complete an on-line training programme on fraud - The Council actively takes part in the National Fraud Initiative - A counter fraud e-learning package is completed by all staff - The Council is a member of the Lincolnshire Counter Fraud Partnership which provides access to best practice, guidance and support.	- Governance & Audit Committee and Staff training - Work with DWP arrangements - Reminders provided to staff to be aware of fraud risk. - Internal Audit have completed their counter fraud risk work which is feeding into risk reporting for Q4 and beyond.

Key Elements	Description of Governance Mechanisms	Assurance Received
Ensuring effective management of change and transformation	• Reporting of significant changes to policy or provision are reported through Portfolio and Cabinet (and Council where appropriate) • Innovation, Transformation and Efficiency board in place meets regularly • A Corporate Staff Development programme is in place • Workforce Strategy in place to ensure appropriate levels of support and training are in place to enable staff to manage change • Workforce Strategy Action plan in place and being delivered. • Strong internal communication to keep staff and members informed • Regular staff survey to help monitor impact of change, plus quarterly pulse surveys of workforce • Project Management Framework in place • Members of Corporate Management Team have corporate responsibility for projects that deliver change • Improved working relationship with PSPS that enables joint working on change programmes within back office services. • An Organisational Development function and transformation resource is in place to support change arrangements across the council – providing additional support to managers; • There is a shared management team in place to support the development of the Partnership between BBC, ELDC and SHDC.	• Senior Leadership Team decisions • Portfolio/Cabinet reports and decisions • Cabinet reports considered by Scrutiny Committees prior to decision making • Client/Contractor management meetings are held regularly to discuss planned changes to service delivery and priorities • The Client Officer and members of management team are engaged with PSPS in the development of their Transformation Programme • A Workforce Strategy was approved in 2020. • Joint scrutiny approach where there are common topics across the partnership sub-region. • Stakeholder Board and Joint Strategy Board in place to support the delivery of partnership activity between the Councils.
Ensuring the Authority's financial management arrangements conform with the governance requirements of the <i>CIPFA Statement on the Role of the Chief Financial Officer in</i>	• Full compliance with the CIPFA guidance: – Role of Chief Financial Officer (CFO) is undertaken by the Section 151 Officer with responsibilities set out in the Constitution; key member of Senior Leadership Team (SLT) and Corporate Management Team (CMT); professionally qualified accountant with direct access to the Chief Executive, Leader, Cabinet, Governance & Audit Committee & the appointed auditors	• Adequacy of financial arrangements are overseen by Chief Financial Officer, Portfolio Holder for Finance, Cabinet, Governance & Audit Committee and Full Council.

Key Elements	Description of Governance Mechanisms	Assurance Received
<i>Local Government (2010)</i> and, where they do not, explain why and how they deliver the same impact	– The Finance team is fit for purpose and recently been reviewed by CIPFA for adequacy. The Medium Term Financial Strategy, annual budget process, compliance with CIPFA codes and guidance on capital finance, treasury management and management of reserves	
Ensuring the authority's assurance arrangements conform with the governance requirements of the <i>CIPFA Statement on the Role of the Head of Internal Audit</i> (2019) and, where they do not, explain why and how they deliver the same impact	• Full compliance with the CIPFA guidance: – The Internal Audit Team/Head of Internal Audit provide an objective and evidence based opinion on all aspects of governance, risk management and internal control – Internal Audit is delivered through Lincolnshire County Council with a principal auditor allocated to South Holland District Council. This has improved the resilience of the audit team and enables access to specialist audit which previously had to be commissioned. – The internal audit service is fit for purpose – The Internal Audit Team and the Section 151 Officer are able to meet separately with the Chair of the Governance & Audit Committee should that be required – Audit Team attend external training as necessary, and access national network of governance support through CIPFA – The service has been assessed as conforming to the UK Public Sector Internal Audit Standards, a Quality Assurance Improvement Programme is maintained as part of those standards. The next external assessment is in 2026. The overall themed areas of Governance, Risk Management, Internal Control and Financial Control are all assessed as performing adequately.	• The Corporate Management Team receives and considers all Internal Audit reports • Senior Leadership Team reviews all low assurance reports. • Low assurance reports are subject to follow up audits. • Governance & Audit Committee monitor audit recommendations and receive updates where necessary • Audit recommendations are discussed at Governance Clinic.
Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function	• Set out in the Constitution • The Council shares a monitoring officer with East Lindsey District Council and Boston Borough Council.	• Council through the Constitution • Deputy Monitoring Officers appointed • The Monitoring Officer sits on the Senior Leadership Team

Key Elements	Description of Governance Mechanisms	Assurance Received
Ensuring effective arrangements are in place for the discharge of the head of paid service function	- Set out in the Constitution - The Council shares a Head of Paid Service with East Lindsey District Council and Boston Borough Council.	Council through the Constitution
Undertaking the core functions of an Audit Committee , as identified in CIPFA's <i>Audit Committees: Practical Guidance for Local Authorities</i>	- The Terms of Reference which include the core functions are set out in the Constitution - The Governance & Audit Committee have had training to help them understand their role and responsibility - Training for a new Governance & Audit Committee and substitution members is now identified as mandatory in the Constitution. - The Chair and Vice Chair attend external training as necessary	- Council through the Constitution - Governance & Audit Committee
Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful	- Annual Internal Audit Plan work includes the review of compliance in some of these areas - The Section 151 Officer and Monitoring Officer advise on the legality of activity where appropriate, and Legal Services Lincolnshire provides advice on legislation and law - An Assurance Framework has been created to monitor conformance with all Regulatory, Legislative, Policy and Operational requirements	- Corporate Management Team, Governance & Audit Committee (through IA reporting) - External Audit Plan - Annual Assurance Report to Senior Management Team and Governance & Audit Committee following the creation of the Assurance Framework
Whistleblowing and for receiving and investigating complaints from the public	- A Whistleblowing policy in place - A clear Feedback Policy and procedure is in place (including complaints) - A dedicated officer delivers the complaints process and also trains and advises staff.	Corporate Management Team
Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training	- Reserved Member Days are held for any training or awareness sessions requested by members and/or suggested by officers. - A very thorough member induction programme is delivered following elections. - Training for named Committees is mandatory as set out in the Constitution	- Member induction programme in May 2023 - A corporate training system has been developed and rolled out to staff. This will enable both individual staff and the organisation to more easily monitor completed training, especially where it is a requirement, and/or is linked to professional standards. - The Corporate Training Programme budget continues to be protected to ensure staff are able to access mandatory and discretionary training and development.

Key Elements	Description of Governance Mechanisms	Assurance Received
	• Training and development opportunities are circulated to members on a regular basis alongside internal training provision • Groups are encouraged to identify development priorities through local and national networks • Staff survey undertaken quarterly. • Staff appraisal in place to set objectives with interim check-ins mid-year. • An annual corporate training programme is developed and implemented annually, linked to service requirements and development needs	• Corporate and Group training opportunities can be supported.
Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation	• A range of consultations are carried out with service users (co-ordinated through a central team) • Pro-active communication through the press, along with communication through the SHDC website, Facebook and twitter • Thorough public consultations take place where there is a potentially significant change to a service and feedback is reported through the decision making process e.g. sub-regional strategy. • The Housing Service has in place a Tenant Engagement Framework.	• Partnership Communications Team in place to support messages to the public, including during emergency situations. • Corporate Management Team • Cabinet for key pieces of consultation • Information and feedback provided via the council website • Communication Strategy approved in 2023/4
Enhancing the accountability for service delivery and effectiveness of other public service providers	• The Scrutiny Committees take an active role in overseeing scrutiny of other public service providers • Significant changes to other public services communicated to members through briefing or awareness sessions • Members are informed of any significant consultations being held by key partner organisations (e.g. NHS) • There is now joint scrutiny of common topics for BBC, ELDC and SHDC.	• Joint Scrutiny undertaken by members where there are common topics across the partnership sub-region • Member and Senior Officer contribution to the Community Safety framework. • Joint scrutiny framework in place.
Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit	• Operational /strategic partnering arrangements are subject to contractual agreements and performance monitoring and reported on as part of service and budget monitoring • Portfolio Holders have responsibilities for receiving reports on key partner arrangements • PSPS arrangements are reported to and overseen by the Governance & Audit Committee if changes are required. A	• Governance & Audit Committee • Corporate Management Team • Portfolio Holder (Leader) • Full Council • The governance arrangements of the PSPS Board have been reviewed following an external evaluation of the contractual arrangements; and a series of reports have

Key Elements	Description of Governance Mechanisms	Assurance Received
Commission's report on the governance of partnerships and reflecting these in the Authority's overall governance arrangements	management Agreement and Service Level Agreements are in place; with regular client/PSPS meetings held - one senior manager is client lead across all 3 Councils for consistency • PSPS provide briefing sessions to members on an annual basis. • Joint working arrangements are subject to written agreements approved by Management Team and portfolio holders • Memorandum of Understanding documents are developed and signed up to where appropriate. • The Council is the sole shareholder of South Holland Local Housing Community Interest Company. The board of directors are responsible for preparing the Director's report, financial statements and governance arrangements for the company. • Welland Homes Limited was set up during 2015/16 and became fully operational in 2016/17 with the Council as the sole shareholder. The Board of Directors is responsible for preparing the Director's report, Financial Statements and governance arrangements for the company. Officers of the Council work within this framework to deliver services to the company and Welland Homes operates within the governance arrangements of the Council when delivering services to the authority.	been submitted to Full Council setting out the contractual and governance arrangements. • Client/Partner meetings held regularly • 2 Members of SHDC on PSPS Board
Information Governance	• The authority has built up significant expertise in the area of information governance. • Member training on GDPR is built into the post-election Induction Programme • As part of service review and alignment considerations, priority information processing requirements are reviewed, aligned and considered against IAPP best practice. • The Data Protection Officer is experienced and qualified to provide advice and is shared across the Partnership Councils.	• Governance & Audit Committee • Management Team • Portfolio Holder • Performance Report • Data Protection Officer (DPO) • Data Sharing Agreements and contractual arrangements are reviewed by the DPO on an ongoing basis to ensure compliance with the UK GDPR. All new DSAs are assessed by the DPO before being signed, and challenged where necessary.

4 Review of Effectiveness

4.1 The Council has responsibility for conducting, at least annually, a review of effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The effectiveness of the governance framework has been evaluated in the following ways:

The Council:	The Council approves and keeps under regular review all the strategic policies which it reserves for its own consideration, including • The Constitution, • The Sub-regional Strategy • The Medium Term Financial Plan and Capital Strategy, • The Licensing Authority Policy Statement, • The Asset Management Strategy • The plan and Strategy which comprise the Housing Investment Programme • The Treasury Management and Investment Strategies, and • The Gambling Policy Statement.
The Leader:	Executive powers vest in the Leader and the Leader may determine to exercise any of the executive functions of the Council personal or may arrange for the exercise of any of the Council's executive functions by the Cabinet.
Cabinet	The Cabinet is appointed by the Leader and carries out the executive functions of the Council as required by legislation and the Council's constitution and accordingly: • Takes executive decisions, • Approves policies other than those reserved for Council, and • Recommends to Council policies and budgetary decisions.
Scrutiny	The Overview and Scrutiny Committees may undertake any work relating to the four key principles of scrutiny as follows: • Hold the Cabinet to Account (Call-In), • Performance Management, • Assist Policy Development and Review, and • Internal/External Scrutiny.
Audit and Governance Committee	The Governance & Audit Committee: • Considers and approves audit plans, • Considers audit reports, • Comments on the work of audit in addressing the authority's significant risks, • Satisfies itself that the control and governance arrangements have operated effectively by considering audit and risk reports and undertaking ad hoc reviews,

	• Annually self-assess themselves against best practice guidance to check their effectiveness, • Approves the Statements of Accounts, • Reviews treasury policy and performance.
Senior Leadership Team (SLT)	SLT review corporate responsibility, direction and delivery of the sub-regional strategy, direction and delivery of resources, horizon scanning and key controls. SLT has a monthly meeting focused specifically on governance and receives regular reports from a variety of governance boards which have been set up to manage corporate performance and risk. These boards cover performance and risk, employee relations, safeguarding, health and safety, emergency planning, and finance, as well as the statutory officers group. There are several other groups covering cross cutting themes and specific services.
Service Managers	Managers have carried out self-assessments of the processes and controls they have in place to allow them to achieve their service objectives. These are reviewed by Finance to provide assurance that effective controls were in place.
External Audit	External audit is provided by KPMG. Following the annual audit they issue an Audit Results Report to the Governance & Audit Committee covering the opinion on the financial statements, value for money and the Whole of Government Accounts submission. The Council takes appropriate action where improvements need to be made.
Internal Audit	Internal Audit is provided by Assurance Lincolnshire. Regular reports are provided to the Governance & Audit Committee and the lead auditor attends monthly LT meetings focused around Governance Issues.

- 4.3 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Governance & Audit Committee, and that the arrangements continue to be fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

5 Update to Significant Governance Issues 2022/23

Action	Lead	Status
Actions to address financial capacity and capability	AD – Governance and S151 Officer	Review undertaken supported by CIPFA, action plan in place and regularly being reviewed at a strategic level. All quarterly reports achieved to expected timescales. Statement of Accounts prepared in accordance with requirements.
Significant governance issues monitored and progress regularly reported	AD – Governance	Any governance issues will be reviewed and discussed at the monthly governance SLT meetings.

6 Internal Audit Report 2023/24

6.1 The Council's Combined Assurance report is a key element of its governance and assurance arrangements. It provides the Senior Leadership & Governance & Audit Committee with better understanding on the assurances across all the Council's critical services, key risks, partnerships, and projects – identifying any areas for greater oversight, improvement and assurance gaps. Overall, there is a positive realistic assurance picture for the Council but one that reflects the complex environment in which it operates, recognising that some areas will remain Amber.

- Red Assurance – 0%
- Amber Assurance – 42%
- Green Assurance – 58%

6.2 The Internal Audit Annual Report 2023/24 includes an opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it. A supporting action plan is included in section 7 below. It was the auditor's opinion that "the frameworks of governance, risk management and management controls are adequate and audit testing has demonstrated controls to be working in practice".

7.0 Summary

7.1 We propose over the coming year to address and/or monitor the above matters to further enhance our governance arrangements and the understanding of those arrangements where there is any change. We are satisfied this will address the need for improvements that were identified in our review of effectiveness, or manage any significant change, and will monitor their implementations and operation as part of our annual review.

Action	Lead	Timescale
In-year Audit Committee update and review of AGS and action plan on Forward Plan for 2024/25 (from internal audit annual report)	AD - Governance	Q1 2024/25
Monitoring of controls around procurement cards (following no assurance audit)	DCX S151 Officer/CFO (PSPS)	Follow up audit in 24/25 (Q2 – Jul-Sep24)
Monitoring of controls around payroll reconciliation (following limited assurance audit)	DCX S151 Officer/CFO (PSPS)	Follow up audit in 24/25 (Q3 – Oct-Dec 24)
Align key elements of Council constitutions	AD - Governance	Q4 2024/25
Relaunch of the Member Development Group across the Partnership	AD - Governance	Q4 2024/25

Rob Barlow, Chief Executive
DATE:

Cllr Nick Worth, Leader of the Council
DATE:

AYSCOUGHFEE HALL AND GARDENS

England & Wales - Charity number 515905

Accounts



CHARITY COMMISSION
FOR ENGLAND AND WALES

Trustees' Annual Report for the period

From **1st April 2022** To **31st March 2023**

Charity name: Ayscoughfee Hall and Gardens

Charity registration number: 515905

Objectives and Activities

	SORP reference	
Summary of the purposes of the charity as set out in its governing document	Para 1.17	The establishment and maintenance of a Museum and Recreation Ground
Summary of the main activities in relation to those purposes for the public benefit, in particular, the activities, projects or services identified in the accounts.	Para 1.17 and 1.19	Provision of a Museum and public gardens
Statement confirming whether the trustees have had regard to the guidance issued by the Charity Commission on public benefit	Para 1.18	

Additional information (optional)

You may choose to include further statements where relevant about:

	SORP reference	
Policy on grant making	Para 1.38	
Policy on social investment including program related investment	Para 1.38	
Contribution made by volunteers	Para 1.38	
Other		

Achievements and Performance

	SORP reference	
Summary of the main achievements of the charity, identifying the difference the charity's work has made to the circumstances of its beneficiaries and any wider benefits to society as a whole.	Para 1.20	Ayscoughfee Hall Museum continued to operate reduced opening hours in 2022-2023, due mainly to a variety of staffing issues. Weddings grew in popularity following the Covid19 pandemic, with 6 being hosted over the year. Ayscoughfee Gardens remained open every day of the year (except Christmas Day), with a range of capital projects taking place including an upgrade to the Café Pavilion block (including the installation of a Changing Places toilet).

Additional information (optional)

You may choose to include further statements where relevant about:

Achievements against objectives set	Para 1.41	
Performance of fundraising activities against objectives set	Para 1.41	
Investment performance against objectives	Para 1.41	
Other		

Financial Review

Review of the charity's financial position at the end of the period	Para 1.21	
Statement explaining the policy for holding reserves stating why they are held	Para 1.22	
Amount of reserves held	Para 1.22	
Reasons for holding zero reserves	Para 1.22	
Details of fund materially in deficit	Para 1.24	
Explanation of any uncertainties about the charity continuing as a going concern	Para 1.23	

Additional information (optional)

You may choose to include further statements where relevant about:

The charity's principal sources of funds (including any fundraising)	Para 1.47	
Investment policy and objectives including any social investment policy adopted	Para 1.46	
A description of the principal risks facing the charity	Para 1.46	
Other		

Structure, Governance and Management

Description of charity's trusts:		
Type of governing document (trust deed , royal charter)	Para 1.25	Trust deed
How is the charity constituted? (e.g unincorporated association , CIO)	Para 1.25	Councillors act on behalf of the Trustee, South Holland District Council
Trustee selection methods including details of any constitutional provisions e.g. election to post or name of any person or body entitled to appoint one or more trustees	Para 1.25	Elected

Additional information (optional)

You may choose to include further statements where relevant about:

Policies and procedures adopted for the induction and training of trustees	Para 1.51	
The charity's organisational structure and any wider network with which the charity works	Para 1.51	
Relationship with any related parties	Para 1.51	
Other		

Reference and Administrative details

Charity name	Ayscoughfee Hall and Gardens
Other name the charity uses	Ayscoughfee Hall Museum and Gardens
Registered charity number	515905
Charity's principal address	Churchgate Spalding Lincolnshire PE11 2RA

Names of the charity trustees who manage the charity

	Trustee name	Office (if any)	Dates acted if not for whole year	Name of person (or body) entitled to appoint trustee (if any)
1				
2				
3				
4				
5				
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7				
8				
9				
10				
11				
12				
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15				
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17				
18				
19				
20				

Corporate trustees – names of the directors at the date the report was approved

[illegible]

Name of trustees holding title to property belonging to the charity

[illegible]

Funds held as custodian trustees on behalf of others

Description of the assets held in this capacity	
Name and objects of the charity on whose behalf the assets are held and how this falls within the custodian charity's objects	
Details of arrangements for safe custody and segregation of such assets from the charity's own assets	

Additional information (optional)

Names and addresses of advisers (Optional information)

Type of adviser	Name	Address

Name of chief executive or names of senior staff members (Optional information)

Exemptions from disclosure

Reason for non-disclosure of key personnel details

Other optional information

Declarations

The trustees declare that they have approved the trustees' report above.

Signed on behalf of the charity's trustees

Signature(s)

Full name(s)

Position (eg Secretary,
Chair, etc)

Date

Sum of 22/23 Actual		Column Labels		
Row Labels		4035	4190	4215
01a) Employees Direct		119,377.66	67,211.48	20,647.35
01b) Employees Indirect		-	-	
02) Premises		83,653.52	14,689.22	3,885.50
03) Transport		-	120.00	120.00
04) Supplies & Services		23,855.33	24,512.62	15,602.61
06) Transfer Payments			280,649.59	
07) Support Services		54,399.99	18,099.99	1,400.01
08a) Depreciation and Impairment Losses		20,895.00		
08b) Movement in Reserves			- 230,649.59	
09) Income	-	29,326.11	- 26,416.68	- 8,102.39
10) Taxation and Non Specific Grants			- 50,000.00	
Grand Total		272,855.39	98,216.63	33,553.08

Grand Total

207,236.49
-
102,228.24
240.00
63,970.56
280,649.59
73,899.99
20,895.00
- 230,649.59
- 63,845.18
- 50,000.00
404,625.10

CHARITY TRUST - AYSCOUGHFEE MUSEUM AND GARDI**Income and expenditure account for the year ended 31st I**

Year	2021-22
Employees Direct	£203,612
Employees Indirect	£265
Premises	£88,839
Transport	£198
Supplies & Services	£43,073
Transfer Payments	
Support Services	£73,297
Depreciation & Impairment losses	
Movement in reserves	
Income	-£58,745
Tax & Non Spec Grant	£0
Grand Total	£350,539

* Values from tab "BM - Julia Knight"

ENS

March 2023

2022-23 *

£207,236

£102,228

£240

£63,971

£280,650

£73,900

£20,895

-£230,650

-£63,845

-£50,000

£404,625

Taken from SHDC Website 2nd February 2024

<https://www.sholland.gov.uk/article/5578/Financial-Statements>

Financial Statements

The Financial Statements documents includes all the core financial statements and disclosure notes required by law. It explains where money has come from, and what the services the money received has been spent on during the financial year.

Notice of Delay to Publication of the Statement of Accounts 2022/23

For 2022/23, the statutory deadline for publication of draft accounts has reverted to 31st May 2023, from the 31st July date which applied for 2021/22. The council was unable to meet this statutory deadline as the draft statement of accounts was not ready for publication. Factors contributing to the delay include the cumulative impact of the ongoing audit of accounts from 2021/22 and the 2022 Lincolnshire Pension Fund Triennial Valuation. Following publication the accounts will be made available for public inspection, along with the supporting accounting records and associated documents for 30 working days.

Our auditors Ernst & Young have asked for the following statement to be published on the website.

The external audit of the draft statement of accounts for the year ended 31 March 2023 has not yet been completed by our external auditors, EY LLP, due to the complex set of factors contributing to audit delays across the sector. This situation is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015. (See attached link: The Accounts and Audit Regulations 2015 ([legislation.gov.Uk](https://www.legislation.gov.uk))). Therefore, this notification explains, as per paragraph (2a), that we are not yet able to publish our audited 2022/23 final statement of accounts in line with deadline of 30th September 2023, as per paragraph (1). The Governance and Audit Committee will consider the results of the 2022/23 audit, after which we will publish the final audited accounts.

AYSCOUGHFEE HALL AND GARDENS

England & Wales - Charity number 515905

Accounts



Trustees' Annual Report for the period

From	Period start date			To	Period end date		
	1 st	April	2021		31 st	March	2022

Section A Reference and administration details

Charity name

Ayscoughfee Hall and Gardens

Other names charity is known by

Registered charity number (if any) 515905

Charity's principal address

Ayscoughfee Hall Museum

Churchgate

Spalding, Lincolnshire.

Postcode

PE11 2RA

Names of the charity trustees who manage the charity

	Trustee name	Office (if any)	Dates acted if not for whole year	Name of person (or body) entitled to appoint trustee (if any)
1	Mr B Alcock	Councillor		The electorate of the South Holland district
2	Mr J Astill	Councillor		The electorate of the South Holland district
3	Mr A Beal	Councillor		The electorate of the South Holland district
4	Mr J E Avery	Councillor		The electorate of the South Holland district
5	Mr F Biggadike	Councillor		The electorate of the South Holland district
6	Mr H Bingham	Councillor		The electorate of the South Holland district
7	Mr M D Booth BEM	Councillor		The electorate of the South Holland district
8	Mr C J T H Brewis	Councillor		The electorate of the South Holland district
9	Ms T A Carter	Councillor		The electorate of the South Holland district
10	Mr A Casson	Councillor		The electorate of the South Holland district
11	Mr PE Coupland	Councillor		The electorate of the South Holland district
12	Mr A Cronin	Councillor		The electorate of the South Holland district
13	Mr H Drury	Councillor		The electorate of the South Holland district
14	Mr R Gambba-Jones	Councillor		The electorate of the South Holland district
15	Mr R Gibson	Councillor		The electorate of the South Holland district

16	Mr R Grocock	Councillor		The electorate of the South Holland district
17	Mr M Hazan	Councillor		The electorate of the South Holland district
18	Ms J L King	Councillor		The electorate of the South Holland district
19	Ms C J Lawton	Councillor		The electorate of the South Holland district
20	Mr J D McLean	Councillor		The electorate of the South Holland district
21	Mrs A M Newton	Councillor		The electorate of the South Holland district
22	Mr N Pepper	Councillor		The electorate of the South Holland district
23	The Lord Porter of Spalding CBE	Councillor		The electorate of the South Holland district
24	Mr P Redgate	Councillor		The electorate of the South Holland district
25	Ms J L Reynolds	Councillor		The electorate of the South Holland district
26	Mr G Rudkin	Councillor		The electorate of the South Holland district
27	Ms G Scalese	Councillor		The electorate of the South Holland district
28	Mr M D Seymour	Councillor		The electorate of the South Holland district
29	Mrs S Slade	Councillor		The electorate of the South Holland district
30	Mrs E J Sneath	Councillor		The electorate of the South Holland district
31	Mr G J Taylor	Councillor		The electorate of the South Holland district
32	Mr A C Tennant	Councillor		The electorate of the South Holland district
33	Mr J Tyrell	Councillor		The electorate of the South Holland district
34	Mr C Walsh	Councillor		The electorate of the South Holland district
35	Mr D Wilkinson	Councillor		The electorate of the South Holland district
36	Mr A R Woolf	Councillor		The electorate of the South Holland district
37	Mr C N Worth	Councillor		The electorate of the South Holland district

Names of the trustees for the charity, if any, (for example, any custodian trustees)

Name	Dates acted if not for whole year

Names and addresses of advisers (Optional information)

Type of adviser	Name	Address

Name of chief executive or names of senior staff members (Optional information)

Chief Executive – Robert Barlow

Assistant Chief Executive (Communities) – John Leach

Assistant Director – Phil Perry

Communities Manager – Emily Holmes

Section B Structure, governance and management

Description of the charity's trusts

Type of governing document (eg. trust deed, constitution)	
How the charity is constituted (eg. trust, association, company)	Trust
Trustee selection methods (eg. appointed by, elected by)	Elected

Additional governance issues (Optional information)

You **may choose** to include additional information, where relevant, about:

- policies and procedures adopted for the induction and training of trustees;
- the charity's organisational structure and any wider network with which the charity works;
- relationship with any related parties;
- trustees' consideration of major risks and the system and procedures to manage them.

Section C Objectives and activities

Summary of the objects of the charity set out in its governing document

The objects of the Charity are the establishment and maintenance of a Recreation Ground and Museum.

Summary of the main activities undertaken for the public benefit in relation to these objects (include within this section the statutory declaration that trustees have had regard to the guidance issued by the Charity Commission on public benefit)

Provision of a Museum and public gardens.

Additional details of objectives and activities (Optional information)

You **may choose** to include further statements, where relevant, about:

- policy on grantmaking;
- policy programme related investment;
- contribution made by volunteers.

Section D

Achievements and performance

Section D

Achievements and performance

Summary of the main achievements of the charity during the year

The year 2021-2022 continued to be challenging for Ayscoughfee Hall Museum & Gardens, due to the Covid 19 pandemic. Ayscoughfee Hall Museum reopened in September 2021 with reduced opening hours and strictly controlled visitor numbers. As national restrictions were gradually lifted, the restrictions at Ayscoughfee Hall Museum were also lifted, with an associated increase in visitor figures.

Ayscoughfee Gardens remained open as usual, and continued to be very popular with visitors.

Section E Financial review

Brief statement of the charity's policy on reserves

The Charity does not have any reserves.

Details of any funds materially in deficit

Not applicable

Further financial review details (Optional information)

You **may choose** to include additional information, where relevant about:

- the charity's principal sources of funds (including any fundraising);
- how expenditure has supported the key objectives of the charity;
- investment policy and objectives including any ethical investment policy adopted.

Section F Other optional information

Section G Declaration

The trustees declare that they have approved the trustees' report above.

Signed on behalf of the charity's trustees

Signature(s)		
Full name(s)		Julia Elizabeth Knight
Position (eg Secretary, Chair, etc)		Manager
Date	31/1/2023	

CHARITY TRUST - AYSCOUGHFEE MUSEUM AND GARDENS

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH

Year	20202021	20212022
Employees Direct	177,794.00	203,611.94
Employees Indirect	75.00	265.19
Income	-48,785.00	-58,744.61
Premises	23,015.00	88,839.11
Supplies & Services	30,485.00	43,072.73
Support Services	61,835.00	73,296.66
Tax & Non Spec Grant	-6,500.00	0.00
Transfer Payments	200.00	
Transport	21.00	198.32
Grand Total	238,140.00	350,539.34



UNAUDITED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

C o n t e n t s

FINANCIAL STATEMENTS

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NARRATIVE REPORT 2021/22

This report seeks to provide a summary and a straightforward explanation of, often complicated, local government finance arrangements. It aims to summarise the key events during the year, their associated financial impact and make the Financial Statements easier to understand. The Narrative Report, together with the Annual Governance Statement and the auditor's report, are outside the scope of the formal Accounts, but all the documents constitute the Council's Financial Report for 2021/22.

The Narrative Report and the detailed accounts aim to provide information to members of the public; electors and residents of the district; council members; partners; stakeholders and other interested parties so that they can:

- understand the financial position of the Council and its outturn for 2021/22.
- have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner.
- be assured that the financial position of the Council is secure.

To assist readers in understanding the financial position of South Holland District Council, the Narrative Report is structured to provide additional information in the following sections:

- An explanation of the Financial Statements
- The way we achieve best value for council taxpayers' money through effective Financial Management
- Information about South Holland as a place
- Information about the Councils structure and management
- A summary of Performance for the Council 2021/22
- Overview of the Council's finances
- Future financial challenges that the Council faces

The Statement of accounts was produced within the statutory deadlines set out in the Accounts and Audit Regulations 2015 and the Value for Money conclusion is unqualified indicating that the Council has proper arrangements in place to secure value for money.

The Council's approach to finance will continue to evolve, developing the self-service nature of financial/service management in all operations. This working model also supports current, and future, changes in the Council as it strives to increase income, reduce costs, manage demand, transform working practices, introduce innovation and maintain performance.

The Narrative Report aims to give a clear picture of the Statement of Accounts and shows how Council Tax, and other sources of income are used to provide the full range of Council Services. The Financial Statements are required to be prepared in line with International Financial Reporting Standards (IFRS) meaning that the Council's Accounts are prepared on a similar basis to those produced in other sectors of the economy.

1. The Statement of Accounts

The accounts are available on the Council's website at www.sholland.gov.uk

The Statements for the Council have been prepared on the going concern accounting basis, i.e., on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. This assessment is based in part on the sound financial position of the Council in particular:

- the delivery of a balanced outturn position for 2021/22,
- the establishment of a balanced budget for 2022/23 with an embedded transformation programme aimed at delivering ongoing savings,
- the Council has sufficient resources to meet its immediate financial commitments and
- has robust governance arrangements in place.

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31st March 2022. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, which in turn is underpinned by International Financial Reporting Standards.

The main financial statements are

- The Comprehensive Income and Expenditure Statement which records the Council's income and expenditure for the year. The top half of the statement provides an analysis by Assistant Director area. The bottom half of the statement deals with corporate transactions and funding.
- The Movement in Reserves Statement that is a summary of the changes to the Council's reserves over the course of the year. The reserves are either "usable", which can be applied to fund expenditure or reduce local taxation, or "unusable" which must be set aside for specific purposes in the future.
- The Balance Sheet which is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the end of the year.
- The Cash Flow Statement which shows the reason for changes in the Council's cash balances during the year,
- Accounting Policies that explain the basis of the figures presented in the accounts
- Notes to the Accounts that provide further detail relating to items in the main financial statements, assumptions made about the future and major estimations made.
- The Expenditure and Funding Analysis that shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services.

The Supplementary Financial Statements are

- The Collection Fund which reflects the statutory requirement for the Council to maintain a separate account providing details of receipts of Council Tax and Business Rates, and any associated payments to precepting authorities, and the Government.
- The Housing Revenue Account which reflects the statutory requirement for the Council to maintain a separate account providing details of receipts of housing rents and other housing related income, and any associated expenditure on the administration of the housing stock and repairs to it.

The Council has produced Group Accounts for 2021/22, consisting of a Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement, consolidating the transactions relating to the council's subsidiary companies Welland Homes and South Holland Homes together with its share of Public Sector Partnership Services Limited (PSPSL)

The Annual Governance Statement sets out the Council's approach to corporate governance and how it manages its governance arrangements in accordance with the Code of Governance.

A Glossary of key terms can be found at the end of this publication.

2. Financial Management

The Council remains committed to delivering the quality frontline services which its residents want, and which will deliver the Council's corporate priorities. Effective financial management at both corporate and service levels is a key to achieving this particularly in a period when the Councils' resources are reducing and likely to continue to do so.

The Council's approach to these challenges is set out in the 2021/22 Budget and the Medium-Term Financial Plan, approved by Council on 3rd March 2021. These presented a balanced position after a wide-ranging review of activities and proactively sought reductions in costs and more efficient ways of working to ensure the Council's position remained stable. Within the capital programme, funding has been allocated to support growth in the district, specifically for commercial investments, more affordable housing, investment in new technology and improvements to private sector housing.

The council achieves effective financial management through:

- Regular and informative financial management reports aligned to service performance. These are available on demand for service managers and produced quarterly for Cabinet.
- Sound financial practices across the Council.
- Ensuring that money raised from public taxation is used efficiently and effectively to meet local needs and priorities.
- Ensuring that the Medium-Term Financial plan projections are robust, appropriate and deliverable, so that services can be maintained at the highest quality possible despite the substantial contraction that is projected to take place in both revenue and capital budgets.
- Continuing Organisational Development which aims to reduce revenue costs and increase income in order to meet the ongoing financial challenges that the Council faces.
- Building on the South East Lincolnshire Council Partnership (S&ELCP) entered into during the second half of the year to ensure best use of taxpayer resources to deliver Council services.

The Government's transparency agenda encourages local authorities to make public data openly available. Details of transparency items such as the Council's spend on items over £500, contracts and pay, and benefits for senior officers can be found on the Council's website:

<https://www.sholland.gov.uk/article/5272/Transparency>

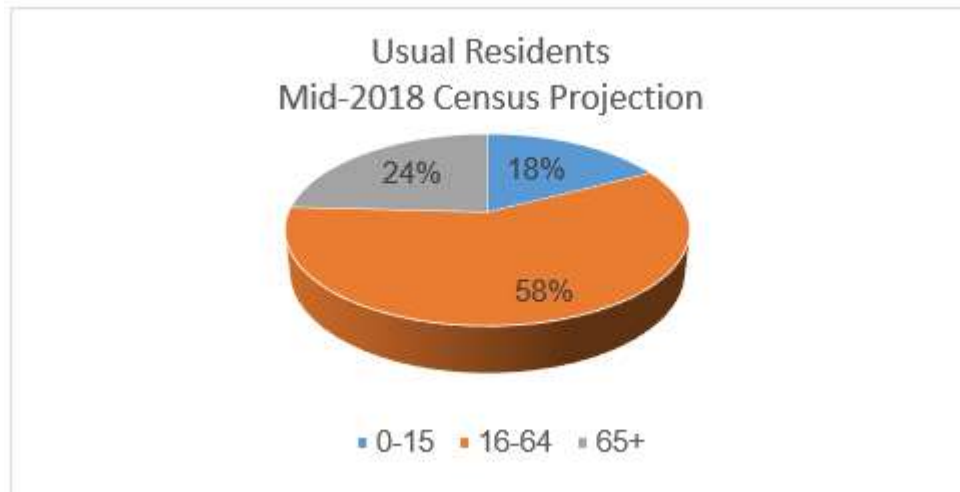
3. Our District

Surrounded by wide open countryside, the district of South Holland encompasses the flat fenlands of South East Lincolnshire, characterised by big skies and fertile land that was reclaimed from the sea over many centuries. Once renowned for its tulip industry, it is now recognised nationally as the hub of the UK agriculture, food manufacturing and logistics sectors. South Holland is a welcoming place of thriving local communities offering great schools, a quality of life well above the national average and broad ranges of high quality family and starter homes. It is a district with a unique history and an exciting future.

Our traditional market towns and villages retain the historic character that is unique to Lincolnshire. Our proud heritage, stretching back to Roman times, is displayed for all to see, from historic windmills to our modern day flower industry, with the fens and drains in between. The main towns and population centres of Spalding, Crowland, Holbeach, Donington, Long Sutton and Sutton Bridge all feature strong community identities and activities, matched by thriving business and industry. The population is expanding healthily there are now 92,500 residents in the area with estimates that the population will reach 105,400 by 2041.

The continued success of major industries such as agriculture, horticulture, food processing, packaging and distribution, together with related commercial support services, is testament to the skills base, education and support for entrepreneurs. This success is reflected in an increasing demand for high quality housing, commercial developments and business support facilities.

South Holland District Council is at the forefront of innovative schemes to develop high quality affordable homes for purchase, shared ownership and rent.



4. South Holland District Council

Organisational Structure

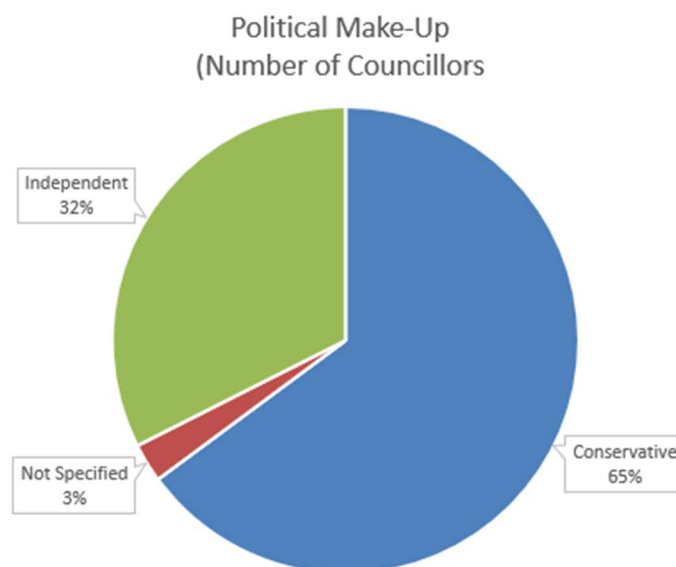
The Council, together with its partner organisations and external contractors, delivers a wide range of services to our residents, businesses and visitors.

The Council is organised into four directorates

- Communities dealing with Wellbeing and Community Leadership, Regulatory, Leisure and Culture and Neighborhoods
- Corporate development dealing with Corporate Strategy, Finance, Governance and Housing
- Growth dealing with Economic Growth, Planning and Strategic Infrastructure and Strategic Growth and Development
- Programme Delivery dealing with Strategic Projects and General Fund Assets

Political structure

South Holland has 18 electoral wards, and the Council consists of 37 councillors. The political makeup of the Council at the end of the year was:



South District Council is a forward-thinking, entrepreneurial, and innovative authority, which continues to strive for excellence and deliver great value for money for its residents, whilst making the most of the huge opportunities for economic growth in the district.

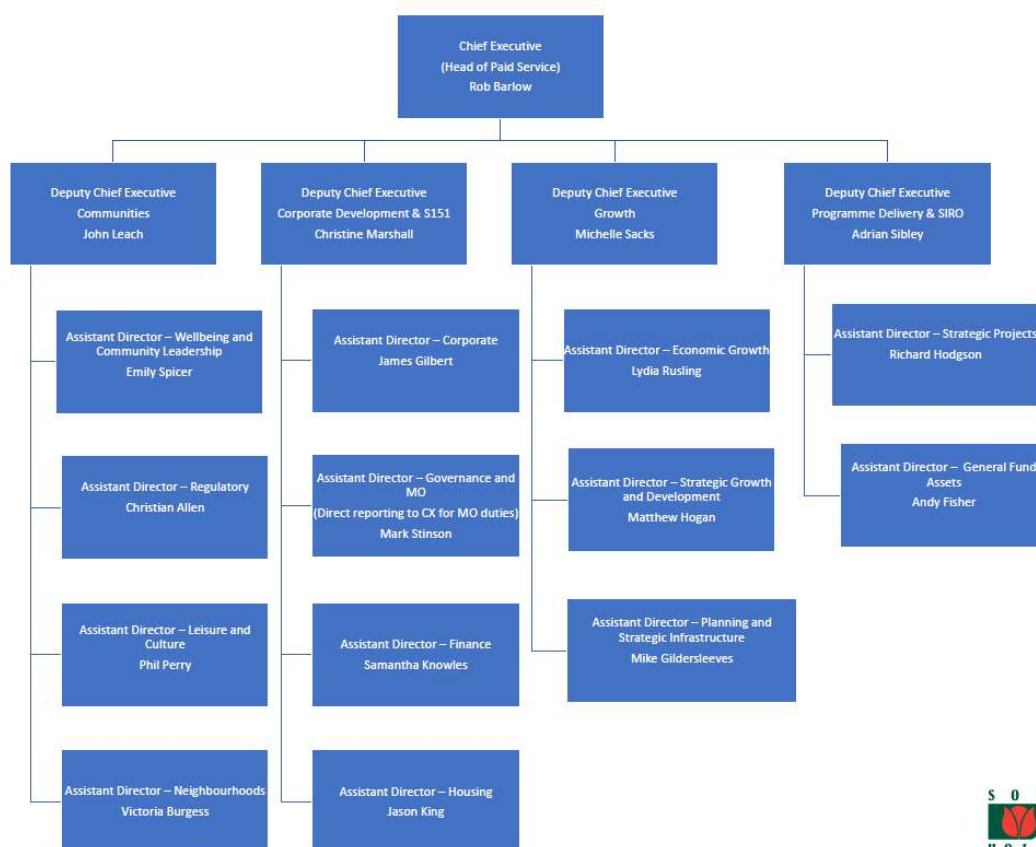
The Council has adopted the Leader and Executive model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Cabinet Functions.

All Councillors meet as the Council, here councillors decide the Council's overall policies and set the budget and council tax each year. The Council holds to account the Executive and Committees. The Cabinet is made up of the Leader, Deputy Leader and Portfolio Holders, each Portfolio Holder has specific responsibilities over an area of the Council's activities.

Cabinet Members are held to account by a system of scrutiny, which is also set out in the Constitution. Scrutiny of Cabinet decisions for 2021/22, including the setting of a balanced budget for 2021/22, has been undertaken by the Governance and Audit Committee

Staffing

The South and East Lincolnshire Councils Partnership (Boston Borough Council, East Lindsey District Council and South Holland District Council) launched on 1st October 2021. This created the senior management structure for the three authorities shown below. This has led to each of the Council's saving money on their previous arrangements and has created opportunity for greater cross working and to drive out further efficiencies going forward such as procurement, knowledge sharing and creating a greater voice for south and east Lincolnshire on the national stage.



South & East Lincolnshire Councils Partnership



served by One Team

5. Council Priorities, Corporate Strategy and Performance

South Holland District Council's Corporate Plan sets out the direction of travel from 2019 to 2023 and is available on the Council's website:

https://www.sholland.gov.uk/media/15826/SHDC-Corporate-Plan-2019-2023/pdf/approved_corporate_plan_2019-2023_26-02-20.pdf?m=637393249831130000

It identifies where the Council will focus its efforts and resources to improve the area for its community. The Council is ambitious for the District. South Holland wants to be a Council that is looking to the future in a fast changing local, international and global environment. It is known that it is highly likely that the Council will need to adapt and flex in order to achieve its aims, but it is important to set out clearly where the Council wants to get to.

The Strategy focuses on five priorities:

1. Your Home
2. Your Place
3. Your Health & Wellbeing
4. Your Opportunity
5. Our Council

How South Holland District Council performed in 2021/22

The Council proactively monitors delivery of its services through a number of Key Performance Indicators (KPIs) which are linked to priorities within the Corporate Plan. The KPIs are monitored by the Council's Performance Team and reported to Management Team on a monthly basis and to the Council's Cabinet and Overview Committee on a quarterly basis. In 2021/22 the Council monitored a total of 26 KPIs. Out of the 26 KPIs there were 16 BPI's meeting or exceeding their target.

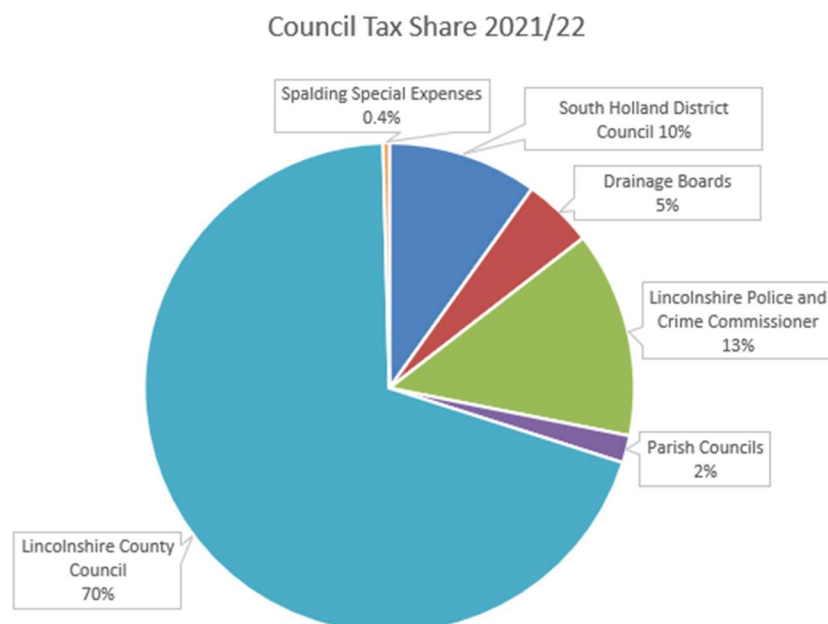
In 2021/22 the Council delivered the following actions from the Annual Delivery Plan:

- Created the South and East Lincolnshire Councils Partnership (SELCP) with East Lindsey District Council and Boston Borough Council. Initially creating a shared management team with the goal of creating efficiencies across all three Councils whilst also improving service delivery and creating a louder voice for Local government in Lincolnshire on the national stage.
- Continued the response locally to the pandemic by distributing monies to businesses and households from the government.
- Spent £1.838m on Disabled Facility grants to help disabled residents to continue living independently.
- Worked proactively with many of our more vulnerable residents to provide advice on housing, health, money management and access to education and training.

6 Financial Performance

Council Tax

The District Council as the Billing Authority collects the council tax for the County Council, the Lincolnshire Police Authority, Parish Councils and Internal Drainage Boards. The diagram shows how it was distributed.



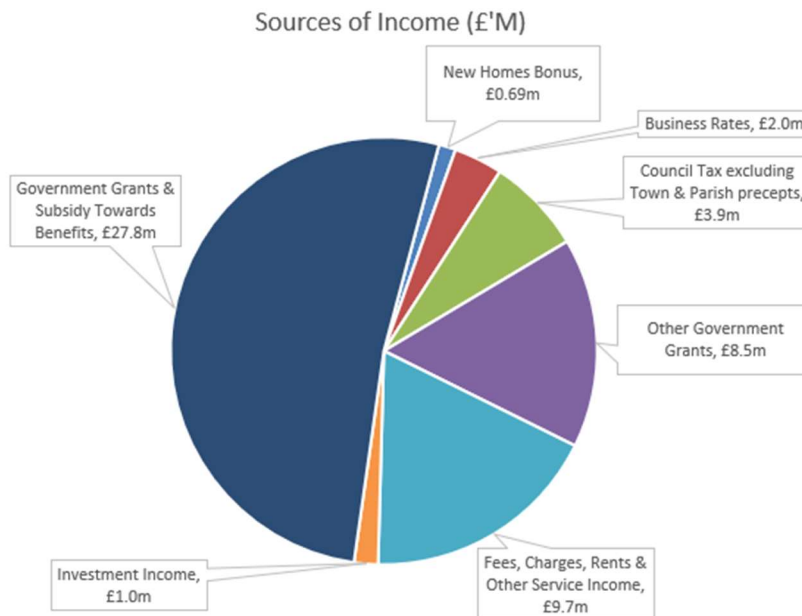
Where the Money Came From

South Holland receives income from many sources, as shown in the chart below. Income is received from council tax (received from taxpayers levied by the Council for South Holland), from the Parishes and the Internal Drainage Boards.

The majority of the income, £27.8m (45% of income) was from government funding through large grants and subsidies, a further £8.5m (14% of income) is from the Revenue Support Grant (RSG) and non-specific grants smaller government grants.

Council Tax receipts (excluding town and parish precepts) totalled £ 3.9m (11% of the income).

A total of £9.7m was received from fees, charges, rents and other service income (16% of total income). Income from investments and interest totalled £1.0m (2% of income). The new Homes Bonus provided £0.69m income (1%) in the year 2021/22.



How the money was spent

Rent Allowances and Rebates include only costs relating to the actual Housing Benefits provided, they do not include any staffing or other related costs. These benefits are funded from Government grants as can be seen from the “where the money came from” pie chart.

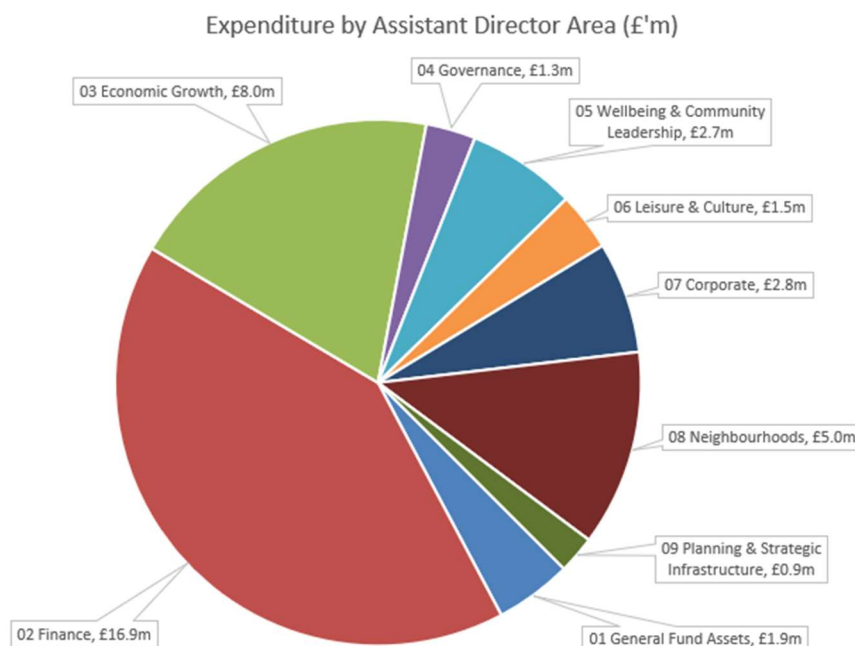
Running expenses and employee expenditure are included as part of the Assistant Director expenditure items.

Running expenses include costs relating to:

- Premises – such as rents, rates, electricity, water and similar
- Transport – such as cars, fares and similar
- Supplies and services – such as equipment, telephones, hired services and similar
- Contract payments for services provided by external contractors, e.g. Leisure

Employee’s expenditure includes costs relating to:

- Staffing – such as salaries, pensions, additional staff, professional subscriptions and similar costs.



Financial Performance

The Management Accounts below show the Council's actual financial performance for the year compared to the budget. Further information can be found in the Expenditure and Funding Analysis (Note 6).

General Fund

The full year outturn delivered an over budget spend of £0.247m as a result of redirecting significant budgeted resource to Covid compliance and community grant distribution activities which have been supported by grant from central government. Income losses arising from Covid compliance activity have also been compensated from government grant. The budget deficit below has been funded from Council reserves. The table below shows the outturn position reported to Cabinet:

Assistant Director Area	Revised Budget 2021/22 £'000	Outturn 2021/22 £'000	Variance (underspend)/overspend £'000
Corporate	2,411	2,459	48
Economic Growth	117	159	42
Finance	2,163	2,639	476
General Fund Assets	43	457	414
Governance	1,111	1,046	(65)
Leisure & Culture	780	381	(399)
Neighbourhoods	3,407	3,543	136
Planning & Strategic Infrastructure	111	(220)	(331)
Regulatory	441	417	(24)
Strategic Growth & Development	92	143	51
Wellbeing & Community Leadership	1,038	794	(244)
Sub Total – Assistant Directors – Net Costs	11,714	11,818	104
Covid Grants	-	(1,525)	(1,525)
Covid Related Expenditure	-	1,359	1,359
Recharges to HRA	(3,087)	(3,100)	(13)
Internal Drainage Boards and Parish Precepts	3,546	3,559	13
Investment Income	(182)	(197)	(16)
MRP	-	14	14
Impairment Allowance	-	(103)	(103)
Capital Expenditure Charged In Year	825	866	41
Transfers to/(from) Earmarked Reserves	134	6	(128)
Efficiencies Requirement	(507)	3	510
Other Income and Expenditure	730	882	152
General Fund Budget net costs	12,444	12,700	256
Funding (Council Tax, Government grants and business rates)	(12,444)	(12,453)	(9)
Total Budget - (Surplus)/Deficit	-	247	247

Capital Financial Performance

The capital outturn for 2021/22 reported to Cabinet by scheme is as follows:

General Fund 2021/22 Capital Program and Outturn			
Service Area	Revised Budget 2021/22 £'000	Outturn 2021/22 £'000	Variance (Underspend) / Overspend £'000
ICT Infrastructure	85	100	15
Public Protection Software	15	11	(4)
South Holland Centre Projects	71	82	11
Priory Road Projects	-	21	21
Swimming Pool Boiler	78	89	11
Caste Sports Pool Fire Alarm	31	48	17
West Marsh Road Fire Alarm	13	-	(13)
West Marsh Road Electrical Rewiring	43	-	(43)
Ayscoughfee Hall	186	146	(40)
Temporary Accommodation	20	19	(1)
Spalding Cemetery	159	159	-
Peele Leisure Lighting	19	18	(1)
NSAP Property Acquisitions	277	290	13
RSAP Property Acquisitions	698	662	(36)
Kings Road Land Acquisition	116	11	(105)
Grants for Growth	703	673	(30)
Food Enterprise Zone	2	6	4
South Western Relief Road	-	6,508	6,508
Garden Waste	184	240	56
Grounds Maintenance	25	16	(9)
Environmental Services Operational	1,138	1,138	-
Fleet Maintenance Vehicles	38	-	(38)
Disabled Facilities Grants	639	681	42
Decent Homes	75	-	(75)
Welland Homes	28	28	-
Total	4,643	10,946	6,303

General Fund 2021/22 Capital Funding and Outturn			
Service Area	Revised Budget 2021/22 £'000	Outturn 2021/22 £'000	Variance (Underspend) / Overspend £'000
Borrowing	(1,267)	(1,252)	15
Grants & Contributions	(1,419)	(8,142)	(6,723)
Capital Reserves	-	(685)	(685)
Direct Revenue Financing	(1,957)	(867)	1,090
Total	(4,643)	(10,946)	(6,303)

The 2021/22 capital budget planned to be spent on programmes in the year has not been fully utilised as these programmes are still in progress and therefore, the budgets are required for commitments to complete the programmes outlined in the Council's Capital Programme 2022/23. An analysis of non-current assets and funding of the capital expenditure is shown in notes 13-17 and 35.

Housing Revenue Account

HRA 2021/22 Outturn

HRA - 2021/22 Outturn			
Service Area	Revised Budget 2021/22 £'000	Outturn 2021/22 £'000	Variance (Underspend)/ Overspend £'000
Rent Income - Dwellings	(15,280)	(15,265)	15
Rent Income Non Dwellings	-	(10)	(10)
Charges for Services & Facilities	(1,188)	(1,144)	44
Contribution towards Expenditure	(22)	(58)	(36)
Total Income	(16,490)	(16,477)	13
Repairs and Maintenance	3,006	2,739	(267)
Supervision and Management	2,424	2,401	(23)
Rents, Rates, Taxes and Other Charges	71	55	(16)
Depreciation and Impairment of Non-Current Assets	3,324	4,214	890
Movement in the Allowance for Bad Debts	271	15	(256)
Statutory Recharges to the HRA For Support services	3,089	3,092	3
Total Expenditure	12,185	12,516	331
Contribution from Operations	(4,305)	(3,961)	344
Interest and investment income	(12)	(21)	(9)
Interest payable and similar charges	2,347	2,347	-
Net (Surplus) / Deficit	(1,970)	(1,635)	335

Housing Revenue Account (HRA) Capital Programme

HRA 2021/22 Capital Program and Outturn			
Service Area	Revised Budget 2021/22 £'000	Outturn 2021/22 £'000	Variance (Underspend) / Overspend £'000
Central Heating	942	954	12
Kitchen/Bathroom	1,191	1,167	(24)
Renewable Energy	52	47	(5)
Smoke Alarms	118	108	(10)
Electrical Upgrade	90	115	25
Roofs and Gutters	960	936	(24)
Doors and Windows	7	-	(7)
Chimneys	182	160	(22)
Paths and Drives	43	50	7
Boundary Walls	154	80	(74)
Fees	233	233	-
Sewerage Treatment Plant	33	-	(33)

HRA 2021/22 Capital Program and Outturn			
Service Area	Revised Budget 2021/22 £'000	Outturn 2021/22 £'000	Variance (Underspend) / Overspend £'000
The Square	11	7	(4)
ICT Strategy / Infrastructure	45	49	4
Housing IT Systems Upgrade	168	168	-
Major Adoptions	623	590	(33)
Sheltered Alarm Upgrade	40	40	-
Housing Repairs Vehicles	50	48	(2)
Grounds Maintenance	7	9	2
Weston Development Scheme	5	5	-
Purchase of Units	6	4	(2)
Wignals Gate S106	392	360	(32)
Albion street Crowland	9	-	(9)
Scheme Subject to detailed approval	342	-	(342)
Total	5,703	5,130	(573)

HRA 2021/22 Capital Funding and Outturn			
Service Area	Revised Budget 2021/22 £'000	Outturn 2021/22 £'000	Variance (Underspend) / Overspend £'000
Capital Receipts	(1,350)	(457)	893
Major Repairs Reserve	(4,353)	(4,626)	(273)
Direct Revenue Financing	-	-	-
Grants & Contributions	-	(47)	(47)
Total	(5,703)	(5,130)	573

Collection Fund financial performance

The balance on the Council Tax Collection Fund at 31 March 2022 showed a £0.437m surplus. This will be shared between the District, Lincolnshire County Council and Lincolnshire Police and Crime Commissioner in proportion with each authority's relative precept. This surplus has resulted from a higher than budgeted tax base, SHDC's share is £0.052m.

The balance on the NNDR Collection Fund at 31 March 2022 showed a £6.551m deficit. This will be shared between the District, Lincolnshire County Council and the Government in proportion with each party's relative proportionate share. This deficit has resulted from Covid-19 business rates reliefs provided in year after the budget had been set, however Government have provided grants to offset the lost income from the reliefs leaving a smaller 'real' deficit to be funded by the Council. Notes 12 and 32 provides further detail on the impact of the pandemic on these accounts.

Reserves and balances

The net decrease in specific and general reserves and balances for 2021/22 was £1.878m. The table below shows the balances at 31/03/22 by reserve:

Specific and General Reserves Balance				
Reserve	Balances at 1 April 2021	Contributions into Reserves	Use of Reserves	Balances at 31 March 2022
	£'000	£'000	£'000	£'000
General Fund				
Council Tax	1,809	48	(272)	1,585
Investment and Growth	4,489	843	(1,196)	4,136
Replacement and Refurbishment	172	-	(95)	77
Transformation	71	26	-	97
Earmarked Grants	4,874	1,716	(2,948)	3,642
Specific Reserves Total	11,415	2,633	(4,511)	9,537
General Fund	2,078	-	-	2,078
Total	13,493	2,633	(4,511)	11,615

Please note the following reserve movements that have taken place in 2021/22:

- Council Tax
 - Additions – Elections and Noise monitoring equipment
 - Use of reserve (Capital) – South Holland Centre, General Fund deficit.
- Investment and Growth
 - Additions – Repayment of Workshop van, Leisure management cost recovery, new homes bonus and green waste capital repayment.
 - Use of reserve (Revenue) – Digital Strategy, Delivery Unit, Food Enterprise Zone, corporate efficiencies, Town Centre Improvement.
 - Use of reserve (Capital) – Temporary establishment funding, PSPS Transformation plan, Environmental Services vehicle and equipment replacements programme, Castle Sports fire alarm, ICT infrastructure, Accommodation works, Ayscoughfee Hall works, South Holland Centre emergency lighting, works to Priory Road offices and Industrial Units, Sports Hall Boiler, Spalding Cemetery and Future Towns.
- Replacement and Refurbishment
 - Use of reserve (Revenue) – Programmed use of reserve for revenue maintenance works.
 - Use of reserve (Capital) – Peel Leisure works
- Transformation Reserve
 - Additions – Underspends on staff training to be utilised in 2022/23
- Earmarked Grants Reserve
 - Additions – Additional S31 Grant received in year, surplus planning fees, elections grant, domestic abuse grant, NSAP surplus
 - Use of reserve (Revenue) – Section 31 Grant received in 2020/21.
 - Use of reserve (Capital) – Spalding Specials contribution to Cemetery works

HRA Reserves Balance				
Reserve	Balances at 1 April 2021	Contributions into Reserves	Use of Reserves	Balances at 31 March 2022
	£'000	£'000	£'000	£'000
HRA				
HRA	24,624	1,635	-	26,099
MRR	4,356	4,214	(4,626)	3,944
Insurance Reserve	200	-	-	200
Total	29,020	5,849	(4,626)	30,243

Further information on reserves can be found in the Movement in Reserves Statement and Note 24 to the Financial Statements.

Pension fund

The accounts and notes with relation to the pension fund have been prepared in accordance with International Accounting Standard (IAS) 19. The Pension Fund liability shown in the Balance Sheet as at 31 March 2022 stands at £47.254m compared with £56.694m the previous year, this represents the liability to the Lincolnshire Pension Fund. This amount is matched by a pension reserve also shown in the Balance Sheet and therefore has no impact on the Council's overall financial position at 31 March 2022. The IAS 19 Balance Sheet position for the Council shows an reduced obligation and the net liability to the Council under IAS 19 pension deficit is higher in monetary terms at 31 March 2022. The actuary uses a set of demographic assumptions that are consistent with those used for the Lincolnshire Pension Fund. These are highlighted in note 36. Following the results of the triennial review in 2019, the Council's budget includes both a pension contribution percentage and also a lump sum payment each year which is forecast to bring the pension scheme into a fully funded position over a 20-year term.

Cash flows

The table below shows the level of investments held by the Council which are used to fund day to day cash flow requirements, achieve a return on investments to help support the low levels of council tax, support the reserves expenditure and to fund capital expenditure. Short term investments maturing in 2020/21 and long term investments mature beyond this or are open-ended.

Capital spend will reduce the cash held, however the Council does not currently have a need to borrow over the medium term. The Council's overall Capital Financing Requirement (CFR) which details the Council's underlying need to borrow can be found at Note 33.

There were no significant provisions, contingencies or write offs during the year. Full details on provisions and contingencies can be found at Note 22. However appeals from Business Rates (NNDR) continue to be a risk to the Council.

7 Current economic climate, outlook and risk

The current economic climate, including rising inflation and wage pressures, unprecedented circumstances from events such as the Pandemic and Brexit plus the continuing reduction and un-certainty in Central Government funding continues to add pressures to the Council's budgets. Future changes relating to the percentage of retained Business Rates is now planned by Government to be implemented for 2023/24 alongside the Fair Funding review. This is a fundamental review by Government on how to calculate the 'needs' of each authority in order to determine the amount of funding each local authority requires through grant funding. This continues to add further uncertainty for our budget setting in the medium term as funding levels past 2022/23 are still not known, neither is the percentage share of retained NNDR under the new scheme and neither is sufficient detail available on the Fair Funding review to calculate estimated funding shares.

The Council remains in a strong financial position over the medium term, with robust plans for transformation, capital spend and delivery of services as well as investment in its communities. This means the Council is well placed to deal with any changes in funding levels resulting from the Fair Funding review and changes to Business Rates Retention with a measured and planned approach. The Medium Term Financial Plan (MTFP) provides information on the Council's budget, transformation programme and reserves and can be found on the Council's website:

<https://democracy.sholland.gov.uk/documents/s34993/Appendix%20A%20-%20Final%20Budget%202022.23%20and%20Medium%20Term%20Financial%20Strategy%202022.23%20to%202026.27.pdf>

The current level of reserves held by the Council is considered adequate to withstand current pressures and to invest in transformation projects, but it would not be financially sustainable to rely on these reserves to continue to fund the reduction in Central Government funding.

The impact of Brexit on the Council's corporate objectives and finances continues to be monitored, particularly in relation to inflation levels (which impact major contracts) and the impact on businesses and licensing.

Key Risks

The Performance, Risk and Audit Board reviews updates on corporate and operational risks on a quarterly basis and takes any remedial actions as necessary (for example, escalation to the Executive Management Team or Governance and Audit committee). Quarterly updates on the corporate risk register are provided to both the Executive Management Team and the Governance and Audit Committee. The Governance and Audit Committee is responsible for monitoring the arrangements in place for identification, monitoring and management of strategic risk.

Future Opportunities

The Council is always looking for new opportunities, such as through the South and East Lincolnshire Council Partnership, service improvements and cost reductions through digitalisation of services, etc. All opportunities will be examined on their own merits and detailed business cases completed if the opportunity is considered worthy of implementation.

Further information on the Statement of Accounts is available from Public Sector Partnership Services Ltd (formerly Compass Point Business Services), who provide all financial services for the Council. This is available as follows:

- In writing - to Financial Services, Council Offices, Priory Road, Spalding, Lincolnshire PE11 2XE.
- By telephone – 01775 761161
- By e-mail - to Customer Services at info@sholland.gov.uk

Christine Marshall, Deputy Chief Executive Corporate Development and Section 151 Officer
30 July 2022

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Executive Director Commercialisation
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Financial Statements, delegated to the Governance and Audit Committee.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Council'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 (the Code)*.

In preparing the Financial Statements, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code
- kept proper accounting records which were up to date and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification by the Chief Financial Officer

I hereby certify that the unaudited Financial Statements give a 'true and fair' view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31 March 2022.

C A Marshall

Christine Marshall
Deputy Chief Executive
Corporate Development

Dated: 30 July 2022

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure Statement shows 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 (or rents). The Council raises taxation and 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 and the Movement in Reserves Statement.

The Council recognises its share (28%) of expenses incurred and income it earns from the activity of Public Sector Partnership Services Ltd (formerly Compass Point Business Services (East Coast) Ltd) in the Comprehensive Income and Expenditure Statement – see note 40 Joint Operation for full details.

2020/21 RESTATED				2021/22		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
2,054	(666)	1,388	General Fund Assets	1,942	(829)	1,113
17,916	(14,956)	2,960	Finance	17,048	(14,032)	3,016
5,402	(4,899)	503	Economic Growth	7,976	(7,532)	444
959	(36)	923	Governance	1,254	(231)	1,023
3,607	(1,965)	1,642	Wellbeing and Community Leadership	2,746	(2,129)	617
1,435	(280)	1,155	Leisure and Culture	1,475	(617)	858
2,249	(67)	2,182	Corporate	2,908	(582)	2,326
4,655	(513)	4,142	Neighbourhoods	4,952	(668)	4,284
1,140	(1,395)	(255)	Planning and Strategic Infrastructure	946	(1,261)	(315)
1,433	(924)	509	Regulatory	1,405	(908)	497
7,439	(16,275)	(8,836)	Housing	7,316	(16,477)	(9,161)
48,289	(41,976)	6,313	Cost of Services	49,968	(45,266)	4,702
6,340	(2,326)	4,014	Other operating expenditure (Note 10)	6,088	(2,657)	3,431
4,547	(1,769)	2,778	Financing and investment income and expenditure (Note 11)	5,458	(3,441)	2,017
6,162	(20,793)	(14,631)	Taxation and non-specific grant income and expenditure (Note 12)	6,687	(20,806)	(14,119)
65,338	(66,864)	(1,526)	(Surplus) or Deficit on the Provision of Services	68,201	(72,170)	(3,969)
		(3,577)	Surplus on revaluation of property, plant and equipment assets			(9,110)
		-	Surplus on change in ownership of joint operation			(1,337)
		7,562	Remeasurements of the net defined benefit liability			(11,484)
		3,985	Other Comprehensive Income and Expenditure			(21,931)
		2,459	Total Comprehensive Income and Expenditure			(25,900)

The notes to the accounts on pages 24 - 86 form an integral part of the Financial Statements.

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

The Council recognises its share (28%) of the movement in reserves from the activity of Public Sector Partnership Services Ltd (formerly Compass Point Business Services (East Coast) Ltd) in the Movement in Reserves Statement – see note 40 Joint Operation for full details.

2021/22	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	HRA Earmarked Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2021	2,378	11,415	22,828	200	4,356	3,220	3,184	47,581	89,234	136,815
Movement in Reserves during 2021/22										
Total Comprehensive Income and Expenditure	(1,667)	-	5,636	-	-	-	-	3,969	21,931	25,900
Adjustments between accounting basis and funding basis under regulations (Note 8)	(99)	-	(4,000)	-	(412)	1,115	968	(2,428)	2,428	-
Increase/(Decrease) in 2021/22	(1,766)	-	1,636	-	(412)	1,115	968	1,541	24,359	25,900
Transfer to/(from) Earmarked Reserves	1,878	(1,878)	-	-	-	-	-	-	-	-
Balance at 31 March 2022 carried forward	2,490	9,537	24,464	200	3,944	4,335	4,152	49,122	113,593	162,715

2020/21	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	HRA Earmarked Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020	2,443	8,013	19,809	200	3,586	3,061	2,991	40,103	99,171	139,274
Movement in Reserves during 2020/21										
Total Comprehensive Income and Expenditure	(3,489)	-	5,015	-	-	-	-	1,526	(3,985)	(2,459)
Adjustments between accounting basis and funding basis under regulations (Note 8)	6,826	-	(1,996)	-	770	159	193	5,952	(5,952)	-
Increase/(Decrease) in 2020/21	3,337	-	3,019	-	770	159	193	7,478	(9,937)	(2,459)
Transfer to/(from) Earmarked Reserves	(3,402)	3,402	-	-	-	-	-	-	-	-
Balance at 31 March 2021 carried forward	2,378	11,415	22,828	200	4,356	3,220	3,184	47,581	89,234	136,815

The notes to the accounts on pages 24 - 86 form an integral part of the Financial Statements

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. 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 that 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 Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The Council recognises its share (28%) of its rights to the assets and obligations for the liabilities from the activity of Public Sector Partnership Services Ltd (formerly Compass Point Business Services (East Coast) Ltd) in the Balance Sheet – see note 40 Joint Operation for full details.

31 March 2021 £'000		Note	31 March 2022 £'000
201,712	Property, Plant and Equipment	13	212,624
105	Heritage Assets	14	107
1,573	Investment Property	15	2,146
708	Intangible Assets	16	603
3,963	Long Term Investments	17	4,841
3,966	Long Term Debtors		3,957
212,027	Long Term Assets		224,278
34,524	Short Term Investments		36,028
1,391	Assets Held for Sale	20	3,592
8,710	Short Term Debtors	18	7,386
10,528	Cash and Cash Equivalents	19	12,353
55,153	Current Assets		59,359
-	Cash and Cash Equivalents	19	-
(26)	Short Term Borrowing		(26)
(16,960)	Short Term Creditors	21	(16,797)
(638)	Provisions	22	(512)
(17,624)	Current Liabilities		(17,335)
(67,456)	Long Term Borrowing		(67,456)
(43,953)	Other Long Term Liabilities – Pension Liability	36	(34,244)
(1,332)	Grants Receipts in Advance – Capital	32	(1,887)
(112,741)	Long Term Liabilities		(103,587)
136,815	Net Assets		162,715
47,581	Usable Reserves*		49,122
89,234	Unusable Reserves	24	113,593
136,815	Total Reserves		162,715

The notes to the accounts on pages 24 - 86 form an integral part of the Financial Statements.

* See Movement in Reserves Statement on page 20.

CASH FLOW STATEMENT

The Cash Flow Statement 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, investing and financing activities. 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 from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the Council.

The Council recognises its share (28%) of cash flows from the activity of Public Sector Partnership Services Ltd (formerly Compass Point Business Services (East Coast) Ltd) in the Cash Flow Statement – see note 40 Joint Operation for full details.

2020/21 £'000	2020/21 £'000		2021/22 £'000	2021/22 £'000
	1,526	Net surplus on the provision of services		3,969
12,731		Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 25)	10,001	
(7,980)	4,751	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 25)	(11,898)	(1,897)
	6,277	Net cash flows from Operating Activities		2,072
	(6,223)	Investing Activities (Note 26)		(3,171)
	(1,564)	Financing Activities (Note 27)		2,929
	(1,510)	Net increase in cash and cash equivalents		1,830
	12,040	Cash and cash equivalents at the beginning of the reporting period		10,528
	(2)	Other Cash Movements		(5)
	10,528	Cash and cash equivalents at the end of the reporting period (Note 19)		12,353

The notes to the accounts on pages 24 - 86 form an integral part of the Financial Statements.

NOTES TO THE ACCOUNTS

NOTE 1 – ACCOUNTING POLICIES

1. General Principles

The Financial Statements summarise the Council's transactions for the 2021/22 financial year and its position at the year end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Financial Statements is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are not carried as inventories on the Balance Sheet due to their immateriality.
- Expenses in relation to services received, including services provided by employees, are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount, where considered material, is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

5. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets 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, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

6. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the 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, billing authorities, 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.

Accounting for Council Tax and NDR

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

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 and prepayments and appeals.

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 any form of leave e.g. 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 made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

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 General Fund Balance and Housing Revenue 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 Movement in Reserves Statement, 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 members of the Local Government Pension Scheme, administered by Lincolnshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

The liabilities of the Lincolnshire County Council pension fund attributable to the Council 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 assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (2.0% in 2020/21), based on the indicative rate of return on high quality corporate bonds.

The assets of the Lincolnshire County Council 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 liability is analysed into the following components:

Service Cost comprising:

- **current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- **past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
- **net interest on the net defined benefit liability**, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of

the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- **the return on plan assets** – excluding amounts included in the net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **actuarial gains and losses** – changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **contributions paid to the Lincolnshire County Council 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 General Fund Balance and Housing Revenue Account Balance 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. In the Movement in Reserves Statement, this means that there are transfers 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 General Fund and Housing Revenue Account 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 also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8. Events after the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Financial Statements are adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Financial Statements are 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 Financial Statements.

9. 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 Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate 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.

For the long term borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The Council has provided a guarantee in relation to the liabilities of Public Sector Partnership Services, based on 37% of any outstanding liabilities, in the event that the Company should cease trading. Details can be found in the Joint Operations note (note 40).

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. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, or where relevant FVOCI, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The Council has issued five loans to its subsidiary, Welland Homes Limited, and has assessed lifetime expected losses for these loans on a collective basis. The Council relies on past due information and calculates losses based on lifetime credit losses for all loans more than 30 days past due.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

For Financial Assets measured at Fair Value through Profit and Loss, monthly dividend/distribution income receivable is credited to the Financial and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in other comprehensive expenditure and taken to the financial instruments revaluation reserve, except for impairment gains or losses until the financial asset is derecognised or reclassified.

Where financial assets are measured at FVPL or FVOCI, the fair value measurements are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

10. 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 Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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 and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance and Housing Revenue Account Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

11. Heritage Assets

The extent of the Council's holdings of heritage assets is limited. Heritage assets are held to help increase the knowledge, understanding and appreciation of the Council's history and local area. Heritage assets are recognised and measured, including the treatment of revaluation gains and losses, in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Council's heritage assets fall into two categories; Civic Regalia and Works of Art, and Archaeological Sites, Smallholdings and other Land and Sites of Special Interest and are accounted for as follows:

Civic Regalia and Works of Art:

- Civic regalia and Tulip paintings – insurance value; valued by an external valuer

Archaeological Sites, Smallholdings and other Land and Sites of Special Interest:

- Chain Bridge Forge (formerly Blacksmith's shop) – current use; valued by an external valuer
- Nature reserve – Historic Cost

Heritage assets not recognised on the Council's Balance Sheet:

- Community Beacon, Gas Wharf, Pill box, HMS Hornet bell and model of HMS Taku submarine – not included on the Balance Sheet as the cost of obtaining valuations outweighs the benefit to the users of the statements.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see item 19 in this summary of significant accounting policies. Depreciation is not charged as the assets are deemed to be held in perpetuity. Should any heritage assets be disposed of, the proceeds are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

12. Intangible Assets

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

Intangible assets are measured initially at cost and are carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. Amortisation is calculated on the following basis:

- Computer software and licences – straight line basis

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, the amortisation charge is not permitted to have an impact on the General Fund Balance or Housing Revenue Account Balance. It is therefore reversed out of the General Fund Balance and Housing Revenue Account Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

13. Interest in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost.

14. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

South Holland has joint control with East Lindsey District Council over Public Sector Partnership Services Ltd (formerly Compass Point Business Services (East Coast) Ltd), a company established in 2010 to provide 'back office' services to both Councils.

The Council recognises on its Balance Sheet an appropriate share of its rights to the assets and obligations for the liabilities and debits and credits the Comprehensive Income and Expenditure Statement with its share of expenses incurred and income it earns from the activity of the Company.

15. Investment Property

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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. 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 Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Assets are transferred into or out of the Investment Property class only when there is evidence of a change of use.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account 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 transfer 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.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council has no finance lease commitments as at 31 March 2022.

The Council as Lessee - Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement 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 - *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 relevant line in the Comprehensive Income and Expenditure Statement. 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. Material Items of Income or Expense

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

18. Overheads and Support Services

Following revisions to the Accounting Code, the cost of overheads and support services are not charged to service segments, within the Financial Statements, in accordance with the Council's arrangements for accountability and financial performance. However, they are apportioned to comply with the requirements of various government returns.

19. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment 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 assets potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

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 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 authority). 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 authority.

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

- infrastructure assets, community assets and assets under construction – depreciated historical cost

- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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 Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value 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 in the Comprehensive Income and Expenditure Statement.

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

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 Comprehensive Income and Expenditure Statement.

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

Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight line allocation over the life of the property as estimated by the valuer
- Vehicles, plant and equipment – straight line allocation over the life of the asset, as advised by a suitably qualified officer
- Infrastructure – straight line allocation.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Materiality levels have been assessed and a materiality level of £0.5m for major components has been applied. Council dwellings are separated into their principal components, which are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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 Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous 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 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 Property, Plant and Equipment or assets held for sale, is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement 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 Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals 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. Receipts are appropriated to the Reserve from the General Fund Balance and Housing Revenue Account Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax or housing rents, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance and Housing Revenue Account Balance in the Movement in Reserves Statement.

20. Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties, and some of its financial instruments at fair value at each reporting date. 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.

When measuring the fair value of a non-financial asset, the authority 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.

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 authority 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.

21. 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 can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council has an obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now 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, 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.

22. 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.

23. 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.

24. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingences. Reserves are created by transferring amounts out of the General Fund Balance. 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 Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

25. Revenue Expenditure Funded from Capital under Statute

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 Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

26. 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.

NOTE 2 – ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) has introduced several changes in accounting standards which will be required from 1 April 2022.

- IFRS 16 Leases (for authorities that have decided to adopt IFRS 16 in the 2022/23 year)
- Annual Improvements to IFRS Standards 2018 – 2020. The annual IFRS improvement programme notes 4 changed standards:
 - IFRS 1 (First time adoption) – amendment relating to foreign operations of acquired subsidiaries transitioning to IFRS
 - IAS 37 (Onerous contracts) – clarified the intention of the standard
 - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
 - IAS 41 (Agriculture) – one of a small number of IFRS' that are only expected to apply to local authorities in limited circumstances.
- Property, Plant and Equipment: Proceeds before intended use (amendments to IAS 16)

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new accounting standard, but one which has not yet been implemented.

It is not anticipated that the above amendments will have a material impact on the information provided in the financial statements, i.e. there is unlikely to be a change to the reported information in the reported net cost of services or the Surplus or Deficit on the Provision of Services.

NOTE 3 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

There was a high level of uncertainty about the longer-term impact of the Coronavirus pandemic at the time the accounts were prepared, and this has presented challenges in preparing the financial statements. Further information about volatility in financial and other markets at 31 March 2021 that became available up until the date the accounts were authorised for issue has been taken into account.

The critical judgements made in the Financial Statements are:

- There is a large degree of uncertainty about future levels of funding for local government. The council has determined that this high level of uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- At the time the accounts were authorised for issue, the Council's valuers have provided values for the Council's assets taking into account what was known at the time. The Council's judgement was that there was not enough information to indicate that the assets were impaired and that balance sheet values should be reduced.
- The Council has examined its leases, and classified them as either operating leases or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgements in determining whether the lease is a finance lease that transfers substantially all the risks and rewards incidental to ownership. With effect from 2023/24 financial accounts all lessee operational agreements (apart from those of less than 12 months or those of low value assets) are required to be shown on the balance sheet.
- One factor that has had a demonstrable impact on the accounts in the past five years concerns the assumptions surrounding pensions and the likelihood of legislative change and the impact of such change. The sensitivity analysis, shown in note 36, estimates the likely impact of changes to the assumptions used when reporting the pension liability.
- Investments - Investment in banks and other financial institutions are secure and will not suffer impairments. A certain amount of volatility in financial markets was apparent at the time the accounts were authorised for issue and expected credit losses were calculated based on information available at the time.

NOTE 4 – ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Financial Statements contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates have been made taking into account historical experience, current trends and other relevant factors. The assumptions and other sources of estimation uncertainty disclosed below relate to the estimates that require the council's most difficult, subjective or complex judgements. As a number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex. As a result, balances cannot be determined with certainty and actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Liability

The estimation of the net liability (£34.244m at 31 March 2022) to pay pensions depends on a number of complex judgements relating to the discount rate 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 expert advice about the assumptions to be applied.

During 2021/22, the actuaries advised that the net pension liability had decreased by £9.709m. This is made up of:

- £11.484m actuarial gain
- £3.176m loss arising from employer contributions of £2.497m being less than the pension obligations of £5.673m.
- £1.401m opening balance adjustment

Debt Impairment

At 31 March 2022, the Council had a balance of sundry debtor and housing benefit overpayments of £1.068m. The Council's normal approach to review significant items suggested that an impairment allowance for doubtful debts of 64.5% (£0.689m) was appropriate. However, in the current economic climate it is not certain that the allowance will be sufficient.

If collection rates were to deteriorate, increasing the impairment for doubtful debts to 70% of the total debt would require an additional £0.059m to be set aside as an allowance.

The change in the impairment allowance for bad debts is presented within Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Business Rates

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities need to account for any reduction in Business Rates income and repayment to ratepayers, in respect of successful appeals against business rates for current and earlier years. A provision has been made in the accounts based on the best estimate of the amount that the Council might need to repay as a result of successful appeals up to 31 March 2022.

For appeals already lodged, this estimate has been calculated using the latest Valuation Office Agency list of outstanding appeals with an assessment being made of the likely impact of those appeals, taking into account past national decisions together with any specific / local implications. This assessment has been undertaken by an external provider, and reviewed by officers to reflect local circumstances. The Council's share of the provision as at 31 March 2022 is £0.512m (40% of £1.279m), but it is possible that this will need to increase in the future, partially due to the restrictions put in place by the government during the pandemic. The restrictions have had an adverse impact on many businesses, resulting in some reducing operations and some closing down, but at the time the accounts were finalised it was not possible to predict the impact of this on the Council's overall business rates income.

If the appeals provision increased by 10% the Council's share would increase to £0.563m.

Fair Value Measurements

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.

Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the external valuer). Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 13 and 15.

Asset Lives

Asset lives are determined by the valuers and if asset lives were reduced by one year the impact on the depreciation charged to the CIES would be immaterial.

NOTE 5 – EVENTS AFTER THE BALANCE SHEET DATE

The unaudited Financial Statements were authorised for issue by the Deputy Chief Executive – Corporate Development on 30 July 2022. Events taking place after this date are not reflected in the Financial Statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

NOTE 6 – EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local Councils in comparison with those resources consumed or earned by Councils in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2020/21 RESTATED				2021/22		
Net Expenditure Chargeable to the General Fund and HRA Balance £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund and HRA Balance £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
1,147	241	1,389	General Fund Assets	1,206	(93)	1,113
2,738	222	2,960	Finance	2,649	367	3,016
502	1	503	Economic Growth	431	13	444
906	18	924	Governance	995	28	1,023
2,029	(387)	1,642	Wellbeing and Community Leadership	1,171	(554)	617
846	308	1,154	Leisure and Culture	761	97	858
2,017	165	2,182	Corporate	2,194	132	2,326
3,720	422	4,142	Neighbourhoods	3,873	411	4,284
(287)	32	(255)	Planning and Strategic Infrastructure	(369)	54	(315)
451	58	509	Regulatory	410	87	497
(7,082)	(1,754)	(8,836)	Housing	(5,551)	(3,610)	(9,161)
6,987	(674)	6,313	Net Cost of Services	7,770	(3,068)	4,702
(13,343)	5,504	(7,839)	Other Income and Expenditure	(7,640)	(1,031)	(8,671)
(6,356)	4,830	(1,526)	(Surplus) or Deficit	130	(4,099)	(3,969)

General Fund Balance £'000	HRA Balance £'000	Total £'000		General Fund Balance £'000	HRA Balance £'000	Total £'000
2,443	19,809	22,252	Opening Balance at 1 April	2,378	22,828	25,206
(65)	3,019	2,954	Surplus or (Deficit) in Year (after transfers to/from earmarked reserves)	113	1,635	1,748
2,378	22,828	25,206	Closing Balance at 31 March	2,491	24,463	26,954

NOTE 6A – NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2021/22	Net Change			
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	Adjustments for Capital Purposes £'000	for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
General Fund Assets	(144)	51	-	(93)
Finance	-	367	-	367
Economic Growth	(18)	31	-	13
Governance	6	22	-	28
Wellbeing and Community Leadership	(618)	64	-	(554)
Leisure and Culture	74	23	-	97
Corporate	41	15	76	132
Neighbourhoods	253	158	-	411
Planning and Strategic Infrastructure	-	54	-	54
Regulatory	3	84	-	87
Housing	(3,898)	292	(4)	(3,610)
Net Cost of Services	(4,301)	1,161	72	(3,068)
Other Income and Expenditure from the Funding Analysis	(682)	2,014	(2,363)	(1,031)
Difference between General Fund (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (Surplus)/Deficit	(4,983)	3,175	(2,291)	(4,099)

2020/21 RESTATED	Net Change			
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	Adjustments for Capital Purposes £'000	for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
General Fund Assets	219	22	-	241
Finance	12	210	-	222
Economic Growth	(19)	20	-	1
Governance	6	12	-	18
Wellbeing and Community Leadership	(433)	46	-	(387)
Leisure and Culture	286	22	-	308
Corporate	60	(75)	180	165
Neighbourhoods	331	91	-	422
Planning and Strategic Infrastructure	-	32	-	32
Regulatory	3	55	-	58
Housing	(1,965)	162	49	(1,754)
Net Cost of Services	(1,500)	597	229	(674)
Other Income and Expenditure from the Funding Analysis	557	1,061	3,886	5,504
Difference between General Fund (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (Surplus)/Deficit	(943)	1,658	4,115	4,830

Adjustments for Capital Purposes

This column adds in depreciation and impairment, revaluation gains and losses and transfer to the Major Repairs Reserve for future capital investment in the service lines, 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. Minimum Revenue Provision 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. 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 the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income are reflected as follows:

- **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 or credited to the Comprehensive Income and Expenditure Statement and amounts payable or receivable to be recognised under statute are as follows:

- **For services** the other differences column recognises adjustments to the General Fund and Housing Revenue Account for accumulated absences.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and business 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.

NOTE 7 – EXPENDITURE AND INCOME ANALYSED BY NATURE

The authority's expenditure and income is analysed as follows:

2021/22	SHDC Income and Expenditure £'000	Remove amounts paid to/received from PSPS £'000	Add PSPS subjective analysis £'000	Total Income and Expenditure £'000
<u>Expenditure</u>				
Employee benefits expenses	14,330	-	3,203	17,533
Other service expenses	23,028	(3,504)	466	19,990
Benefits expenditure	11,486	-	-	11,486
Depreciation, amortisation, impairment	5,282	-	36	5,318
Interest payments	2,347	-	-	2,347
Precepts and levies	3,559	-	-	3,559
Increase in impairment allowance	77	-	-	77
Payments to Housing Capital Receipts Pool	431	-	-	431
Business Rates tariff and levy	6,687	-	-	6,687
Loss on disposal of non-current assets	45	-	-	45
Share of PSPS Taxation	-	-	5	5
Pensions interest cost	2,031	-	986	3,017
Total Expenditure	69,303	(3,504)	4,696	70,495
<u>Income</u>				
Income from council tax and non-domestic rates	(15,339)	-	-	(15,339)
Government grants and contributions	(13,244)	-	-	(13,244)
Other grants and contributions	(14,537)	-	-	(14,537)
Fees, charges and other service income	(24,467)	166	(23)	(24,324)
Decrease in impairment allowance	(165)	-	-	(165)
Interest and investment income	(218)	-	-	(218)
Change in fair value of equity investments	(878)	-	-	(878)
Changes in fair value of investment property	(573)	-	-	(573)
Gain on revaluation of non-current assets	(3,099)	-	-	(3,099)
Gain on disposal of non-current assets	(604)	-	-	(604)
Pensions interest income	(1,242)	-	(241)	(1,483)
Total Income	(74,366)	166	(264)	(74,464)
(Surplus) or Deficit on the Provision of Services	(5,063)	(3,338)	4,432	(3,969)

2020/21	SHDC Income and Expenditure £'000	Remove amounts paid to/received from PSPS £'000	Add PSPS subjective analysis £'000	Total Income and Expenditure £'000
<u>Expenditure</u>				
Employee benefits expenses	12,734	-	3,119	15,853
Other service expenses	20,319	(3,575)	436	17,180
Depreciation, amortisation, impairment	4,916	-	15	4,931
Benefits expenditure	12,500	-	-	12,500
Interest payments	2,347	-	-	2,347
Precepts and levies	3,457	-	-	3,457
Increase/(Decrease) in Impairment Allowance (General Fund)	78	-	-	78
Payments to Housing Capital Receipts Pool	431	-	-	431
Business Rates tariff and levy	6,162	-	-	6,162
Loss on disposal of non-current assets	2,452	-	-	2,452
Share of PSPS Taxation	-	-	4	4
Pensions interest cost	2,115	-	324	2,439
Total Expenditure	67,511	(3,575)	3,898	67,834
<u>Income</u>				
Income from council tax and non-domestic rates	(12,076)	-	-	(12,076)
Government grants and contributions	(28,459)	-	-	(28,459)
Other grants and contributions	(1,253)	-	-	(1,253)
Fees, charges and other service income	(21,974)	241	(20)	(21,753)
Interest and investment income	(325)	-	(1)	(326)
Change in fair value of equity investments	(23)	-	-	(23)
Changes in fair value of investment property	-	-	-	-
Gain on revaluation of non-current assets	(1,538)	-	-	(1,538)
Gain on disposal of non-current assets	(2,326)	-	-	(2,326)
Pensions interest income	(1,345)	-	(261)	(1,606)
Total Income	(69,319)	241	(282)	(69,360)
(Surplus) or Deficit on the Provision of Services	(1,808)	(3,334)	3,616	(1,526)

NOTE 8 – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year. However, as a Housing authority, the balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance

The Housing Revenue Account 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 as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at year end.

Capital Receipts Reserve

The Capital Receipts Reserve 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.

Capital Grants Unapplied

The Capital Grants Unapplied Account 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.

2021/22	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
Adjustments to Revenue Resources					
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>					
• Pension costs	2,704	472	-	-	-
• Council Tax and Non-Domestic Rates	(1,486)	-	-	-	-
• Holiday pay	76	(4)	-	-	-
• Movements in the market value of Investment Properties	(573)	-	-	-	-
• Movements in fair value of financial assets designated to fair value other comprehensive income	(878)	-	-	-	-
• Capital grants and contributions applied to capital financing	(8,310)	(47)	-	-	-
• Capital grants and contributions not applied to capital financing	(308)	-	-	-	308
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	9,183	2,967	-	-	-
Total Adjustments to Revenue Resources	408	3,388	-	-	308
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(57)	(2,563)	2,620	-	-
Administrative costs of non-current asset disposals	-	49	(49)	-	-
Payments to the government housing receipts pool	431	-	(431)	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	(4,214)	-	4,214	-
Capital expenditure financed from revenue balances	(867)	-	-	-	-
Minimum Revenue Provision	(14)	-	-	-	-
Total Adjustments between Revenue and Capital Resources	(507)	(6,728)	2,140	4,214	-
Adjustments to Capital Resources					
Use of Capital Receipts Reserve to finance capital expenditure	-	-	(1,027)	-	-
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	(4,626)	-
Use of capital grants to finance capital expenditure	-	(660)	-	-	660
Cash payments in relation to deferred capital receipts	-	-	2	-	-
Total Adjustments to Capital Resources	-	(660)	(1,025)	(4,626)	660
Total Adjustments	(99)	(4,000)	1,115	(412)	968

2020/21	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
Adjustments to Revenue Resources					
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>					
• Pension costs	1,324	334	-	-	-
• Council Tax and Non-Domestic Rates	3,908	-	-	-	-
• Holiday pay	180	48	-	-	-
• Movements in the market value of Investment Properties	-	-	-	-	-
• Movements in fair value of financial assets designated to fair value other comprehensive income	(23)	-	-	-	-
• Capital grants and contributions applied to capital financing	(5,333)	(190)	-	-	-
• Capital grants and contributions not applied to capital financing	(193)	-	-	-	193
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	7,481	3,891	-	-	-
Total Adjustments to Revenue Resources	7,344	4,083	-	-	193
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	541	(2,340)	2,340	-	-
Administrative costs of non-current asset disposals	-	77	(77)	-	-
Payments to the government housing receipts pool	431	-	(431)	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	(3,816)	-	3,816	-
Capital expenditure financed from revenue balances	(1,490)	-	-	-	-
Total Adjustments between Revenue and Capital Resources	(518)	(6,079)	1,832	3,816	-
Adjustments to Capital Resources					
Use of Capital Receipts Reserve to finance capital expenditure	-	-	(1,676)	-	-
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	(3,046)	-
Use of capital grants to finance capital expenditure	-	-	-	-	-
Cash payments in relation to deferred capital receipts	-	-	3	-	-
Total Adjustments to Capital Resources	-	-	(1,673)	(3,046)	-
Total Adjustments	6,826	(1,996)	159	770	193

NOTE 9 – MOVEMENTS IN EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2021/22.

	Balance 31 March 2020 £'000	Transfers Out 2020/21 £'000	Transfers In 2020/21 £'000	Balance 31 March 2021 £'000	Transfers Out 2021/22 £'000	Transfers In 2021/22 £'000	Balance 31 March 2022 £'000
General Fund							
Council Tax Reserve	2,061	(614)	362	1,809	(272)	48	1,585
Replacement and Refurbishment Reserve	96	(60)	136	172	(95)	-	77
Investment and Growth Reserve	5,264	(1,970)	1,195	4,489	(1,196)	843	4,136
Transformation Reserve	141	(70)	-	71	-	26	97
Earmarked Grants Reserve	451	(180)	4,603	4,874	(2,948)	1,716	3,642
Total General Fund	8,013	(2,894)	6,296	11,415	(4,511)	2,633	9,537
Housing Revenue Account							
Insurance Reserve	200	-	-	200	-	-	200
Total Housing Revenue Account	200	-	-	200	-	-	200
Total Earmarked Reserves	8,213	(2,894)	6,296	11,615	(4,511)	2,633	9,737

The Earmarked Reserves have had an exceptional contribution during 2020/21 in respect of £4.006m Tax Income Guarantee funds from MHCLG to support the distribution of Business Rates collected on behalf of other authorities. This was partially drawn down in 2021/22 to fund the Business Rates deficit.

NOTE 10 – OTHER OPERATING EXPENDITURE

2020/21 £'000		2021/22 £'000
897	Parish Council Precepts	935
2,560	Internal Drainage Board Levies	2,624
431	Payments to the Government Housing Capital Receipts Pool	431
126	(Gains)/Losses on the disposal of non-current assets	(559)
4,014	Total	3,431

NOTE 11 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2020/21 £'000		2021/22 £'000
2,347	Interest payable and similar charges	2,347
833	Net interest on the net defined benefit liability for pensions	1,534
(326)	Interest receivable and similar income	(219)
78	Movement in the impairment allowance for bad debts	(88)
(135)	Income and expenditure in relation to investment properties and changes in their fair value	(684)
(23)	Movements in fair value of financial assets designated to fair value other comprehensive income	(878)
4	Share of PSPS Taxation	5
2,778	Total	2,017

Following the introduction of IFRS9 Financial Instruments, the Council is required to value its equity stake in South Holland Local Housing Community Interest Company and Welland Homes Limited at fair value.

NOTE 12 – TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE

2020/21 £'000		2021/22 £'000
(6,246)	Council Tax income	(6,527)
332	Retained Business Rates income and expenditure	(2,124)
(1,252)	Section 31 Grant	(1,154)
(4,005)	Section 31 Grant – Extended Reliefs	(1,419)
(13)	Council Tax Income Compensation	-
(275)	Revenue Support Grant	(277)
(1,235)	Non-ringfenced government grants	(934)
(190)	Capital grants and contributions	(1,171)
(1,340)	Covid-19 Support Grant	(477)
(407)	Covid-19 Sales, Fees and Charges Income Compensation	(36)
(14,631)	Total	(14,119)

Additional Business Rates reliefs were provided in 2020/21 and 2021/22 year to businesses to provide financial assistance in response to the Covid-19 pandemic, resulting in reduced income due from ratepayers, and therefore lost income to the Council in the current financial year. However, Central Government have provided compensation to the Council to offset this lost income, in the form of Section 31 Grant for extended reliefs.

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT - Movements on Balances

2021/22	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Movements on balances</u>								
Cost or Valuation								
At 1 April 2021	176,134	21,583	6,036	2,444	962	941	133	208,233
Adjustment to share of joint operation at 1 April 2021	-	-	(36)	-	-	-	-	(36)
Additions	4,426	319	1,766	-	159	-	1,312	7,982
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	4,439	1,635	-	-	-	221	-	6,295
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	1,749	(120)	-	-	-	-	-	1,629
Derecognition – disposals	(1,005)	(20)	-	-	-	-	-	(1,025)
Assets reclassified (to)/from Held for Sale								
Other movements in Cost or Valuation	(1,171)	(1,600)	-	-	-	-	(391)	(3,162)
At 31 March 2022	184,572	21,797	7,766	2,444	1,121	1,162	1,054	219,916
Accumulated Depreciation and Impairment								
At 1 April 2021	-	-	(4,322)	(2,053)	(146)	-	-	(6,521)
Adjustment to share of joint operation at 1 April 2021	-	-	36	-	-	-	-	36
Depreciation charge	(3,879)	(425)	(660)	(147)	-	-	-	(5,111)
Depreciation written out to the Revaluation Reserve	2,419	392	-	-	-	-	-	2,811
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,438	33	-	-	-	-	-	1,471
Derecognition – disposals	22	-	-	-	-	-	-	22
At 31 March 2022	-	-	(4,946)	(2,200)	(146)	-	-	(7,292)
Net Book Value								
At 31 March 2021	176,134	21,583	1,715	391	816	941	133	201,712
At 31 March 2022	184,572	21,797	2,820	244	975	1,162	1,054	212,624

2020/21	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<u>Movements on balances</u>								
Cost or Valuation								
At 1 April 2020	169,365	23,039	5,886	2,444	962	1,446	1,774	204,916
Additions	3,543	462	270	-	-	-	1,293	5,568
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	2,338	(1,120)	-	-	-	20	-	1,238
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	205	(244)	-	-	-	-	-	(39)
Derecognition – disposals	(1,073)	(2)	(120)	-	-	(525)	(63)	(1,783)
Assets reclassified (to)/from Held for Sale	-	(552)	-	-	-	-	-	(552)
Other movements in Cost or Valuation	1,756	-	-	-	-	-	(2,871)	(1,115)
At 31 March 2021	176,134	21,583	6,036	2,444	962	941	133	208,233
Accumulated Depreciation and Impairment								
At 1 April 2020	-	-	(3,733)	(1,897)	(146)	-	-	(5,776)
Depreciation charge	(3,493)	(428)	(682)	(156)	-	(7)	-	(4,766)
Depreciation written out to the Revaluation Reserve	1,936	403	-	-	-	-	-	2,339
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,551	25	-	-	-	-	-	1,576
Derecognition – disposals	6	-	93	-	-	7	-	106
At 31 March 2021	-	-	(4,322)	(2,053)	(146)	-	-	(6,521)
Net Book Value								
At 31 March 2020	169,365	23,039	2,153	547	816	1,446	1,774	199,140
At 31 March 2021	176,134	21,583	1,714	391	816	941	133	201,712

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – major components
 - Structure – 36-70 years
 - Roofs – 1-80 years
 - Kitchens – 1-20 years
 - Bathrooms – 1-25 years
 - Windows and Doors – 1-30 years
- Other Land and Buildings – 2-72 years
- Vehicles, Plant, Furniture & Equipment – 4-25 years
- Infrastructure – 2-19 years

Capital Commitments

At 31 March 2022, the Council has entered into contracts for the enhancement of Property, Plant and Equipment in 2021/22 and future years budgeted at a cost of £8.4m. Similar commitments at 31 March 2021 were £3.1m, mainly relating to works to dwellings. The major commitments are:

• Central Heating Replacements	£1.6m
• Kitchen and Bathroom Upgrades	£1.1m
• Roofing	£5.7m

Effects of Changes in Estimates

No material changes were made to the Council's accounting estimates for Property, Plant and Equipment 2021/22.

Revaluations

The Council carries out a programme that ensures that all Property, Plant and Equipment required to be measured at current value is regularly revalued. A full revaluation of all Council housing stock and other land and buildings is undertaken every 5 years, although a desktop review of all assets is carried out in each of the intervening years. All valuations are carried out externally. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

In addition due regard has been taken of amendments introduced in the CLG document "Stock Valuation for Resource Accounting – Guidance for Valuers 2010". The basis of valuation is Current Value (EUV) for non-housing property and Existing Use Value for Social Housing (EUV – SH) for Council dwellings. Surplus property is valued at Fair Value, estimated at highest and best use from a market participant's perspective.

Revaluations during 2021/22 were undertaken by Darren Fabris BSc (Hons) MRICS, RICS Registered Valuer (Kier) and Guy S C Harbord MA MRICS, IRRV (Hons), RICS Registered Valuer (Wilks Head and Eve).

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	-	7,766	2,444	1,121	-	1,054	12,385
Valued at fair value as at: 31 March 2022	184,572	21,797	-	-	-	1,162	-	207,531
Total Cost or Valuation	184,572	21,797	7,766	2,444	1,121	1,162	1,054	219,915

Fair Value Hierarchy – Surplus Assets

Details of the authority's surplus assets and information about the fair value hierarchy as at 31 March 2022 is as follows:

Fair Value Level 2 2020/21 £'000		Fair Value Level 2 2021/22 £'000
941	Surplus Land	1,162
941	Balance at end of the year	1,162

Valuation Techniques Used to Determine Level 2 Fair Values for Surplus Assets

Significant Observable Inputs – Level 2

The fair value of surplus assets have been measured using either the income or comparative approach methods.

For land only assets the Valuers have compared sale prices of comparable land in applicable uses and similar locations before making adjustments for differences in key attributes such as land size.

For some assets the Valuers have relied upon data ascertained from current evidence of passing rents on comparable properties including new lettings and rent reviews. Evidence of yields has been taken from the sale of comparable investments having regard to the type of property, covenant strength and lease terms. Factors of relevance in the leases include the lease term, rent review frequency, any break clauses and obligations for repair, maintenance and buildings insurance.

Valuation inputs for rental and yield which are directly applicable i.e. an almost identical property let to a similar covenant on the same repairing and insuring terms for a similar term to the valuation subject are said to be at Level 2 in the fair value hierarchy as they are directly comparable with limited adjustment.

Highest and best use of Surplus Assets

In estimating the fair value of the Council's surplus assets, the highest and best use of the properties is deemed to be their current use for some assets and alternative use for others.

Valuation Process for Surplus Assets

The fair value of the Council's surplus assets is measured at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional

standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers regarding all valuation matters.

NOTE 14 – HERITAGE ASSETS

Reconciliation of the carrying value of Heritage Assets held by the Council:

2020/21 £'000		Civic Regalia and Works of Art 2021/22 £'000	Archaeological Sites, Smallholdings and other Land and Sites of Special Interest 2021/22 £'000	Total 2021/22 £'000
105	Cost or valuation	62	43	105
-	1 April	-	2	2
	Revaluations			
105	31 March	62	45	107

The Council's heritage assets fall into two categories; Civic Regalia and Works of Art, and Archaeological Sites, Smallholdings and other Land and Sites of Special Interest. All the assets have been in the Council's ownership for a number of years and are held for their intrinsic worth as opposed to financial gain. As such they are unlikely to be sold. There were no additions or disposals in the current financial year.

Heritage assets recognised on the Council's Balance Sheet:

Civic Regalia and Works of Art:

- Civic regalia – included in the Balance Sheet at their insurance valuation. These valuations were undertaken on 31 March 2015 by an external specialist valuer – Bonham's.
- Tulip paintings – included in the Balance Sheet at their insurance value. These valuations were undertaken on 31 March 2016 by Woodbine Contemporary Arts.

Archaeological Sites, Smallholdings and other Land and Sites of Special Interest:

- Chain Bridge Forge – recorded at existing use value as determined by the Council's external valuer, Guy S C Harbord MA MRICS, IRRV (Hons), RICS Registered Valuer Wilks, Head and Eve and were last valued on 31 March 2022.
- Nature reserve – recorded at Historic Cost.

Heritage assets not recognised on the Council's Balance Sheet:

- Community Beacon, Gas Wharf, Pill box, HMS Hornet bell and model of HMS Taku submarine have been classified as heritage assets but are not included on the Council's Balance Sheet as the cost of obtaining valuations outweighs the benefit to the users of the Financial Statements.

NOTE 15 – INVESTMENT PROPERTY

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2020/21		2021/22
£'000		£'000
(145)	Rental Income from investment property	(123)
10	Direct operating expenses arising from investment property	17
-	Net (gains)/losses from fair value adjustments	(573)
(135)	Net (gain)/loss	(679)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

2020/21		2021/22
£'000		£'000
1,021	Balance at start of the year	1,573
552	Reclassification to Investment Property	-
-	Net gains/(losses) from fair value adjustments	573
1,573	Balance at end of the year	2,146

Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2022 is as follows:

Fair Value Level 2		Fair Value Level 2
2020/21		2021/22
£'000		£'000
1,573	Commercial Industrial Units	2,146
1,573	Balance at end of the year	2,146

Valuation Techniques Used to Determine Level 2 for Investment Properties**Significant Observable Inputs – Level 2**

The fair value of investment properties has been measured using two main approaches - the income method and the comparable method.

For land only assets the Valuers have compared sale prices of comparable land in applicable uses and similar locations before making adjustments for differences in key attributes such as land size.

For land and building assets the Valuers have relied upon data ascertained from current evidence of passing rents on comparable properties including new lettings and rent reviews. Evidence of yields has been taken from the sale of comparable investments having regard to the type of property, covenant strength and lease terms. Factors of relevance in the leases include the lease term, rent review frequency, any break clauses and obligations for repair, maintenance and buildings insurance.

Valuation inputs for rental and yield which are directly applicable i.e. an almost identical property let to a similar covenant on the same repairing and insuring terms for a similar term to the valuation subject are said

to be 'observable inputs' as they are directly comparable with limited adjustment and are said to be a Level 2 in the fair value hierarchy.

Highest and best use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is deemed to be their current use.

Valuation Process for Investment Properties

The fair value of the Council's investment properties is measured at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers regarding all valuation matters.

NOTE 16 – INTANGIBLE ASSETS

The Council accounts for its software as intangible assets. Intangible assets include purchased licenses.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The carrying amount of intangible assets is amortised on a straight-line basis, over 1 to 10 years. The amortisation of £287,000 was charged to an overhead account and then absorbed across service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

2020/21 £'000		2021/22 £'000
	Balance at start of year:	
2,004	- Gross carrying amounts	2,175
(1,303)	- Accumulated amortisation	(1,467)
701	Net carrying amount at start of year	708
	Adjustment to reflect % change of share of joint operation	(51)
	Additions:	
171	- Purchases	233
(164)	Amortisation for the period	(287)
-	Derecognition	-
708	Net carrying amount at end of year	603
	Comprising:	
	Adjustment to reflect % change of share of joint operation	(51)
2,175	- Gross carrying amounts	2,328
(1,467)	- Accumulated amortisation	(1,674)
708		603

NOTE 17 – FINANCIAL INSTRUMENTS

The following categories of financial instrument are carried in the Balance Sheet:

Financial Assets	Non-Current				Current				Total	
	Long-term Investments		Long-term Debtors		Short-term Investments		Short-term Debtors			
	31	31	31	31	31	31	31	31	31	31
	March	March	March	March	March	March	March	March	March	March
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through other comprehensive income – Designated equity instruments	3,963	4,841	-	-	-	-	-	-	3,963	4,841
Amortised cost										
Investments	-	-	-	-	34,524	36,028	-	-	34,524	36,028
Cash & cash equivalents	-	-	-	-	10,528	12,353	-	-	10,528	12,353
Mortgages and car loans	-	-	113	84	-	-	38	36	151	120
Loans to Welland Homes	-	-	3,710	3,730	-	-	-	-	3,710	3,730
Trade debtors	-	-	143	143	-	-	1,560	2,615	1,703	2,758
Total financial assets	3,963	4,841	3,966	3,957	45,052	48,381	1,598	2,651	54,579	59,829

Financial Liabilities	Non-Current				Current				Total	
	Long-term Borrowings		Long-term Creditors		Short-term Borrowings		Short-term Creditors			
	31	31	31	31	31	31	31	31	31	31
	March	March	March	March	March	March	March	March	March	March
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost										
External borrowing	(67,456)	(67,456)	-	-	(26)	(26)	-	-	(67,482)	(67,482)
Trade creditors	-	-	-	-	-	-	(2,746)	(3,448)	(2,746)	(3,448)
Total financial liabilities	(67,456)	(67,456)	-	-	(26)	(26)	(2,746)	(3,448)	(70,228)	(70,930)

Income, expense, gains and losses

	2020/21 Surplus or Deficit on the Provision of Services £'000	2021/22 Surplus or Deficit on the Provision of Services £'000
Net gains/losses on:		
Financial assets measured at fair value other comprehensive income	(23)	(878)
Interest Revenue		
Financial assets measured at amortised cost	(326)	(214)
Interest expense	2,347	2,347
Fee Expense		
Brokers fees	3	-

Fair Value of Financial Assets

The Council has a shareholding interest in the UK Municipal Bonds Agency (MBA). The fair value has been written down to zero as the balance sheet of the MBA shows negative equity. The authority did not intend to dispose of the shares at the Balance Sheet date.

The authority is the sole shareholder of Welland Homes Limited, which is the Council's wholly owned Housing Development Company. The fair value of the equity balance brought forward was £2.889m. This equity is categorised as Level 3 inputs due to there being no active market for the shares. The Company accounts reported capital and reserves balances of £3.672m as at 31 March 2022. This is presented in the Financial Assets table above, as fair value through other comprehensive income – designated equity instruments. The authority did not intend to dispose of the shares at the Balance Sheet date.

The authority is also the sole shareholder of South Holland Local Community Housing Interest Company. The fair value of the equity balance brought forward was £1.074m and this equity is categorised as Level 3 inputs due to there being no active market for the shares. The Company accounts reported capital and reserves balances of £1.169m as at 31 March 2022. This is presented in the Financial Assets table above, as fair value through other comprehensive income – designated equity instruments. The authority did not intend to dispose of the shares at the Balance Sheet date.

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between input levels 1 and 2 during the year.

Changes in the Valuation Technique

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

Fair Values of Assets and Liabilities that are not measured at Fair Value (but which fair value disclosures are required)

Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment highlighting the impact of the

alternative valuation;

- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

LIABILITIES	31 March 2021		31 March 2022	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Borrowing	(67,482)	(93,676)	(67,482)	(84,931)

For long term borrowing, the fair value is higher than the carrying amount because the authority's portfolio of loans includes fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2022) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £84.931m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty Interest rates. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £67.482m would be valued at £84.931m. But, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £106.448m.

ASSETS	31 March 2021		31 March 2022	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Short Term investments	34,524	34,524	36,028	36,028
Welland Homes	3,710	3,710	3,738	3,738
Castle Sports	143	143	143	143

The loans to Welland Homes were made at the market rate at the time of issue. As at 31 March 2022 there had been no material changes to the market rates so the fair value of the loans are deemed to be unchanged.

NOTE 18 – DEBTORS

31 March 2021 Net £'000		31 March 2022 Gross £'000	31 March 2022 Impairment £'000	31 March 2022 Net £'000
213	Trade debtors	1,255	(157)	1,098
5,649	Council Tax & NDR debtors	4,625	(1,154)	3,471
1,151	Related parties	864	-	864
284	Prepayments	517	-	517
120	Costs	353	(233)	120
1,293	Other entities and individuals	2,411	(1,094)	1,317
8,710	Total	10,025	(2,638)	7,386

NOTE 19 – CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2021 £'000		31 March 2022 £'000
1,571	Bank current accounts	1,538
8,957	Deposits with Banks on Instant Access	10,815
10,528	Cash and Cash Equivalents categorised as Current Assets	12,353
-	Bank current accounts	-
-	Cash and Cash Equivalents categorised as Current Liabilities	-
10,528	Total Cash and Cash Equivalents	12,353

NOTE 20 – ASSETS HELD FOR SALE

Assets held for sale represent Council Houses to be sold under the Governments Right to Buy (RTB) Scheme. Fair Value is deemed to be the discounted RTB price paid by tenants to acquire the dwelling. This represents level 1 under the fair value hierarchy.

The balance outstanding at 31 March 2022 has significantly increased from the prior year due to more RTB applications being at the accepted stage by tenants who are eligible to purchase them.

2020/21 £'000		2021/22 £'000
989	Balance outstanding at start of year	1,391
1,184	Assets newly classified as held for sale:	
	- Property, Plant and Equipment	3,162
(70)	Assets declassified as held for sale:	
	- Property, Plant and Equipment	-
(712)	Assets sold	(961)
1,391	Balance outstanding at year end	3,592

NOTE 21 – CREDITORS

2020/21 £'000		2021/22 £'000
(1,963)	Trade payables	(2,793)
(5,094)	Council Tax & NDR payables	(2,753)
(1,816)	Other payables	(1,819)
(8,087)	Receipts in Advance	(9,432)
(16,960)	Total	(16,797)

NOTE 22 – PROVISIONS

	Business Rate Appeals £'000
Balance at 1 April 2021	(638)
Additional provisions made in 2021/22	(78)
Amounts used in 2021/22	26
Unused amounts reversed in 2021/22	178
Balance at 31 March 2022	(512)

The provision represents South Holland's share (40% of £1.279m) of the total provision for appeals against the rateable values set by the Valuation Office Agency (VOA) not settled as at 31 March 2022. The total provision has been recognised in the Collection Fund Statement (page 92).

NOTE 23 – USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

NOTE 24 – UNUSABLE RESERVES

31 March 2021 £'000		31 March 2022 £'000
31,952	Revaluation Reserve	39,632
103,743	Capital Adjustment Account	108,422
(43,953)	Pensions Reserve	(34,244)
44	Deferred Capital Receipts Reserve	42
(4,054)	Collection Fund Adjustment Account	(2,568)
(237)	Accumulated Absences Account	(308)
1,739	Financial Instruments Revaluation Reserve	2,617
89,234	Total Unusable Reserves	113,593

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. 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 and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2020/21 £'000	2020/21 £'000		2021/22 £'000	2021/22 £'000
	29,370	Balance at 1 April		31,952
5,184		Upward revaluation of assets	9,896	
(1,607)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(786)	
	3,577	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		9,110
(732)		Difference between fair value depreciation and historical cost depreciation	(976)	
(262)		Accumulated gains on assets sold or scrapped	(454)	
	(995)	Amount written off to the Capital Adjustment Account		(1,430)
	31,952	Balance at 31 March		39,632

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 Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2020/21 £'000		2021/22 £'000
(34,733)	Balance at 1 April	(43,953)
	Adjustment to opening balance to reflect change in share of joint operation at 1 April 2021	1,401
(7,562)	Remeasurements of the net defined benefit liability	11,484
	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(5,673)
(4,019)	Employer's pensions contributions and direct payments to pensioners payable in the year	2,497
2,361		
(43,953)	Balance at 31 March	(34,244)

Capital Adjustment Account

The Capital Adjustment Account 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 additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs. The

Account contains accumulated gains and losses on Investment Properties. It also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2020/21 £'000	2020/21 £'000		2021/22 £'000	2021/22 £'000
	102,926	Balance at 1 April		103,743
	-	Adjustment to opening balance to reflect change in share of joint operation at 1 April 2021		(66)
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(4,767)		Charges for depreciation and impairment of non-current assets	(5,111)	
1,538		Reversal of Revaluation losses on Property, Plant and Equipment	3,099	
(164)		Amortisation of intangible assets	(207)	
(6,129)		Revenue expenditure funded from capital under statute	(7,886)	
(2,390)		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,044)	
	(11,912)			(12,149)
	262	Adjusting amounts written out of the Revaluation Reserve		454
	732	Net written out amount of the cost of non-current assets consumed in the year		976
		Capital financing applied in the year:		
1,676		Use of the Capital Receipts Reserve to finance new capital expenditure	1,027	
3,046		Use of the Major Repairs Reserve to finance new capital expenditure	4,626	
535		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	8,357	
-		Minimum Revenue Provision	14	
4,988		Application of grants to capital financing from the Capital Grants Unapplied Account	-	
1,490		Capital expenditure charged against the General Fund and HRA balances	867	
	11,735			14,283
	-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		573
	103,743	Balance at 31 March		108,422

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2020/21 £'000		2021/22 £'000
47	Balance at 1 April	44
(3)	Transfer to the Capital Receipts Reserve upon receipt of cash	(2)
-	Other Movements	-
44	Balance at 31 March	42

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2020/21 £'000		2021/22 £'000
(146)	Balance at 1 April	(4,054)
	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	
(3,908)		1,486
(4,054)	Balance at 31 March	(2,568)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance and Housing Revenue Account Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance and Housing Revenue Account Balance is neutralised by transfers to or from the Account.

2020/21 £'000	2020/21 £'000		2021/22 £'000	2021/22 £'000
	(9)	Balance at 1 April		(237)
	-	Adjustment to opening balance to reflect change in share of joint operation at 1 April 2021		3
9		Settlement or cancellation of accrual made at the end of the preceding year	234	
(237)		Amounts accrued at the end of the current year	(308)	
	(228)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(74)
	(237)	Balance at 31 March		(308)

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve holds the gains and losses on the fair value of financial instruments.

2020/21 £'000		2021/22 £'000
1,716	Balance at 1 April	1,739
12	Welland Homes equity	783
11	South Holland Local Housing Community Interest Company equity	95
-	Investment in Municipal Bonds Agency (MBA)	-
1,739	Balance at 31 March	2,617

NOTE 25 – CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2020/21 £'000		2021/22 £'000
414	Interest received	34
(2,347)	Interest paid	(2,347)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2020/21 £'000		2021/22 £'000
4,766	Depreciation	5,111
236	Impairment and downward valuations	91
(1,774)	Impairment and revaluation losses/(gains) on HRA non dwellings	(3,190)
164	Amortisation of intangible assets	207
88	(Increase)/decrease in interest debtors	(4)
4,695	Increase in creditors	4,352
748	(Increase)/decrease in debtors	(1,086)
1,658	Movement in pension liability	3,176
(203)	Contribution to/(from) provisions	(127)
(23)	Adjustment for movements in fair value of investments classified as Fair Value through Other Comprehensive Income	-
2,390	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	2,044
-	Movement in Investment Property Values	(573)
(14)	Other non-cash items charged to the net surplus or deficit on the provision of services	-
12,731		10,001
(5,716)	<i>Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities</i>	
(2,264)	Capital Grants credited to surplus or deficit on the provision of services	(9,326)
	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,752)
(7,980)		(11,898)

NOTE 26 – CASH FLOW STATEMENT – INVESTING ACTIVITIES

2020/21 £'000		2021/22 £'000
(5,708)	Purchase of property, plant and equipment, investment property and intangible assets	(8,797)
(247,869)	Purchase of short term and long term investments	(56,329)
(494)	Other payments for investing activities	-
2,267	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,574
239,100	Proceeds from sale of short term investments	49,500
6,481	Other receipts from investing activities	9,881
(6,223)	Net cash flows from investing activities	(3,171)

NOTE 27 – CASH FLOW STATEMENT – FINANCING ACTIVITIES

2020/21 £'000		2021/22 £'000
(1,564)	Other payments for financing activities	(302)
(1,564)	Net cash flows from financing activities	(302)

NOTE 28 - RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2021/22 1 April £'000	Financing Cashflows £'000	Non-Cash Changes £'000	2021/22 31 March £'000
Debtors	5,053	(2,943)	2,110	(833)
Creditors	(4,720)	2,308	(2,412)	(104)
Total Liabilities from Financing Activities	333	(635)	(302)	(937)

NOTE 29 – MEMBERS' ALLOWANCES

The Council paid the following amounts to members of the Council during the year.

	2021/22 £'000	2020/21 £'000
Basic Allowance	233	233
Special Responsibility Expenses	169	163
	4	4
Total	406	400

NOTE 30 – OFFICERS’ REMUNERATION

The remuneration paid to the Council’s senior employees is as follows:

		Salary, Fees and Allowances	Expenses Allowances	Pension Contribution	Redundancy Payments	Total
		£	£	£	£	£
* Chief Executive	2021/22	-	-	-	-	-
	2020/21	-	-	-	-	-
* Deputy Chief Executive - Communities	2021/22	-	-	-	-	-
	2020/21	-	-	-	-	-
Deputy Chief Executive - Corporate Development and S151	2021/22	105,942	15	18,562	-	124,519
	2020/21	-	-	-	-	-
* Deputy Chief Executive - Growth	2021/22	-	-	-	-	-
	2020/21	-	-	-	-	-
* Deputy Chief Executive - Programme Delivery & SIRO	2021/22	-	-	-	-	-
	2020/21	-	-	-	-	-
Assistant Director - Governance and MO	2021/22	70,317	497	12,803	-	83,617
	2020/21	-	-	-	-	-

The Council has entered into a shared management arrangement with Boston Borough Council and East Lindsey District Council where the three councils share members of the management team. The Executive Managers referred to in the table above are employed by South Holland District Council. The remaining management team are employed by either Boston Borough Council or East Lindsey District Council. Details relating to the cost of this arrangement are included in the Related Party Transactions Note 33.

In October 2020 a strategic review of the shared management structure between South Holland and Breckland Councils was commissioned. Both councils have successfully developed and operated a shared management model for over 10 years which has been replicated across the Local Government sector, however during the covid-19 pandemic there was a ‘temporary uncoupling’ of shared managers to enable each council to focus on their own ‘places’. As a result of this successful place based working and the evolving needs to provide service to our residents to meet the challenges of the Covid-19 pandemic, Full Council approved in February 2021 that the existing shared management arrangements with Breckland would end with effect from May 2021. Staff have been ‘landed’ in their new roles at either South Holland or Breckland Councils, there were no redundancies. Some sharing of other services is continuing (such as legal and procurement) in the same manner as prior to May 2021.

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	2021/22 Number of Employees	2020/21 Number of Employees
£50,000 – £54,999	4	5
£55,000 – £59,999	3	1
£60,000 – £64,999	1	4
£65,000 – £69,999	2	-
£70,000 – £74,999	1	-
£75,000 – £79,999	1	1
£80,000 – £84,999	1	1

The Council terminated the contracts of 2 employees in 2021/22 incurring liabilities of £5,026 (£17,119 in 2020/21). The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
£0-£20,000	2	10	-	1	2	11	5,026	17,119
£20,001 - £40,000		-		-		-		-
Total cost included in bandings and in CIES (£)							5,026	17,119

NOTE 31 – EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Financial Statements.

	2021/22 £'000	2020/21 £'000
Statutory Audit Services		
Fees payable to Ernst & Young with regard to external audit services carried out for the year by the appointed auditor for the year	34	34
Audit Fees to prior years	47	20
Fees payable to KPMG LLP with regard to certification of grants and claims	16	14
	97	68
Other Audit Services		
Share of fees payable to KPMG LLP with regard to external audit services carried out for the year on behalf of Public Sector Partnership Services Ltd (formerly Compass Point Business Services)	3	3
	3	3
Total	100	71

NOTE 32 – GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22.

	2021/22 £'000	2020/21 £'000
Credited to Taxation and Non Specific Grant Income and Expenditure		
Covid-19 Related Grants and Contributions		
Local Authority Covid Support Grant	(477)	(1,340)
Covid-19 Income Compensation	(36)	(407)
Local Tax Income Guarantee	-	(856)
Business Rates Relief Grant – Expanded Retail and Nursery Relief	(1,419)	(3,149)
Other Grants and Contributions		
Revenue Support Grant	(277)	(275)
S31 Grant – Business Rates	(1,154)	(1,252)
S31 Grant - Council Tax	-	(13)
New Homes Bonus Scheme Grant	(758)	(1,067)
Other non-specific grants	(176)	(168)
Grants in relation to capital expenditure	(1,171)	(190)
Total Credited to Taxation and Non Specific Grant Income and Expenditure	(5,466)	(8,717)
Credited to Services		
Other Grants and Contributions		
Housing Benefit Subsidy	(11,293)	(12,244)
Council Tax and Housing Benefit Administration	(339)	(263)
Discretionary Housing Payments	(115)	(150)
Disabled Facilities Grant	(875)	(694)
Electoral Commission	-	(8)
Homelessness Grants	(273)	(185)
Grants for Growth	(789)	(740)
Housing Infrastructure Funding	(6,508)	(3,863)
Covid-19	(1,074)	(1,702)
Other grants	(1,047)	(1,146)
Total Credited to Services	(22,313)	(20,995)
Total Grants	(27,779)	(29,712)
Sources of Grants:		
Central Government	(26,026)	(28,459)
Other Local Authorities	(1,336)	(962)
Other Bodies	(417)	(291)
Total	(27,779)	(29,712)

Grants Received in Advance - Capital

	2021/22 £'000	2020/21 £'000
Long Term Liabilities		
MHCLG – Gypsy and Travellers	(196)	(196)
Private Developers – S106 Funding	(1,691)	(1,136)
Total	(1,887)	(1,332)

NOTE 33 – RELATED PARTIES

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

UK Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits).

Details of material transactions with Central Government are shown below. 2020/21 comparators shown in brackets.

• Funding from Government	Note 32	£226.026m	(£28.459m)
• Non-Domestic Rates Share Payable	Collection Fund	£12.519m	(£12.248m)
• Debtors		£2.374m	(£5.213m)
• Creditors		£1.520m	(£12.512m)

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2021/22 is shown in note 29. During 2021/22 a number of members had links to local Parish Councils, held positions on Internal Drainage Boards and other Local Community associations. Two members are Directors of Public Sector Partnership Services Ltd (formerly Compass Point Business Services (East Coast) Ltd). During 2021/22 four members were Directors of South Holland Local Housing Community Interest Company, and five members were Directors of Welland Homes Ltd.

Payments to Companies during the year (other than to those companies mentioned above) for which members are directors, amounted to £54,825 (£25,884 in 2020/21).

Details of specific transactions where members declared their interests are recorded in the Register of Members' Interest, open to public inspection at the Council Offices during office hours. The Council is compliant with the Localism Act 2012.

Other Public Bodies

Until 1 May 2021, joint management arrangements existed between South Holland District Council and Breckland District Council. The costs of this arrangement are shared between the two Councils. During the year, the Council paid Breckland £695k (£1.105m in 2020/21) for shared Breckland employee and other costs and received £64k (£206k in 2020/21) from Breckland for payment of shared South Holland employees and other costs. There was an outstanding balance of £95k due by South Holland and Breckland owed South Holland a balance of £21k at the end of March 2022.

Transactions with the Lincolnshire Pension Fund are detailed in note 36, Defined Benefits Pension Scheme.

Precepts paid to other authorities from Council Tax collected and other authorities retained share of National Non-Domestic Rates are detailed in the Collection Fund note.

The precept value paid to parish and town councils is included in Other Operating Expenditure in Note 10 and was £935,000 in 2021/22 (£935,000 in 2020/21)

Entities Controlled or Significantly Influenced by the Council***Public Sector Partnership Services Ltd (formerly Compass Point Business Services)***

Joint merged service organisation arrangements for the shared provision of a number of back office services with East Lindsey District Council and Boston Borough Council were implemented with effect from 1 April 2021, delivered through Public Sector Partnership Services Ltd (PSPS, formerly Compass Point Business Service (East Coast) Ltd (CPBS)). The Council's share of the Company's assets, liabilities, income and expenditure are shown in note 40. The balances outstanding between the Council and the Company at 31 March 2022 were Creditors £256.2k and Debtors £58.6k. One officer and two councillors were directors of PSPS Ltd during the year.

During 2021/22 payments totalling £3.5m were paid to PSPS (£3.5m 2020/21).

Further information about the accounts of PSPS is available from the Company Secretary, New Bailey, 4 Stanley Street, Manchester M3 5JL.

South Holland Homes and Welland Homes Ltd

The Council has two wholly owned subsidiary companies, South Holland Local Housing Community Interest Company and Welland Homes Ltd. Information and transactions for the year are set out in the group accounts. One officer was the company secretary of South Holland Homes during 2021/22 and another officer was the company secretary for Welland Homes Ltd.

NOTE 34 – 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. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR). This is a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2021/22	2020/21
	£'000	£'000
Opening Capital Financing Requirement	75,893	74,992
Capital Investment		
Property, Plant and Equipment	7,833	5,567
Intangible Assets	329	89
Revenue Expenditure Funded from Capital under Statute	7,886	6,129
Long Term Investments – Welland Homes	-	276
Long Term Debtor – Welland Homes	28	484
Sources of finance		
Capital receipts	(1,027)	(1,676)
Government grants and other contributions	(8,304)	(5,451)
Major Repairs Reserve	(4,626)	(3,046)
Sums set aside from revenue:		
Direct revenue contributions	(867)	(1,471)
Minimum Revenue Provision	(14)	-
Closing Capital Financing Requirement	77,131	75,893
Explanation of movements in year		
Minimum Revenue Provision	(14)	-
Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	1,252	901
Increase/(decrease) in Capital Financing Requirement	1,238	901

NOTE 35 – LEASES**Council as Lessee****Operating Leases**

The Council has acquired some of its vehicle fleet by entering into operating leases, which typically have a 5 year life. It also has entered into some property leases.

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

	31 March 2022 £'000	31 March 2021 £'000
Not later than 1 year	20	20
Later than 1 year and not later than 5 years	72	1
	92	21

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2021/22 £'000	2020/21 £'000
Minimum lease payments	23	19
	23	19

Council as Lessor**Operating Leases**

The Council leases out a number of items of land and property under operating leases.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2022 £'000	31 March 2021 £'000
Not later than 1 year	342	222
Later than 1 year and not later than 5 years	512	197
Later than 5 years	152	196
	1006	615

In addition, the Council received £119,325 as a charge for office space (£190,281 in 2020/21) from Public Sector Partnership Services Ltd in respect of the usage of office space only. No formal long term arrangement currently exists.

There are no contingent rents payable to/from the Council, both as lessee and lessor.

NOTE 36 – DEFINED BENEFIT PENSION SCHEMES**Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, there is a commitment to make the payments and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered by Lincolnshire County Council. This is a funded defined benefit scheme, meaning that the employer and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Lincolnshire pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Lincolnshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme, changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

The financial information contained in this note includes the position for South Holland District Council together with a share for Public Sector Partnership Services Ltd (formerly Compass Point Business Services Ltd) to comply with the accounting requirements for Joint Operations.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax and housing rents is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance and Housing Revenue Account Balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme	
	2021/22	2020/21 £'000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
<i>Service cost comprising</i>		
Current service cost	4,777	3,164
Administration Costs	54	51
Past Service costs (including curtailments)	-	13
<i>Financing and Investment Income and Expenditure</i>		
Net interest expense	842	791
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	5,673	4,019
<i>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>		
Remeasurement of net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(6,438)	(13,789)
Actuarial (gains) and losses arising on changes in demographic assumptions	-	(1,103)
Actuarial (gains) and losses arising on changes in financial assumptions	(5,312)	23,639
Other experience	267	(1,185)
Total Remeasurements recognised in Other Comprehensive Income and Expenditure	(11,483)	7,562
Total Post-employment Benefit charged to the Comprehensive Income and Expenditure Statement	(5,810)	11,581
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(3,176)	(1,658)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	2,417	2,274
Contributions in respect of unfunded benefits	80	87

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme	
	2021/22	2020/21
	£'000	£'000
Present Value of the defined obligation	(116,173)	(120,008)
Fair Value of plan assets	81,929	76,055
Net Liability arising from defined benefit obligation	(34,244)	(43,953)

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	Local Government Pension Scheme	
	2021/22	2020/21
	£'000	£'000
Opening fair value scheme assets	76,054	61,610
Change in PSPS ownership	(3,413)	-
Interest Income	1,483	1,255
Remeasurement gain/(loss)		
The return on plan assets, excluding the amount included in the net interest expense	6,438	13,789
Contributions from employer	2,417	2,274
Contributions from employees into the scheme	590	526
Contributions in respect of unfunded benefits	80	87
Settlement prices/(paid)	1,002	-
Administration Cost	(54)	(51)
Benefits paid	(2,668)	(3,435)
Closing fair value of scheme assets	81,929	76,055

Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme	
	2021/22	2020/21
	£'000	£'000
Opening Balance at 1 April	120,008	96,343
Change in PSPS ownership	(4,815)	-
Current Service Cost	4,131	3,164
Past Service Cost	-	13
Interest Cost	2,324	2,046
Contributions from scheme participants	590	526
Liabilities Assumed/(Extinguished on Settlements)	1,648	-
<i>Remeasurements (gains) and losses:</i>		
Actuarial (gains) and losses arising on changes in demographic assumptions	-	(1,103)
Actuarial (gains) and losses arising from changes in financial assumptions	(5,312)	23,639
Other experience	267	(1,185)
Benefits paid	(2,668)	(3,435)
Closing Balance at 31 March	116,173	120,008

Local Government Pension Scheme assets comprised:

	2021/22		2020/21	
	Quoted prices in active markets £'000	% of Total assets	Quoted prices in active markets £'000	% of Total assets
Cash and Cash Equivalents	3,113	4%	3,422	5%
<u>Equity Instruments</u>				
UK	12,945	16%	12,321	16%
Overseas	32,608	40%	31,259	41%
<u>Debt Securities</u>				
Corporate Bonds - UK	7,537	9%	7,529	10%
Corporate Bonds - Overseas	-	-	-	-
Fixed Interest Government - UK	819	1%	837	1%
Fixed Interest Government - Overseas	-	-	-	-
Index Linked Government - UK	1,229	1%	1,293	2%
Index Linked Government - Overseas	-	-	-	-
Property	5,653	7%	5,324	7%
Private equity	246	-	228	-
<u>Others</u>				
Hedge Fund	164	-	-	-
Infrastructure	492	1%	456	1%
Bonds	-	-	-	-
Commodities	492	1%	380	-
Credit Diversified Income	3,769	5%	2,510	3%
Other Diversified Alternatives	1,229	1%	1,217	2%
Private Debt	-	-	-	-
Forward Currency Contracts	-	-	-	-
Total	70,296	86%	66,776	88%

	2021/22		2020/21	
	Unquoted prices in active markets £'000	% of Total assets	Unquoted prices in active markets £'000	% of Total assets
Cash and Cash Equivalents	-	-	-	-
<u>Equity Instruments</u>				
UK	-	-	-	-
Overseas	-	-	-	-
<u>Debt Securities</u>				
Corporate Bonds - UK	-	-	-	-
Corporate Bonds - Overseas	-	-	-	-
Fixed Interest Government - UK	-	-	-	-
Fixed Interest Government - Overseas	-	-	-	-
Index Linked Government - UK	-	-	-	-
Index Linked Government – Overseas	-	-	-	-
Property	328	-	228	-
Private equity	5,407	7%	4,259	5%
<u>Others</u>				
Hedge Fund	2,294	3%	2,282	3%
Infrastructure	2,622	3%	1,977	3%
Bonds	-	-	-	-
Commodities	-	-	-	-
Credit Diversified Income	-	-	-	-
Other Diversified Alternatives	164	-	(152)	-
Private Debt	819	1%	761	1%
Forward Currency Contracts	82	-	(76)	-
	-	-	-	-
Total	11,716	14%	9,279	12%

Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme has been assessed by Barnett Waddingham, an independent firm of actuaries; estimates for the Lincolnshire Pension Fund are based on the latest full valuation of the scheme as at 31 March 2019, transferred from Hymans Robertson.

The significant assumptions, for the Council, used by the actuary have been:

	Local Government Pension Scheme	
	2021/22	2020/21
<i>Mortality assumptions:</i>		
Longevity at 65 for current pensioners (years):		
- Men	21.2	21.1
- Women	23.7	23.6
Longevity at 65 for future pensioners (years):		
- Men	22.1	22.0
- Women	25.1	25.0
Rate of increase in salaries	3.5%	3.1%
Rate of increase in pensions	3.2%	2.8%
Rate for discounting scheme liabilities	2.6%	2.0%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Present Value of Obligation £'000	Projected Service Cost £'000
0.1% decrease in Discount Rate	101,435	3,870
0.1% increase in the Salary Increase Rate	99,799	3,770
0.1% increase in the Pension Increase Rate	101,217	3,869

Impact on the Council's Cash Flows

The contributions paid by the Council are set by the Fund Actuary at each triennial actuarial valuation, the most recent being 31 March 2019. The employer's contributions rate, over the period to 31 March 2023 will be 17.4%, a 0.7% increase from the level set at the previous triennial valuation.

Employer contributions payable to the scheme in 2022/23 are estimated to be £2.383m.

NOTE 37 – CONTINGENT LIABILITIES

At 31 March 2022 the Council identified no material contingent liabilities.

NOTE 38 – CONTINGENT ASSETS

At 31 March 2022 the Council has identified the following material contingent assets:

Decent Homes Loans

The Council has, for a number of years, been giving property owners loans to enable them to improve their homes to meet a decent standard. These loans have been registered with Land Registry and will only become repayable, together with interest and a proportion of the increased property value, once the dwelling is sold

or otherwise disposed of. The disposal and therefore repayment could be many years in the future. Loans outstanding as at 31 March 2022 are £501,000 (£514,000 at 31 March 2021).

NOTE 39 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

The Council's activities expose it to a variety of financial 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 rate movements.

Overall procedures for managing risk

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

Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This 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, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below.

This Council uses the creditworthiness service provided by Link Group. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries.

The full Investment Strategy for 2021/22 was approved by Council on 3 March 2021 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £29.5m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is

rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2022 that this was likely to crystallise.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions:

	Amount at 31 March 2022 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2022 %	Estimated maximum exposure to default and uncollectability at 31 March 2022 £'000	Estimated maximum exposure at 31 March 2021 £'000
	A	B	C	(A x C)	
Debtors	2,651	0.66%	0.66%	17	49

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for its customers, such that £755,833 of the £2.651m trade debtor balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2022 £'000	31 March 2021 £'000
Less than three months	117	450
Three to six months	38	8
Six months to one year	237	57
More than one year	364	144
TOTAL	756	659

During the reporting period the Council held no collateral as security.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities (borrowing) is as follows:

	31 March 2022 £'000	31 March 2021 £'000
Less than one year	26	26
More than ten years	67,456	67,456
	67,482	67,482

Most trade and other payables are due to be paid in less than one year. The exceptions to this relate to car loans to staff and a loan to Castle Leisure which are due to be paid within five years.

Refinancing and maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments for greater than one year in duration are the key parameters used to address this risk. The approved treasury and investment strategies address the main risks and the treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer-term investments.

Market Risk

Interest Rate Risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- borrowings at fixed rates – the fair value of the borrowing will fall
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The treasury team monitors market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns; similarly the drawing of longer term fixed rate borrowing would be postponed.

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

	£'000
Increase in interest receivable on variable rate investments	172
Impact on Surplus or Deficit on the Provision of Services	172
Share of overall impact credited to the HRA	69

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk - The Council does not generally invest in equity share or marketable bonds. However, it does have shareholdings in Public Sector Partnership Services Ltd (formerly Compass Point Business Services (East Coast) Ltd), a joint venture with East Lindsey District Council and Boston Borough Council.

It also holds an equity stake in the UK Municipal Bonds Agency and is the sole shareholder of Welland Homes Limited and South Holland Local Community Housing Interest Company. This equity is valued at fair value through other comprehensive income each year and full details are shown in Note 17 – Financial Instrument.

Foreign Exchange Risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

NOTE 40 – JOINT OPERATION

As at 31 March 2022, South Holland has shared control with East Lindsey District Council and Boston Borough Council over Public Sector Partnership Services Limited (formerly Compass Point Business Services (East Coast) Ltd), a company established in 2010 to provide 'back office' services to the Councils. From 1 April 2021, East Lindsey owns 48% of the company, South Holland owns 28% and Boston Borough Council owns 24%, but voting rights are split equally. In 2020/21 and prior years, East Lindsey owned 63% and South Holland owned 37%.

This arrangement is classified as a joint operation. The Council recognises on its Balance Sheet an appropriate share of its rights to the assets and obligations for the liabilities and debits and credits the Comprehensive Income and Expenditure Statement with its share of expenses incurred and income it earns from the activity of the Company.

Public Sector Partnership Services' attributable proportion included in the Council's Balance Sheet as at 31 March 2022:

31 March 2021 £'000		31 March 2022 £'000
3	Property, Plant and Equipment	1
211	Intangible Assets	178
214	Long Term Assets	179
64	Short Term Debtors	104
471	Cash and Cash Equivalents	567
535	Current Assets	671
-	Cash and Cash Equivalents	-
(224)	Short Term Creditors	(231)
(224)	Current Liabilities	(231)
(5,759)	Other Long Term Liabilities	(3,499)
(5,234)	Net Liabilities	(2,880)
300	Usable Reserves General Fund	438
	Unusable Reserves	
235	Capital Adjustment Account	187
(5,759)	Pension Reserve	(3,499)
(10)	Accumulated Absences Adjustment Account	(6)
(5,534)		(3,318)
(5,234)	Total Reserves	(2,880)

Public Sector Partnership Services' attributable proportion included in the Council's Comprehensive Income and Expenditure Account for the year:

31 March 2021 £'000		31 March 2022 £'000
3,119	Gross Pay, National Insurance and Pensions	3,203
(8)	Premises Related Expenses	(3)
21	Transport Related Expenses	18
423	Supplies and Services	452
15	Depreciation and Amortisation	36
3,570	Gross Operating Expenditure	3,706
(20)	Other Income	(23)
3,550	Cost of Services	3,683
63	Net interest on the net defined benefit liability	745
(1)	Interest receivable and similar income	-
4	Tax liability	5
3,616	(Surplus)/Deficit on the Provision of Services	4,432
2,548	Remeasurements of the net defined benefit liability	(3,573)
6,164	Total Comprehensive Income and Expenditure	859

NOTE 41 – TRUST FUNDS

The Council is custodian trustee for:

IVO Day Care Centre

The Council holds and invests £10,000 on behalf of the trust. This is not held on the Council's Balance Sheet.

Weston St Mary's Village Hall

The Council is a custodian trustee for the village hall. It has no liability for debts and is not responsible for the management of the trust property.

Ayscoughfee Hall and Gardens (registered charity 515905)

The Council, as trustee, holds the deeds on behalf of the people of Spalding.

Sir Halley Stewart Playing Field (registered charity 1084450)

Day to day running costs for Ayscoughfee Hall and Gardens and the Sir Halley Stewart Playing Field are included in the Council's Comprehensive Income and Expenditure Statement. Values placed on these assets, by an external RICS qualified valuer are shown below. They are not included in the Council's Balance Sheet.

Ayscoughfee Hall and Gardens £1,456,000 last revalued as at 31 March 2022.

Sir Halley Stewart Playing Field £144,300 last revalued as at 31 March 2022.

Trust Fund Revenue Account	2021/22			2020/21		
	Expenditure £'000	Income £'000	Net £'000	Expenditure £'000	Income £'000	Net £'000
Ayscoughfee Hall and Gardens	409	(59)	350	293	(55)	238
Sir Halley Stewart Playing Field	34	(3)	31	41	(1)	40

NOTE 42 – GOING CONCERN

The CIPFA Code confirms that local authority accounts must be prepared on a going concern basis. The coronavirus restrictions across the UK, have created significant issues for many businesses and residents and as a result from April 2020, Council income was affected detrimentally as payers sought to defer payments. The government has provided some support for lost income and for the additional costs borne by authorities because of the crisis and the Council has received just over £3.191 million in this regard to date.

Covid-19 Grant Support funding	Year	£'000
Local Authority Support Grant		
Tranche 1	2019/20	59
Tranches 2 to 4	2020/21	1,340
Tranche 5	2021/22	477
Sales, Fees and Charges Compensation	2020/21	407
	2021/22	37
New Burdens Grant	2020/21	189
	2021/22	297
Test & Trace	2021/22	385
Total		3,191

Our most recent year end balances, as reported in these statements are as follows.

Date	General Fund	Earmarked reserves
31 March 2022	£2.078m	£9.783m

We have carried out an assessment of the impact of Covid-19 on our future finances and we are satisfied that there is no material uncertainty relating to the Council's going concern. Through our assessment we have identified that we have had reductions in our major income sources in 2021/22 as follows:

- Car park income – £172k reduction.

Additional costs relating to Covid-19 have been identified for 2021/22 as £1.018m.

Allowing for the expected income grant from government and allowances within reserves already set aside to cover these types of events, we would expect our 2021/22 outturn to show a revised deficit of £0.249m, before application of government grants and taking into account a cautious recovery from the impact of Covid-19 on income streams and a likely reduction in the availability of support grants. This would be funded from a combination of government grants and reserves which would then protect the General Fund balance to remain at £2.078m at 31 March 2022.

The Council has undertaken cash flow modelling through to March 2023 which demonstrates the Council's ability to work within its Capital Financing Requirement and Cash management framework, with a positive cash position throughout the period.

The Council thereby concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will be a going concern to March 2023, 12 months from the date of authorisation of these Financial Statements, based on its cash flow forecasting and the resultant liquidity position of the Council, taking account of the cash and short-term investment balances of £47.7 million at 31 March 2022. This demonstrates that the Council has sufficient liquidity over the same period, and no requirement to borrow.

SUPPLEMENTARY FINANCIAL STATEMENTS**HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT**

2020/21 £'000	2021/22 £'000
	Expenditure
2,461	Repairs and maintenance 2,899
4,291	Supervision and management 4,904
61	Rents, rates, taxes and other charges 55
3,816	Depreciation of non-current assets (Note 6) 4,214
82	Debt management expenses 82
10,711	Total Expenditure 12,154
	Income
(15,066)	Dwelling and non dwelling rents (15,275)
(1,203)	Charges for services & facilities (1,144)
(5)	Contribution towards expenditure (58)
(1,775)	Revaluation of non current assets (3,190)
(18,049)	Total Income (19,667)
(7,338)	Net income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement (7,513)
469	HRA share of Corporate and Democratic Core 633
(6,869)	Net income for HRA Services (6,880)
	HRA Share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement
(414)	(Gain)/loss on sale of HRA non-current assets (570)
2,347	Interest payable and similar charges 2,347
18	Movement in the allowance for bad debts 15
(79)	Interest and investment income (21)
172	Net interest on the net defined benefit liability 180
(190)	Capital grants and contributions (707)
(5,015)	Surplus for the year on HRA services (5,636)

The accompanying notes form an integral part of the Financial Statements.

MOVEMENT ON THE HRA STATEMENT

2020/21 £'000		2021/22 £'000
19,809	Balance on the HRA at the end of the previous reporting period	22,828
5,015	Surplus for the year on the HRA Income and Expenditure Statement	5,636
(1,996)	Adjustments between accounting basis and funding basis under statute	(4,000)
22,828	Balance on the HRA at the end of the current reporting period	24,464

Adjustments between accounting basis and funding basis under statute

2020/21 £'000		2021/22 £'000
(414)	(Gain)/loss on sale of HRA non-current assets	(570)
48	Employee Benefits	(5)
334	HRA Share of contributions to or from the Pension Reserve	472
(3,816)	Transfers to the Major Repairs Reserve	(4,214)
(190)	Application of Capital Grants to Capital Adjustment Account	(707)
3,816	Differences relating to changes in property values Funding of depreciation from Capital Adjustment Account	4,214
(1,774)	Reversal of Revaluation losses on HRA Property	(3,190)
(1,996)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(4,000)

The accompanying notes form an integral part of the Financial Statements.

NOTES TO THE HOUSING REVENUE ACCOUNT

NOTE 1 – PURPOSE OF HRA STATEMENT

The HRA Income and Expenditure Statement shows the economic cost in the year 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 Housing Revenue Account Statement.

NOTE 2 – HOUSING STOCK

The Council was responsible for managing 3,764 dwellings at 31 March 2022 (3,793 at 31 March 2021). The stock is analysed below by number of bedrooms. The Council has an equity share in 28 shared ownership properties, with the Council's equity share being equivalent to 16 dwellings.

Analysis of Housing Stock at 31 March 2022	1 Bed	2 Bed	3 Bed	3+ Bed	Total
HRA Housing Stock					
Houses	8	340	1,451	14	1,813
Bungalow	670	990	-	-	1,660
Flats	110	153	-	-	263
Shared Ownership	1	15	12	-	28
Total	789	1,498	1,463	14	3,764

NOTE 3 – RENT ARREARS

Rent arrears at 31 March 2022 amounted to £692,000 (£742,000 in 2020/21) and are analysed as follows:

	31 March 2022 £'000	31 March 2021 £'000
Rent Arrears Due From		
Residential - Current Tenants	358	436
- Former Tenants	321	292
Non Residential - Garages	13	14
Total	692	742
These arrears include all charges due from tenants: rents, service charges and other charges.		
Allowance for bad debts	(405)	(398)

NOTE 4 – ASSET VALUES

The Balance Sheet value of assets within the Council's HRA is shown below:

	31 March 2022 £'000	31 March 2021 £'000
Property, Plant and Equipment		
Council Dwellings	184,572	176,134
Other Land and Buildings	283	283
Infrastructure – Housing Sewerage	225	362
Vehicles, Plant and Equipment	366	324
Surplus Assets	668	468
Community Assets	46	46
	186,160	177,617
Non-operational assets		
Assets Under Construction	161	131
Intangible Non-Current Assets	358	288
Assets Held For Sale	1,993	1,391
Total	188,672	179,427

NOTE 5 – VACANT POSSESSION

The vacant possession value is the Council's estimate of the total sum that it would receive if all the dwellings were sold on the open market. The Balance Sheet value is calculated on the basis of rents receivable on existing tenancies. These are less than would be obtainable on the open market, and the Balance Sheet value is therefore lower than the vacant possession valuation. The difference between the two values therefore shows the economic cost of providing housing at less than market value. The vacant possession value of dwellings within the HRA is shown below:

	2021/22 £'000	2020/21 £'000
Vacant possession value	441,663	419,367

NOTE 6 – DEPRECIATION

	2021/22 £'000	2020/21 £'000
Depreciation		
Council dwellings	3,879	3,497
Other Land and Buildings	4	-
Infrastructure - Housing Sewerage	137	145
Vehicles, Plant & Equipment	96	94
	4,116	3,736
Amortisation		
Intangible Assets	98	80
Total	4,214	3,816

NOTE 7 – CAPITAL EXPENDITURE AND FINANCING

	2021/22 £'000	2020/21 £'000
Expenditure		
Improvements and enhancements to Council Dwellings	4,448	2,969
New Build – Council Dwellings	5	1,258
Improvements to wastewater treatments	-	-
Purchase of Units	364	607
Vehicles, Plant & Equipment	96	19
Information systems	217	59
Total Expenditure	5130	4,912
Financing		
Capital receipts	457	1,676
Major Repairs Reserve	4,626	3,046
Grants and Contributions	47	190
Total Financing	5,130	4,912

NOTE 8 – CAPITAL RECEIPTS FROM DISPOSAL OF ASSETS

	2021/22 £'000	2020/21 £'000
Sale of Council Houses under the Right to Buy Scheme	2,372	1,024
Repayment of RTB Discount	27	-
Shared Ownership Sales Proceeds	156	1,259
Total from Disposals	2,555	2,283

NOTE 9 – MAJOR REPAIRS RESERVE

The Major Repairs Reserve is maintained to meet HRA Capital Investment. Movements on the reserve were:

	2021/22 £'000	2020/21 £'000
Balance at 1 April	4,356	3,586
Transfers from the HRA		
Depreciation	4,214	3,816
Funding set-aside for Capital Investment		
Financing of Capital Investment	(4,626)	(3,046)
Balance at 31 March	3,944	4,356

COLLECTION FUND STATEMENT

2020/21			2021/22		
Council Tax £'000	Non-Domestic Rates £'000	Total £'000	Council Tax £'000	Non-Domestic Rates £'000	Total £'000
(51,934)		(51,934)			
	(19,747)	(19,747)			
	(520)	(520)			
-	(430)	(430)			
-	(113)	(113)			
(51,934)	(20,810)	(72,744)			
Income					
			(54,286)		(54,286)
				(22,857)	(22,857)
				(3,698)	(3,698)
				(2,958)	(2,958)
				(740)	(740)
			(54,286)	(30,253)	(84,539)
Total Income					
Expenditure					
	12,248	12,248		12,519	12,519
6,241	9,799	16,040	6,480	10,015	16,495
38,110	2,450	40,560	39,280	2,504	41,784
7,162		7,162	7,668		7,668
	2,882	2,882		1,790	1,790
392	2,320	2,712	464	(416)	48
	266	266		(251)	(251)
	104	104		105	105
	356	356		359	359
64	-	64	12	-	12
	-	-		-	-
390	-	390	75	-	75
66		66	14		14
52,425	30,425	82,850	53,993	26,625	80,618
Total Expenditure					
491	9,615	10,106	(293)	(3,628)	(3,921)
(635)	564	(71)	(144)	10,179	10,035
(144)	10,179	10,035	(437)	6,551	6,114
Deficit/(surplus) at end of year (Note 5)					

NOTES TO THE COLLECTION FUND STATEMENT**NOTE 1 – PURPOSE OF COLLECTION FUND STATEMENT**

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities and the Government of council tax and non-domestic rates.

NOTE 2 – COUNCIL TAX RECEIVABLE

Council Tax income derives from charges raised according to the value of residential properties that have been classified into eight Valuation Bands (A to H). Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Lincolnshire County Council, Police and Crime Commissioner for Lincolnshire and South Holland District Council, together with the relevant Parish requirement.

This is then divided by the council tax base, i.e. the number of properties in each valuation band, converted to an equivalent number of band D dwellings and adjusted for discounts and exemptions.

The council tax base was calculated as follows:

Band	No. of properties on Valuation List	No. of chargeable dwellings	Ratio	Band D equivalent dwellings
A (with Disabled Relief)		38	5/9	21
A	15,927	11,849	6/9	7,899
B	9,098	7,714	7/9	6,000
C	10,156	9,054	8/9	8,048
D	4,287	4,301	9/9	4,301
E	1,907	1,780	11/9	2,175
F	390	370	13/9	534
G	109	99	15/9	165
H	13	9	18/9	18
Band D Equivalents				29,161
Allowance for non-collection (1.26%)				(367)
District Tax Base				28,794

The basic amount of council tax for a band D property including an average parish charge, £1,822.81 (2020/21 £1,808.01), is then multiplied by the ratio specified for the particular band to give an individual amount due.

NOTE 3 – NON-DOMESTIC RATES RECEIVABLE

Under the arrangements for non-domestic rates, the Council collects rates for its area based on local rateable values (determined by the Valuation Office Agency, an executive agency of HM Revenue and Customs) multiplied by the multiplier (determined by the Government). For 2021/22 there are two multipliers, the non-domestic rating multiplier of 51.2p and the small business non-domestic rating multiplier of 49.9p.

The Council's total Non-Domestic Rates Rateable Value at 31 March 2022 was £60.556m (31 March 2021 £61.124m).

NOTE 4 – NON-DOMESTIC RATES PROVISION FOR APPEALS

The Collection Fund provides for a provision for appeals against the Rateable Value set by the Valuation Office Agency (VOA) not settled at 31 March 2022.

	Business Rate Appeals	
	£'000	£'000
Balance at 1 April 2021		(1,595)
Amounts used in 2021/22		65
Additional provisions made in 2021/22	(196)	
Unused amounts reversed in 2021/22	447	
		251
Balance at 31 March 2022		1,279

NOTE 5 – COLLECTION FUND DEFICIT/ (SURPLUS)

As at 31 March 2022, the net deficit on the Collection Fund is £6.114m (Net deficit £10.035m at 31 March 2021).

The Council Tax surplus is apportioned to the relevant precepting bodies based on the following year's Council Tax requirement. The Business Rates deficit relating to 2021/22 is apportioned to South Holland (40%), Central Government (50%) and Lincolnshire County Council (10%).

The balance on the Collection Fund is allocated as follows:

2020/21			2021/22	
Council Tax	Non-Domestic Rates		Council Tax	Non-Domestic Rates
£'000	£'000		£'000	£'000
	5,089	Central Government		3,276
(17)	4,072	South Holland District Council	(52)	2,620
(106)	1,018	Lincolnshire County Council	(323)	655
(21)		Police and Crime Commissioner for Lincolnshire	(62)	
(144)	10,179	(Surplus)/deficit	(437)	6,551

GLOSSARY OF TERMS

Accounting Period

This is the period of time covered by the accounts, normally twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accruals Basis

The accruals principle is that income is recorded when it is earned rather than when it is received and expenses are recorded when goods and services are received rather than when the payment is made.

Actuarial Gains and Losses

Actuaries assess financial and non-financial information by the Council to project levels of future pension fund requirements. Changes in actuarial deficits or surpluses can arise leading to a loss or gain because:

- events have not coincided with the actuarial assumptions made for the last valuation
- the actuarial assumptions have changed

Appointed Auditors

Public Sector Audit Appointments Limited (PSAA) appoints external auditors to every local authority from one of the major firms of registered auditors. For South Holland this is Ernst and Young.

Balance Sheet

This is a statement of the recorded assets, liabilities and other balances held at the end of the accounting period.

Balances

The balances of the Council represent the accumulated surplus of income over expenditure on any of the funds.

Capital Adjustment Account

The Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (e.g. Disabled Facilities Grants). The balance on this account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure

This is expenditure on the acquisition of a non-current asset (fixed asset), or expenditure, which adds to, and not merely maintains, the value of an existing non-current asset.

Capital Receipts

Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

Carrying Amount

The Balance Sheet value recorded of either an asset or a liability.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the financial year.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services

Collection Fund

A fund administered by the Council showing the transactions of the billing authority (South Holland) in relation to the collection from taxpayers and the distribution to local authorities and the Government of council tax and non-domestic rates.

Community Assets

These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately and for which, provision has not been made in the Council's accounts.

Council Tax

This is one of the main sources of local taxation to local authorities. Council tax is levied on households within its area by the billing authority (South Holland) and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.

Council Tax Requirement

This is the estimated revenue expenditure on General Fund services that is required to be financed from council tax after deducting income from fees and charges, certain specific grants and any funding from reserves,

Creditors

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the Balance Sheet date.

Current Service Cost

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

Curtailement

Curtailements will allow the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year

Debtors

These are sums of money due to the Council that have not been received at the Balance Sheet date.

Deferred Capital Receipts

These represent capital income still to be received after disposals have taken place.

Defined Benefit Scheme

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Ministry of Housing, Communities and Local Government (MHCLG)

The CLG is a key Department within Central Government with the overriding responsibility for determining the allocation of general resources to local authorities.

Depreciation

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed (non-current) asset.

Earmarked Reserves

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Accounts are authorised for issue.

Exceptional Items

Material items deriving from events or transactions that fall within the ordinary activities of the Council but which need to be disclosed separately by virtue of their size and/or incidence, to give fair presentation of the accounts.

External Audit

The independent examination of the Council's activities and accounts to ensure that the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

Expenditure

This is amounts paid by the Council for goods and services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods or services have been received even if they have not been paid for.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Finance Lease

A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes Investments, trade receivables and trade payables.

General Fund

This is the main revenue fund of the Council and includes the net cost of all services financed by local taxpayers and Government Grants.

Heritage Assets

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Housing Revenue Account

Local authorities are required to maintain a separate account – the Housing Revenue Account – which sets out the expenditure and income arising from the provision of Council housing. Other services are charged to the General Fund.

Impairment

A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

Income

These are amounts due to the Council for goods supplied or services rendered of either a capital or a revenue nature. This does not necessarily involve a cash payment. Income is deemed to have been earned once the goods or the services have been supplied even if the payment hasn't been received (in which case the recipient is a debtor to the Council).

Infrastructure Assets

Fixed assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

Intangible Assets

These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include Software Licenses.

Internal Borrowing

The use of internal cash balances to pay for the unfinanced element of capital expenditure rather than taking on additional external borrowing.

International Financial Reporting Standards

These are defined Accounting Standards that must be applied by all reporting entities to all Financial Statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with Financial Statements of other entities.

Joint Operation

A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current Liabilities are usually payable within one year of the Balance Sheet date.

Materiality

The concept that the Accounts should include all amounts which, if omitted or mis-stated, could be expected to lead to a distortion of the Financial Statements and ultimately mislead a user of the accounts.

National Non-Domestic Rates (Business Rates)

This is one of the main sources of local taxation to local authorities. NDR is the levy on business property, based on a national rate in the pound applied to the rateable value of the property.

Net Book Value (NBV)

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

Net Debt

Net debt is the Council's borrowings less cash and liquid resources.

Net Realisable Value (NRV)

NRV is the open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Non-Current Assets (Fixed Assets)

Assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

Non-Operational Assets

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

Operational Assets

Fixed assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Operational Boundary

This reflects the maximum anticipated level of external debt consistent with budgets and forecast cash flows.

Operating Lease

This is a type of lease usually for computer equipment or office furniture and equipment where the balance of risks and rewards of holding assets remains with the lessor. The assets remain the property of the lessor and the lease costs are revenue expenditure to the Council.

Precept

The amount levied by various authorities that is collected by the Council on their behalf. The precepting authorities in South Holland are Lincolnshire County Council and the Police and Crime Commissioner for Lincolnshire.

Prior Year Adjustment

These are material adjustments which are applicable to an earlier accounting period arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provision

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

Public Works Loan Board (PWLB)

A Central Government Agency which provides loans, for one year and above, to Councils at interest rates only slightly higher than those at which the government can borrow itself.

Related Parties

Related parties are Central Government, other Local Councils, precepting and levying bodies, subsidiary and associated companies. Related parties are deemed to include the Council's elected members, the Chief Executive and its Directors. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual or member of their close family or the same household has a controlling interest.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expense allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received. Pension contributions payable by the employer are excluded.

Reserves

The accumulation of surpluses, deficits and appropriations arising from previous financial years. Reserves can either be usable; that is, available to meet the Council's future expenditure plans and unusable; that is, those maintained purely for accounting purposes.

Revaluation Reserve

The Reserve records the accumulated gains on the fixed assets held by the Council arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

Revenue Expenditure

Expenditure incurred on the day-to-day running of the Council. This mainly includes employee costs, general running expenses and capital financing costs.

Revenue Expenditure Funded From Capital under Statute (REFCUS)

Expenditure incurred in year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the Comprehensive Income and Expenditure Statement.

Revenue Support Grant

A grant paid by Central Government towards the cost of providing General Fund services.

Service Potential

Future benefits that an asset is expected to bring to the Council.

Treasury Management

This is the process by which the Council controls its cash flow and its borrowing and lending activities.

Treasury Management Strategy

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

DRAFT ANNUAL GOVERNANCE STATEMENT

For the Year Ended 31 March 2022

Scope of responsibilities

South Holland District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded, properly accounted for, used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, South Holland District Council is also responsible for ensuring that there is a sound system of governance which facilitates the effective exercise of its functions, guarantees that the financial and operational management of the authority is effective and includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is due to be reviewed in line with the latest guidance. This work will be undertaken in 2022, this will be to ensure it is consistent with the principles of the latest CIPFA / SOLACE Framework Delivering Good Governance in Local Government guidance. A copy of the Council's code is on our website at www.sholland.gov.uk or can be obtained from the Council offices.

This statement explains how South Holland District Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to consideration of the findings of a review of the system of internal control and approval and publication of an annual governance statement.

The purpose of the Governance Framework

The Governance Framework comprises the systems and processes, culture and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically. It cannot eliminate all risk and can only provide reasonable and not absolute assurance of effectiveness.

The Governance Framework has been in place at South Holland District Council for the year ended 31 March 2022 and up to the date of approval of the Financial Statements.

The Governance Framework

Vision and Priorities – the Council's ambition is to continue to increase the prosperity and wellbeing of residents and businesses, whilst striving to protect and enhance the district's environment and its unique and historic character. Council priorities are:

- To develop safer, stronger, healthier and more independent communities while protecting the most vulnerable,
- To have pride in South Holland by supporting the district and residents to develop and thrive,
- To provide the right services, at the right time and in the right way, and
- To encourage the local economy to be vibrant with continued growth.

Quality of Services - The Council has an established Performance Management Strategy which sets out how it monitors both performance and the delivery of objectives and risks. The framework for managing

performance has been completely reviewed in light of changes to the business planning and shared management arrangements, with new performance measures also being developed to reflect the change in central government policy to move away from national targets to those that better identify with local requirements’.

Operational Governance - The Council has produced an operational governance document whose purpose is to ensure the senior officers effectively manage the business of the Council, this document is reviewed regularly (last reviewed January 2022). The operational governance approach is wider than just SHDC and is used across the South & East Lincolnshire Councils Partnership. It covers the shared management officer led groups/boards which report to the Leadership Team as required. Each group/board is supported with agreed terms of reference and the minutes and actions are reviewed by Leadership Team. Leadership Team manages the business of the Council, including escalation of corporate level issues risks and decisions. The groups/boards cover a wide range of areas.

South Holland District Council also participates in the Lincolnshire Counter-Fraud Partnership and regular updates are circulated within applicable departments and partner organisations to ensure controls are amended as necessary.

Constitution and Responsibilities - A comprehensive document setting out the Council’s constitution exists which sets out the clearly defined structure for the Council’s organisational and decision-making arrangements based upon a Cabinet/Executive model. It sets out how the Council operates, what matters are reserved for decision by the whole Council, the responsibilities of the Cabinet and the matters reserved for collective and individual decisions, and the powers delegated to panels, committees and community councils. In essence the different roles can be summarised as follows:

- Council decides upon certain policies and other specialist functions that cannot be delegated elsewhere including the setting of the council tax,
- A limited number of policies are reserved to the Council, either by the Council’s own choice or because they are allocated by law (together these are known as the Policy Framework). Subject to any specific legislative requirements, the Cabinet is responsible for all policies outside of the Policy Framework,
- For its most significant decisions, the Cabinet works to a Key Decision Plan of forthcoming decisions for up to twelve months ahead,
- All decisions, along with formal minutes of all committee meetings are published on the Council’s website,
- The work of the Cabinet and the Council as a whole is supported by the Overview and Scrutiny Committees through the Policy Development Panel and the Performance Monitoring Panel and associated task and finish groups. The Panels scrutinise decisions made by the Cabinet, and those delegated to officers, and review services provided by the Council and its partners. The Panels have developed their own work programme for the review of Council services in addition to scrutinising the work of the Cabinet. The Panels can ‘call-in’ a decision which has been made by the Executive but not yet implemented,
- The Governance and Audit Committee is responsible for monitoring the effective development and operation of corporate governance in the Council. It provides independent assurance of the adequacy of the governance arrangements, including the risk management framework, the associated control environment, financial and non-financial performance including exposure to risk and potential threats to the control environment. It also has the responsibility for the approval of the Statements of Accounts and review of treasury policy and outturn.
- Separate committees exist for Planning and Licensing.
- Delegation arrangements to committees, the Executive and officers are set out in detail within the constitution, and
- Regular meetings take place between relevant senior officers and members of the Council to discuss and propose policy.

The constitution also includes sections on standing orders, financial regulations and conduct of meetings. The constitution as a whole is reviewed periodically with interim updates as and when appropriate. A complete review of the constitution was carried out in 2015/16 to ensure that it remains relevant and effective. Formal adoption of the revised constitution was made at Full Council in January 2016 and there is a standing item at Full Council for any minor updates to be made. The Constitution was updated in 2021/22 to reflect decisions taken by the Council in relation to the South and East Lincolnshire Councils Partnership.

Regulations to allow virtual meeting were introduced in early April 2020, following which all Council Meetings were held virtually via Zoom, these regulations ended on 6th May 2021 after which all meetings must continue on a face-to-face basis.

During this period, a number of temporary amendments were made to the Council's Constitution as well as additional temporary delegations to allow the Council to continue with its day-to-day business in a Covid compliant environment.

Effective leadership - The Constitution sets out roles and responsibilities for the Council and its standing committees, as well as the Leader, Cabinet and Portfolio Holders. All working groups have clear terms of reference for their work in supporting policy development and progress monitoring. Roles and responsibilities of Councillors are defined in both generic and specific job descriptions that have been tested through consultation and based on a recommended national model with some additional local interpretation. A clear Officer/Member delegation framework exists to provide clarity on the powers entrusted in those appointed to make decisions on behalf of the Council.

The Council has adopted a standard form of committee report which seeks to ensure that all matters coming to Councillors for decision have first received consideration in respect of all appropriate and necessary, legal, financial and professional matters, as well as risk. This has been expanded to include coverage of technical matters such as carbon footprint. The Council updates and publishes Key Decision and Exempt Decision Plans. These record all key and exempt decisions the Executive expects to make in the next twelve months.

Policies, Procedures, Laws and Regulations - The statutory officers of South Holland District Council are the Head of the Paid Service, the Monitoring Officer and the Section 151 Officer. They are responsible for staff and ensuring the Council acts within the law and in accordance with established policies and procedures. The Section 151 Officer is specifically responsible for the proper discharge of financial arrangements and must advise the Council where any proposal might be unlawful or where expenditure is likely to exceed resources, and to ensure that the authority's financial management arrangements conform to the governance requirements as set out in the Chartered Institute of Public Finance and Accountancy statement on the Role of the Chief Financial Officer (2010).

Compliance with established policies, procedures, statements, laws and regulations is ensured by the requirements of the constitution to give the Chief Executive, the Monitoring Officer and the Chief Finance Officer (Deputy Chief Executive (Corporate Development) & S151) the opportunity to comment on every report submitted to a decision making body. The Monitoring Officer has a legal duty to ensure the lawfulness and fairness of decision making.

The Council understands its legal powers and limitations, and seeks to ensure that it acts lawfully at all times. The Monitoring Officer is responsible for advising the Council if any proposal, decision or omission is likely to give rise to unlawfulness or maladministration.

The statutory officers are also members of the authority's Leadership Team. Service Managers are responsible for ensuring that legislation and policy relating to service delivery and health and safety are implemented in practice.

Working relationships - The Constitution of the Council sets out a number of delegated authorities for Officers, including the conditions of such delegations. Other delegations may also be granted separately from the constitution and these are recorded in a log maintained by the Monitoring Officer.

All staff have conditions of employment and job descriptions that set out their roles and responsibilities. There is also a competency framework. The framework defines the competencies required of each post in the Council so that individuals can be assessed against them to identify suitability for the posts, areas of strength and areas for further development. Competencies can be used to measure how well we do things and are essential to the performance management process. The competencies provide consistent standards across the organisation, which align to the corporate Core Values and help to identify the types of behaviour the Council wishes to promote, develop and engender.

Codes of Conduct - The Council's constitution contains codes of conduct applying to members as well as a protocol for councillor/officer relationships. These have enabled the authority to develop an inclusive culture over the years, whereby members and officers work together to deliver the Council's vision and quality services

to its residents. The codes include reference to the need to declare any interests which may conflict with the individual's role at the Council and such registers for councillors and officers are maintained by the Council.

Complaints - The Council has in place a Whistle-blowing Policy as well as a compliments and complaints procedure that ensure that any referrals are fully investigated, properly resolved and learning applied to service delivery. Systems and procedures have been enhanced to ensure that complaints/service requests are a cornerstone of the management approach of the Council.

Partnership working - The Financial Regulations of the Council set out the principles of effective management of resources when working in partnership, including the setting of clear objectives and management of financial and delivery risks.

Group Companies - Public Sector Partnership Services Ltd, (PSPS), formerly Compass Point Business Services (East Coast) Ltd. (CPBS) was set up by South Holland and East Lindsey District Councils in August 2010 to deliver human resources, customer services, ICT, revenues and benefits, and financial services to the two authorities. A review of the PSPS contract took place to include Boston Borough Council as a shareholder with effect from 1st April 2021.

South Holland District Council owns a 28% stake in the company with the remaining share being owned by East Lindsey District Council (48%) and Boston Borough Council (24%).

The PSPS Board of Directors includes Councillors and Chief Officers of both authorities. The company has regularly reported its progress on performance of services to the Council client liaison's, with quarterly shareholder performance being subject to Scrutiny.

An annual business plan is approved by Council. The ongoing governance arrangements are set out in the Service Level Agreement (SLA), and a Management Agreement is in place that sets out the partnership arrangements, principles and parameters.

The Council is the sole shareholder of South Holland Local Housing Community Interest Company. The board of directors are responsible for preparing the Director's report, financial statements and governance arrangements for the company.

Welland Homes Limited was set up during 2015/16 and became fully operational in 2016/17 with the Council as the sole shareholder. The Board of Directors is responsible for preparing the Director's report, Financial Statements and governance arrangements for the company. Officers of the Council work within this framework to deliver services to the company and Welland Homes operates within the governance arrangements of the Council when delivering services to the authority.

Transparency

The Council strives to be publicly accountable and to present its work with openness and transparency. As such, the authority routinely publishes data on its website in accordance with the requirements of the Local Government Transparency Code 2015. In addition, Committee reports, minutes and decision records are all available on the website. The Council also applies the principle that everything is publically available unless there is a substantial reason for not doing so.

Functions and roles

Financial management

The Deputy Chief Executive (Corporate Development) & S151 is designated the responsible officer for the administration of the financial affairs of the Council under S151 of the Local Government Act 1972. This includes ensuring the lawfulness and financial prudence of decision making; providing advice, particularly on financial impropriety, publicity and budget issues, giving financial information; and acting as the Council Money Laundering Reporting Officer. The Section 151 Officer is specifically responsible for the proper discharge of financial arrangements and must advise the Council where any proposal might be unlawful or where expenditure is likely to exceed resources, and to ensure that financial management arrangements conform to the governance requirements as set out in the Chartered Institute of Public Finance and Accountancy statement on the Role of the Chief Financial Officer.

The Council operates a strong financial management framework to ensure the lawful and best economic use of the Council's assets. Financial regulations are supported by effective financial procedures underpinned by the work of internal and external audit. Financial regulations and contract procedure rules are periodically reviewed to ensure they remain effective in supporting sound internal control.

Risk Management

The Council's risk management arrangements are embedded in its Corporate Risk Management Strategy and risk registers. South Holland District Council has developed its performance system to maintain a register of the key strategic risks it considers it faces along with the actions planned or taken to mitigate these risks, which have been monitored by the Performance Clinic and the Governance and Audit Committee on a regular basis. Risk logs are also being used to manage the risks for key projects and partnerships, along with other project management techniques, and all key decisions are required to be assessed for risks. All committee reports contain a mandatory risk section to ensure that members can consider the risks and opportunities of any recommendations or options, so that the consideration of risk forms an integral part of all decision making.

Data Protection

Following the implementation of the General Data Protection Regulation (GDPR) 2016/679 and Data Protection Act 2018 our policies, practices and procedures have been updated and continue to be updated to reflect changes and guidance as it is issued. Data Protection continues to be a priority and is being overseen by the Assistant Director - Governance. Progress is reported to the Leadership Team periodically

Councillor and officer development

The Council has a Councillor Development Working Group and provides opportunities to all members to undertake appropriate Development, both on first election and on an on-going basis. In addition, certain regulatory committees require member training before undertaking that role.

Staff performance is managed using a performance development framework. The Performance Development Review (PDR) process improves communications and ensures employees have clear objectives and an understanding of how they contribute to corporate priorities and goals. All Council employees have a minimum of one annual Performance Development Review which is followed up and monitored by the reviewer and reviewee throughout the year. PDR's include a process for identifying training and development needs, setting objectives, providing a mechanism for feedback, in addition to aligning to the corporate core values and competence frameworks required by staff.

There is a strong working relationship between Councillors and staff, and the Council aims to ensure that they have the skills, resources and support needed to perform effectively in their roles. The Council has an embedded induction process and a continuous development ethos.

Senior officers are also expected to keep abreast of developments in their profession at all times and attend suitable training to maintain their professional competency.

Community engagement

The Council is committed to listening to and involving the community and consistently demonstrates that it does, therefore both the Medium Term Financial Plan and the Corporate Plan went out for public consultation prior to adoption. Our consultation processes provide useful feedback on services, public perceptions and quality of life; we provide guidance on good practice and we profile respondents to better understand equalities implications. The Housing Service employs a tenant engagement officer to work closely with our tenants, some of whom are also our most vulnerable, and understand their specific needs.

Review of effectiveness

South Holland District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Assistant Directors within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Consortium Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The review of effectiveness covers all group activities undertaken by the Council with other partners.

The Council approves and keeps under regular review all the strategic policies which it reserves for its own consideration, including:

- The Constitution,
- The Corporate Business Plan,
- The Medium Term Financial Plan and Capital Strategy,
- The Licensing Authority Policy Statement,
- The Corporate Asset Management Strategy,
- The Treasury Management and Investment Strategies, and
- The Gambling Policy.

The Leader

- Executive powers vest in the Leader and the Leader has approved delegations to the Cabinet and Executive Members (Portfolio Holders). The Leader exercises executive functions which have not been expressly delegated to Cabinet or the other Executive Members.

The Cabinet is appointed by the Leader and carries out the executive functions of the Council as required by legislation and the Council's constitution and accordingly:

- Takes executive decisions,
- Approves policies other than those reserved for Council, and
- Recommends to Council policies and budgetary decisions.

The Executive consists of the Leader and Executive Members (Portfolio Holders), who together are the Cabinet and most day to day 'executive' decisions fall to the Executive under the law.

The Overview and Scrutiny Committees may undertake any work relating to the four key principles of scrutiny as follows:

- Hold the Executive to Account (Call-In),
- Performance Management,
- Assist Policy Development and Review, and
- Internal/External Scrutiny.

The Governance and Audit Committee

- Considers and approves audit plans,
- Considers audit reports,
- Comments on the work of audit in addressing the authority's significant risks,
- Satisfies itself that the control and governance arrangements have operated effectively by considering audit and risk reports and undertaking ad hoc reviews,
- Annually self-assess themselves against best practice guidance to check their effectiveness,
- Approves the Statements of Accounts,
- Reviews treasury policy and performance, and
- Consider standards issues.

Leadership Team (LT). LT review corporate responsibility, direction and delivery of corporate plan, direction and delivery of resources, horizon scanning and key controls. LT receives regular reports from a variety of governance boards which have been set up to manage corporate performance and risk. These boards cover performance and risk, employee relations, safeguarding, health and safety, emergency planning, and finance, as well as the statutory officers group. There are a number of other groups covering cross cutting themes and specific services.

Managers have carried out self-assessments of the processes and controls they have in place to allow them to achieve their service objectives. These are reviewed by Finance to provide assurance that effective controls were in place.

External Auditors review the Council's arrangements for:

- Preparing accounts in compliance with statutory and other relevant requirements,
- Ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice, and

- Managing performance to secure economy, efficiency and effectiveness in the use of resources.

External audit is provided by Ernst & Young LLP (EY). Following the annual audit EY issues an Audit Results Report to the Governance and Audit Committee covering the opinion on the financial statements, value for money and the Whole of Government Accounts submission. The Council takes appropriate action where improvements need to be made.

Internal Audit

The S151 Officer has provided the Internal Audit service through a contract with Eastern Internal Audit Services Ltd which monitors the effectiveness of the control environment and reports specific recommendations to the senior management and the Governance and Audit Committee. **The Head of Internal Audit** provides an independent opinion on the framework of governance, risk management and control, which is incorporated in the Annual Report and Opinion. The Head of Internal Audit also places reliance on the outcomes of the work undertaken by East Lindsey District Council in relation to the services provided by Public Sector Partnership Service Ltd.

The internal audit conclusions are scored as either Substantial, Reasonable, Limited or No assurance by internal audit.

From the work undertaken by Internal Audit during the year, the Head of Internal Audit provides an opinion on the effectiveness of South Holland District Council's arrangements for governance, risk management and control; for the 2021/22 financial year the opinion concluded is of reasonable assurance.

During 2021/22 a total of twelve assurance reviews have been completed, eight of these reports concluded in a positive assurance grading. Two reviews, Private Sector Housing DEFG's and Corporate Health and Safety, received a limited assurance grading. For three areas; Covid-19 Business Grants, Licensing, Housing Benefit Subsidy a Substantial assurance grading was given.

Audit Lincolnshire have concluded their testing of Key Financial Controls and have indicated a reasonable assurance overall, the draft report containing recommendations for management consideration is imminent

Significant Governance Issues

All issues raised are subject to action plans to improve the control environment.

The following items have been identified, from the internal audit Annual Opinion, for inclusion in the Annual Governance Statement:

Significant findings raised in 2021/22 which should be reported in the AGS until resolved, these are detailed as follows:

- In 2019/20, the private sector housing report was given a No Assurance grading. A total of 28 recommendations; 16 urgent, six important and six needs attention recommendations were originally raised. The 2021/22 audit has indicated that progress has been made with a further three urgent and five important actions agreed to support the further work required to fully implement the original recommendations, a significant improvement in the control framework in this area is however indicated.
- The audit of Corporate Health and Safety, resulting in a Limited assurance grading. It is confirmed that seven of the eight medium priority recommendations relating to this review have now been resolved, the remaining recommendation (relating to Actions arising from H&S Audits / Inspections be recorded and followed up, through to conclusion) has been reported as partially implemented.

Covid-19

The COVID-19 pandemic started mid-March 2020 and so this has had a huge impact that inevitably continues to remain with the organisation. It has affected finances, organisational capacity, and delivery of services, performance and the democratic process. The affect has been both temporary with alternative arrangements put in place; through to affects still being experienced which will inevitably have a longer term

impact. We believe that some of those longer term impacts have yet to manifest themselves due to the protective measures put in place by the government; and we cannot currently know the levels of unemployment, poor health, homelessness and business failure that will arise over the next few months and years that will require a community response and are likely to create pressures for a number of our services.

Whilst the impact on council income, and the additional costs of response, has been significant, the levels of specific government funding have allowed the Council to maintain its balances and operate within its overall budget. The Section 151 Officer has regularly reported on the potential short fall of income to the council, an income that we are very dependent upon and is very much related to us being an area heavily reliant on the visitor economy.

COVID-19 has also impacted on the targets as set out in the Performance Framework, and the aims and objectives of the Service Plans. The original targets have been reviewed, and new targets and priorities related to COVID-19 response work have regularly been reported to the Council.

The democratic process was enabled through virtual Council Committee meetings. These were successful and Members were able to effectively and easily contribute to the decision making process.

SHDC was a partner in the Lincolnshire Resilience Forum during the emergency response, and believes that continuing to work in partnership is a good way of moving forward and enabling a recovery process. So we will continue to engage in the Recovery as co-ordinated by Lincolnshire County Council. SHDC also have a plan to support our own recovery from a service and community perspective.

Shared Management

In October 2020 a strategic review of the shared management structure between South Holland and Breckland Councils was commissioned. Both councils have successfully developed and operated a shared management model for over 10 years which has been replicated across the Local Government sector, however during the covid-19 pandemic there was a 'temporary uncoupling' of shared managers to enable each council to focus on their own 'places'.

As a result of this successful place based working and the evolving needs to provide service to our residents to meet the challenges of the Covid-19 pandemic, Full Council approved in February 2021 that the existing shared management arrangements with Breckland would end with effect from May 2021. Staff have been 'landed' in their new roles at either South Holland or Breckland Councils, there were no redundancies. Some sharing of other services is continuing (such as legal and procurement) in the same manner as prior to May 2021.

As a result of these changes, the internal governance arrangements are being reviewed in 2021/22 to reflect the new structure which took effect on 1 May 2021.

Formation of the South & East Lincolnshire Councils Partnership

In July 2021 BBC, ELDC and SHDC formed the South and East Lincolnshire Councils Partnership with an initial agreement to appoint 3 shared statutory officers (Head of Paid Service, Monitoring Officer and S151 Officer) in the first instance. Following this a Partnership Business Case was developed and approved by Council that also secured agreement for the implementation of a shared Corporate Management Team. This is now in place with some wider officers sharing on a temporary basis within the Partnership in line with Section 113 of the Local Government Act 1972. The Partnership aims to save significant sums of money, whilst enhancing service provision and creating operational efficiency and resilience.

There will be a period of readjustment for the staff and the Members of both Councils as a new way of working is developed and put in place over time across the Partnership, and the opportunities for reductions in cost to be realised. The anticipated savings (set out in Business Case) will also need to be carefully monitored in order to successfully deliver the savings commitment.

As a result of these changes, the internal governance arrangements were reviewed during the year and changes are reflected in this document.

Certification

We are satisfied that appropriate arrangements are in place to address improvements identified in our review of effectiveness. Progress on these improvements and mitigation of risks will be monitored by the Leadership Team and Governance and Audit Committee through the year and be considered in our next annual review.

Rob Barlow
Chief Executive

Date:

Lord Porter of Spalding
Leader of the Council

Date:

AYSCOUGHFEE HALL AND GARDENS

England & Wales - Charity number 515905

Accounts



Trustees' Annual Report for the period

From	Period start date			To	Period end date		
	1 st	April	2020		31 st	March	2021

Section A Reference and administration details

Charity name

Ayscoughfee Hall and Gardens

Other names charity is known by

Registered charity number (if any) 515905

Charity's principal address

Ayscoughfee Hall Museum

Churchgate

Spalding, Lincolnshire.

Postcode

PE11 2RA

Names of the charity trustees who manage the charity

	Trustee name	Office (if any)	Dates acted if not for whole year	Name of person (or body) entitled to appoint trustee (if any)
1	Mr B Alcock	Councillor		The electorate of the South Holland district
2	Mr J Astill	Councillor		The electorate of the South Holland district
3	Mr A Beal	Councillor		The electorate of the South Holland district
4	Mr J E Avery	Councillor		The electorate of the South Holland district
5	Mr F Biggadike	Councillor		The electorate of the South Holland district
6	Mr H Bingham	Councillor		The electorate of the South Holland district
7	Mr M D Booth BEM	Councillor		The electorate of the South Holland district
8	Mr C J T H Brewis	Councillor		The electorate of the South Holland district
9	Ms T A Carter	Councillor		The electorate of the South Holland district
10	Mr A Casson	Councillor		The electorate of the South Holland district
11	Mr PE Coupland	Councillor		The electorate of the South Holland district
12	Mr A Cronin	Councillor		The electorate of the South Holland district
13	Mr H Drury	Councillor		The electorate of the South Holland district
14	Mr R Gambba-Jones	Councillor		The electorate of the South Holland district
15	Mr R Gibson	Councillor		The electorate of the South Holland district

16	Mr R Grocock	Councillor		The electorate of the South Holland district
17	Mr M Hazan	Councillor		The electorate of the South Holland district
18	Ms J L King	Councillor		The electorate of the South Holland district
19	Ms C J Lawton	Councillor		The electorate of the South Holland district
20	Mr J D McLean	Councillor		The electorate of the South Holland district
21	Mrs A M Newton	Councillor		The electorate of the South Holland district
22	Mr N Pepper	Councillor		The electorate of the South Holland district
23	The Lord Porter of Spalding CBE	Councillor		The electorate of the South Holland district
24	Mr P Redgate	Councillor		The electorate of the South Holland district
25	Ms J L Reynolds	Councillor		The electorate of the South Holland district
26	Mr G Rudkin	Councillor		The electorate of the South Holland district
27	Ms G Scalese	Councillor		The electorate of the South Holland district
28	Mr M D Seymour	Councillor		The electorate of the South Holland district
29	Mrs S Slade	Councillor		The electorate of the South Holland district
30	Mrs E J Sneath	Councillor		The electorate of the South Holland district
31	Mr G J Taylor	Councillor		The electorate of the South Holland district
32	Mr A C Tennant	Councillor		The electorate of the South Holland district
33	Mr J Tyrell	Councillor		The electorate of the South Holland district
34	Mr C Walsh	Councillor		The electorate of the South Holland district
35	Mr D Wilkinson	Councillor		The electorate of the South Holland district
36	Mr A R Woolf	Councillor		The electorate of the South Holland district
37	Mr C N Worth	Councillor		The electorate of the South Holland district

Names of the trustees for the charity, if any, (for example, any custodian trustees)

Name	Dates acted if not for whole year

Names and addresses of advisers (Optional information)

Type of adviser	Name	Address

Name of chief executive or names of senior staff members (Optional information)

Chief Executive – Anna Graves (until Oct 2020)

Director – Robert Walker

South Holland Place Manager – Emily Spicer

Communities Manager – Emily Holmes

Section B Structure, governance and management

Description of the charity's trusts

Type of governing document
(eg. trust deed, constitution)

How the charity is constituted
(eg. trust, association, company)

Trustee selection methods
(eg. appointed by, elected by)

	Trust
	Elected

Additional governance issues (Optional information)

You **may choose** to include additional information, where relevant, about:

- policies and procedures adopted for the induction and training of trustees;
- the charity's organisational structure and any wider network with which the charity works;
- relationship with any related parties;
- trustees' consideration of major risks and the system and procedures to manage them.

Section C Objectives and activities

Summary of the objects of the charity set out in its governing document

The objects of the Charity are the establishment and maintenance of a Recreation Ground and Museum.

Summary of the main activities undertaken for the public benefit in relation to these objects (include within this section the statutory declaration that trustees have had regard to the guidance issued by the Charity Commission on public benefit)

Provision of a Museum and public gardens.

Additional details of objectives and activities (Optional information)

You **may choose** to include further statements, where relevant, about:

- policy on grantmaking;
- policy programme related investment;
- contribution made by volunteers.

Section D

Achievements and performance

Section D

Achievements and performance

Summary of the main achievements of the charity during the year

The year 2020-2021 was challenging for Ayscoughfee Hall Museum & Gardens due to the Covid 19 pandemic. All museums in England closed in March 2020, which allowed vital maintenance works to be carried out, and 'behind the scenes' collections and admin work.

Ayscoughfee Gardens remained open throughout the pandemic, and was very popular with visitors throughout the whole period, providing access to open space and nature to people, which anecdotally was very important to our local community.

Section E Financial review

Brief statement of the charity's policy on reserves

The Charity does not have any reserves.

Details of any funds materially in deficit

Not applicable

Further financial review details (Optional information)

You **may choose** to include additional information, where relevant about:

- the charity's principal sources of funds (including any fundraising);
- how expenditure has supported the key objectives of the charity;
- investment policy and objectives including any ethical investment policy adopted.

Section F Other optional information

Section G Declaration

The trustees declare that they have approved the trustees' report above.

Signed on behalf of the charity's trustees

Signature(s)		
Full name(s)		Julia Elizabeth Knight
Position (eg Secretary, Chair, etc)		Manager
Date	9/5/2022	

CHARITY TRUST - AYSCOUGHFEE MUSEUM AND GARDENS

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2021

Sum of Amount Row Labels	Column Labels	
	2019/20	2020/21
Employees Direct	£226,790	£177,794
Employees Indirect	£312	£75
Income	-£58,739	-£48,785
MOVERESERVE	-£2,823	
Premises	£55,744	£23,015
Supplies & Services	£108,957	£30,485
Support Services	£63,873	£61,835
Tax & Non Spec Grant	-£51,125	-£6,500
Transfer Payments		£200
Transport	£578	£21
Grand Total	£343,567	£238,141



AUDITED FINANCIAL STATEMENTS

For the Year Ended 31 March 2021

C o n t e n t s
FINANCIAL STATEMENTS

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NARRATIVE REPORT 2020/21

This report seeks to provide a summary and a straightforward explanation of the often complicated local government finance arrangements. It seeks to summarise the key events during the year, their associated financial impact and hopefully make the Financial Statements easier to understand. The Narrative Report, together with the Annual Governance Statement and the auditor's report, are outside the scope of the formal Accounts, but all of the documents constitute the Council's Financial Report for 2020/21.

The Narrative Report and the detailed accounts aim to provide information to members of the public; electors and residents of South Holland; council members; partners; stakeholders and other interested parties so that they can:

- understand the financial position of the Council and its outturn for 2020/21;
- have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner;
- be assured that the financial position of the Council is secure.

The 2020/21 Budget and the Medium Term Financial Plan, approved by Council on 26 February 2020, presented a balanced position after a wide ranging review of activities and proactively seeking reductions in costs and more efficient ways of working to ensure this position continues. Within the capital programme, funding has been allocated to support growth in the district, specifically for commercial investments, more affordable housing, investment in new technology and improvements to private sector housing.

To assist readers in understanding the financial position of South Holland, the Narrative Report is structured to provide additional information in the following sections:

- The accounting requirements for the production of the accounts
- Information on South Holland as a place
- Information about the Council structure and management
- A summary of Performance for the Council 2020/21
- Future financial challenges that the Council faces
- An explanation of the Financial Statements which follow the Narrative Report.

The 2020/21 accounts were produced within the statutory deadlines set out in the Accounts and Audit Regulations 2015. The Council's approach to finance will continue to evolve, aiding the self-service nature of financial/service management in all operations. This working model also supports current, and future, changes in the Council as a whole as it strives to increase income, reduce costs, manage demand, transform working practices, introduce innovation and maintain performance.

1. Our District

South Holland district is situated in the south eastern corner of Lincolnshire. The district is located in flat fenlands reclaimed from the sea. The Council works closely with 5 Internal Drainage boards and the Environment Agency to maintain this usable land and prevent inundation.

The district has five towns: Crowland, Holbeach, Long Sutton, Spalding and Sutton Bridge, and various small rural communities, with a low population density of 125 persons per km² compared to an average of 305 in the East Midlands and 427 for England.

The latest population estimate for South Holland is 93,980 which is an increase of 5,580 (6.31%) since the 2011 census. South Holland experienced an annual rate of increase in population of 0.7%, this is higher than the national average of 0.6%.

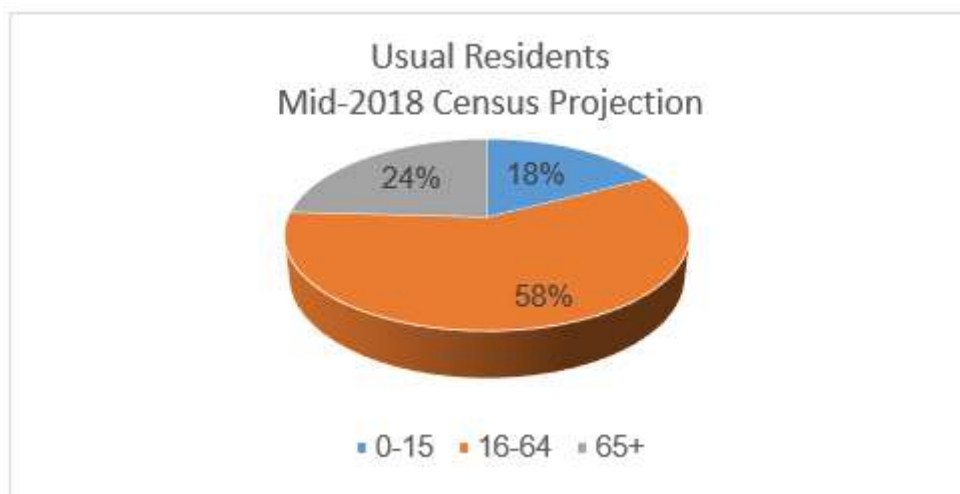
Working age population is estimated to be 54,900 (58.4%). Residents aged 65 and over make up approximately 22,700 (24.2%) of the population. It is predicted the population will increase from 93,980 to 97,709 (3.97%) by 2024, which is a higher rate of growth than generally predicted for England and Wales (3.50%).

The number of households in the district is approximately 40,700 with the Electoral Wards of Spalding, the largest town, having an estimated 12,100 dwellings.

All statistics are based on the Office for National Statistics 2018 mid-year estimates, the most recent available at time of publication.

The South Holland economy is largely based upon agriculture, horticulture and food processing, and their associated distribution and packaging services. Generally levels of employment are high at 80.6% of people in working age 16-64 years (May 2018 - source ONS Annual Population Survey) compared to 75.7% for Lincolnshire as a whole.

South Holland's resident population is 50.8% female and 49.2% male. The average age of the South Holland district population is 45 years. The predominant age band in South Holland is 'Age 16 to 64' which represents 58.4% of the total district population.

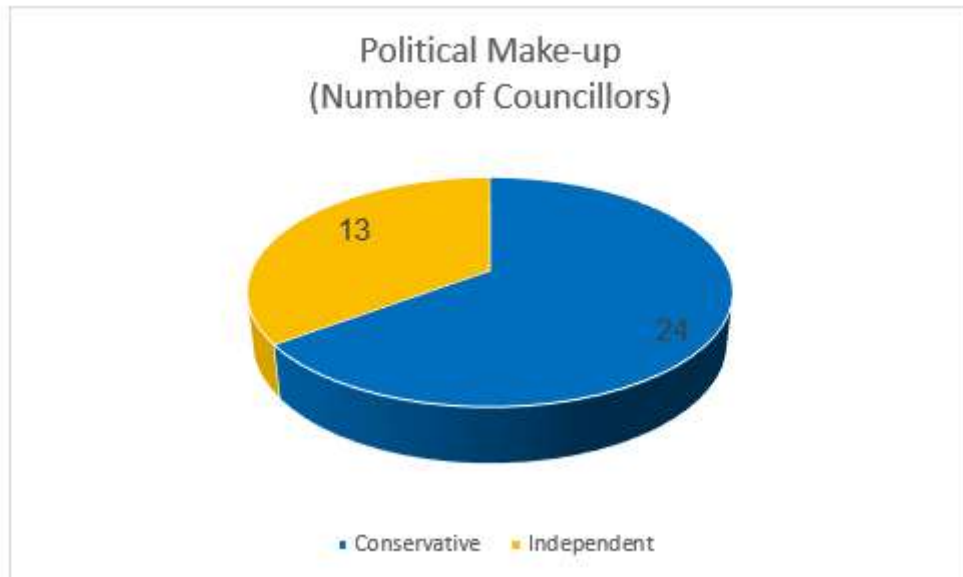


3. South Holland District Council

The Council, together with its partner organisations and external contractors, delivers a wide range of services to our residents, businesses and visitors. These are detailed in the table below categorised by the Council's Directorates:

Commercialisation	Economic development. Local plan and planning policy, Housing strategy, delivery of special projects (assets and infrastructure), collection of all revenues, benefit services, corporate finance including investment income, government grants and other funding, and use of reserves.
Place	All council assets and property, building control, planning services, licensing, community services (including leisure, events, CCTV), environmental services (including refuse collection, recycling, green waste collection and street cleaning), Public Protection, housing services such as disabled facility grants, homelessness and housing advice, houses in multiple occupation. Also included is the Council's housing landlord service.
Strategy & Governance	Corporate improvement and performance, Communications and marketing, corporate management, members, elections, human resources, ICT services.

South Holland is a district comprising of 22 parishes, most parishes have their own parish council, or parish meeting. The Council is composed of 37 Councillors, as at 31 March 2021 the political make-up of the Council was as follows:



South Holland District Council is a forward-thinking, entrepreneurial and innovative authority, which continues to strive for excellence and deliver great value for money for our residents, whilst making the most of the huge opportunities for economic growth in our district.

The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Executive Functions.

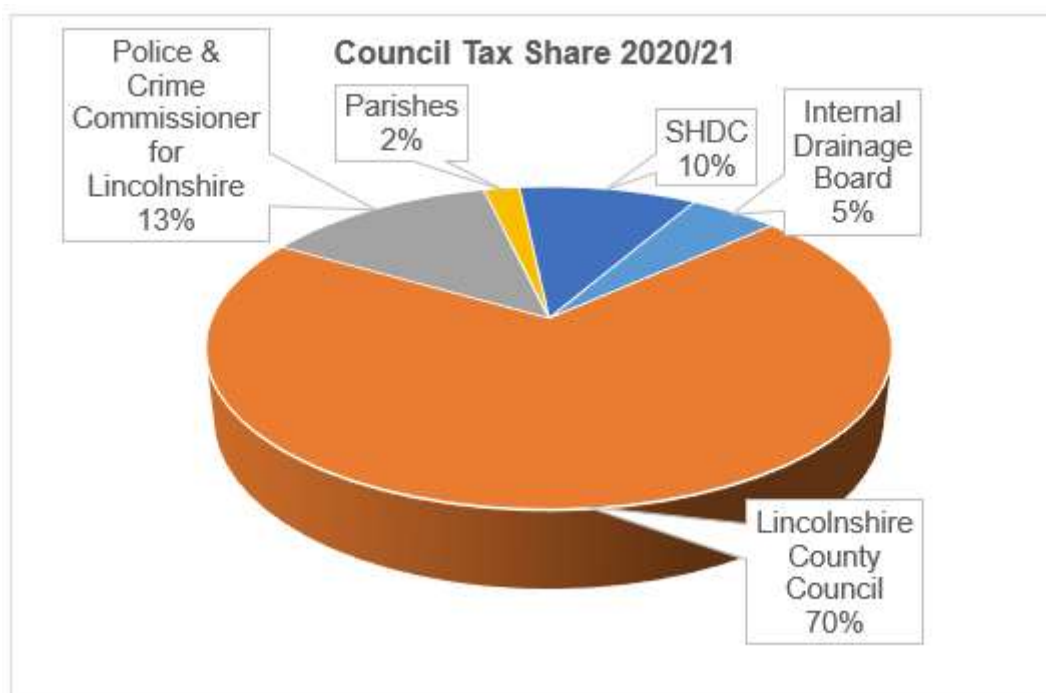
All councillors meet together as the Council, here councillors decide the Council's overall policies and set the budget and council tax each year. The Council holds to account the Executive and Committees. The Cabinet is made up of the Leader, Deputy Leader and Portfolio Holders, each Portfolio Holder has specific responsibilities over an area of the Council's activities.

Cabinet Members are held to account by a system of scrutiny, which is also set out in the Constitution. Scrutiny of Executive decisions for 2020/21, including the setting of a balanced budget for 2020/21 has been undertaken by the following committees:

- Policy Development Panel
- Performance Management Panel
- Governance and Audit Committee

Joint meetings of the committees were held throughout the year.

The District Council as the Billing Authority collects the council tax for the County Council, the Lincolnshire Police Authority, Parish Councils and Internal Drainage Boards.



4. Council Priorities, Corporate Plan and Performance

Our ambition is to continue to increase the prosperity and wellbeing of our residents and businesses, whilst striving to protect and enhance the district's environment and its unique and historic character.

The Council has a corporate plan covering 2019-23, each year an annual delivery plan is drawn up to cover the actions for the next year. The business plan shows what the Council will do to meet the needs and aspirations of residents. The Plan was refreshed in 2019 and extends to 2023, the Medium Term Financial Plan for 2019 to 2023 is closely aligned to the Council objectives, aims and priorities within the Corporate Plan.

The Corporate Plan also sets out how we work with partners and the community to ensure that South Holland continues to be a place of choice for people to live, work, visit and play. It is based on information about the area and identifies how we will achieve our long term vision, what our key priorities are and how we will deliver the services our residents want.

The ambition embodied in the plan is to continue to increase the prosperity and wellbeing of our residents and businesses, whilst striving to protect and enhance the environment and the unique and historic character of the district.

The Corporate Plan sets out the Council's priorities which are:

"To develop safer, stronger, healthier and more independent communities while protecting the most vulnerable"

"To have pride in South Holland by supporting the district and residents to develop and thrive"

"To provide the right services, at the right time and in the right way"

"To encourage the local economy to be vibrant with continued growth"

Delivery of the plan is monitored through a performance framework and annually the delivery of the plan is refreshed to ensure it is relevant to the current political and economic climate. Internally there is a monthly performance board which holds to account all performance indicators, team projects and audit recommendations to ensure delivery of the corporate plan and performance framework. Quarterly performance is reported to our Member scrutiny panel and subsequently to Cabinet as part of the constitutional governance. Financial performance reports are prepared monthly for review by the Executive

Management Team and the Finance Board, this supports effective management of budgets and informs financial strategy in the Medium Term Financial Strategy.

How We Performed in 2020/21

In 2020/21 we delivered the following activities towards the 2019 – 2023 business plan actions.

In 2020/21 we paid £12.244m in Housing Benefits to 3,316 cases.

We collected £19.747m of Business Rates in 2020/21, from 2,880 businesses, achieving a collection rate in year of 92.46%.

We collected £51.934m of Council Tax in 2020/21, from 42,163 homes, achieving a collection rate in year of 96.91%.

The Council's Investment Property Assets have a fair value of £1.6m and have generated income of £0.164m in 2020/21

We paid out £25.918m in Covid19 Government grants to businesses in 2020/21. Plus a further £0.996m in discretionary grants to business and the self-employed.

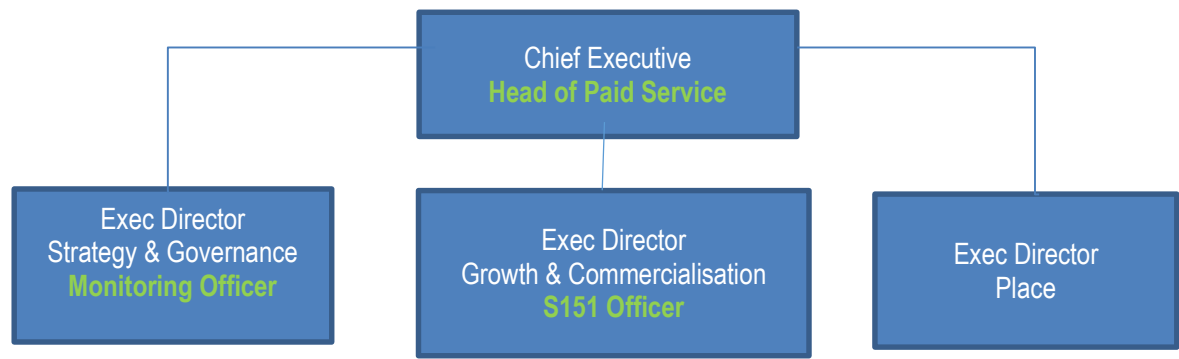
In 2020/21 we successfully collected 99.95% weekly refuse and recycling collections from over 42,000 households in South Holland.

We determined 91% of major planning applications within the agreed time frames (13 weeks or agreed extension)

5. Our People

The Council is headed by a shared Corporate Management Team (CMT). The team is shared with Breckland District Council along with other senior managers. The two Councils continue to exercise independent democratically-accountable local government in their respective areas, each having their own governance arrangements. The Corporate Management Team consists of a Chief Executive and three Executive Directors. Each Executive Director has overall responsibility for a directorate. The services included in each directorate are detailed on in Section 3.

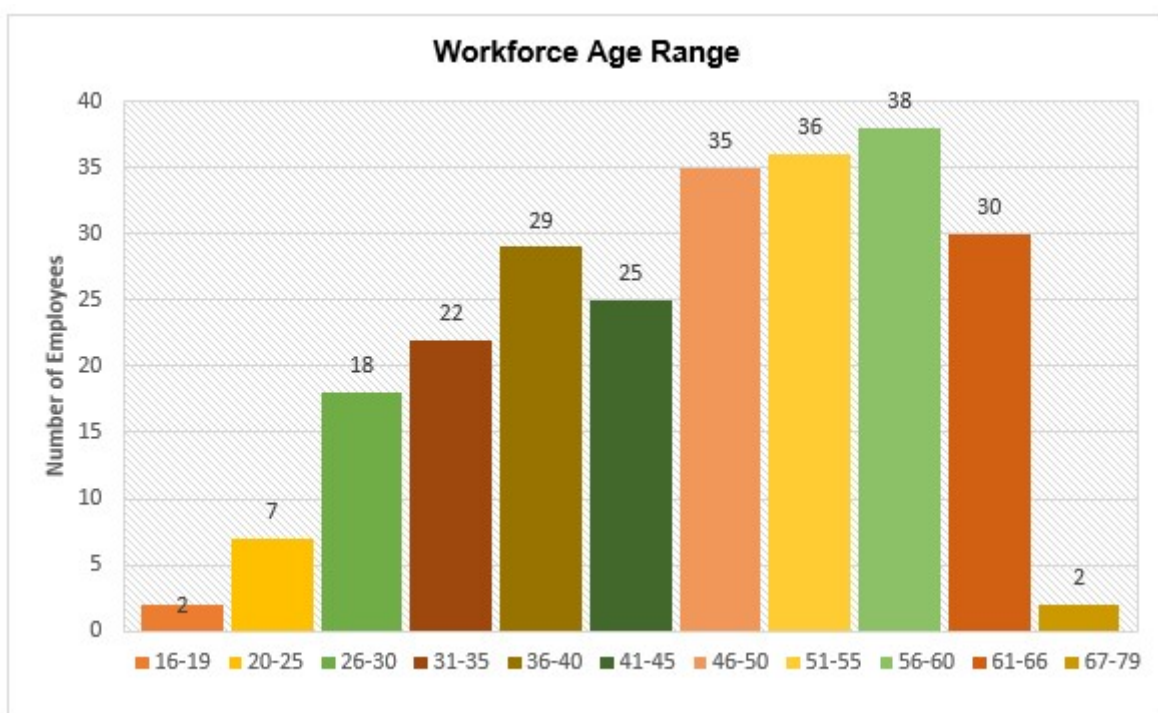
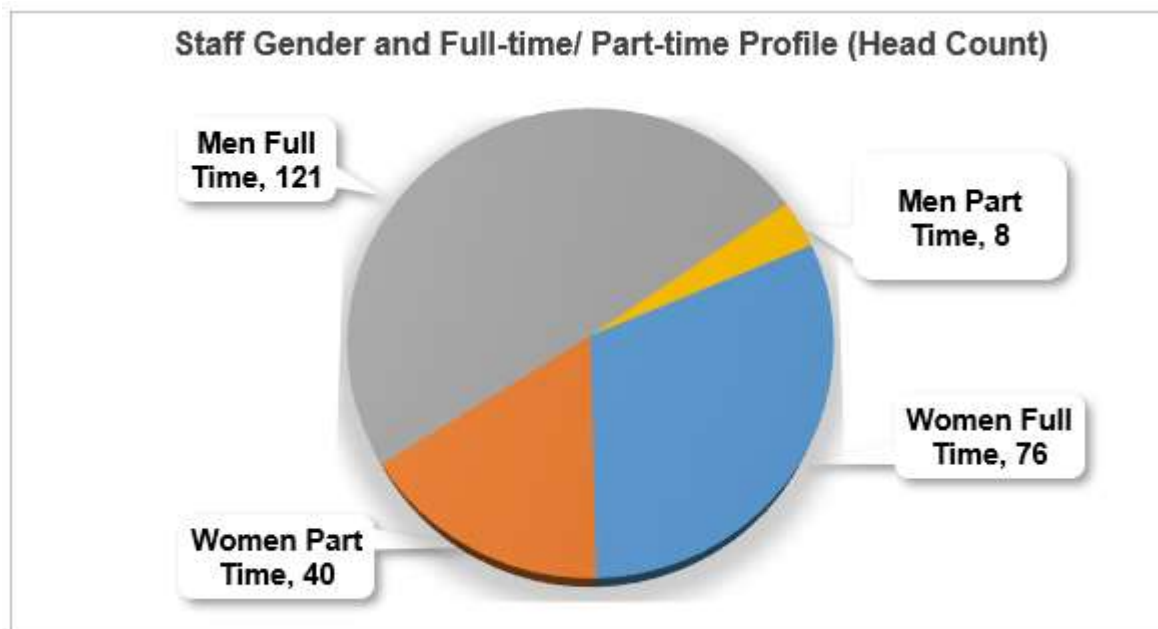
The make-up of the Executive Management Team is as set out below:



In addition there are five shared executive managers who are part of the Executive Management Team. There is also a dedicated team of shared managers and service managers to support the delivery of services for both councils.

In October 2020 a strategic review of the shared management structure between South Holland and Breckland Councils was commissioned. Both councils have successfully developed and operated a shared management model for over 10 years which has been replicated across the Local Government sector, however during the Covid-19 pandemic there was a ‘temporary uncoupling’ of shared managers to enable each council to focus on their own ‘places’. As a result of this successful place based working and the evolving needs to provide service to our residents to meet the challenges of the Covid-19 pandemic, Full Council approved in February 2021 that the existing shared management arrangements with Breckland would end with effect from May 2021. Staff have been ‘landed’ in their new roles at either South Holland or Breckland Councils, there were no redundancies. Arrangements were also in place to ensure the statutory roles of Chief Executive, S151 Officer and Monitoring Officer were in place. Some sharing of other services is continuing (such as legal and procurement) in the same manner as prior to May 2021.

The Council employs 227.4 full time equivalent staff as at 31 March 2021. This includes 197 full time staff and 48 part time staff. This figure includes six apprentices.



From 1 April 2019 the Council, in partnership with East Lindsey District Council, renewed its arrangement with Public Sector Partnership Services Limited (PSPS) to provide back office and business support services. The shared services delivered through PSPS include:

- Information Technology
- Customer Contact
- Revenues and Benefits
- Finance
- Human Resources and
- Health and Safety

6. Financial Performance

The Management Accounts below show the Council's actual financial performance for the year compared to the budget. Further information can be found in the Expenditure and Funding Analysis on page 43.

General Fund

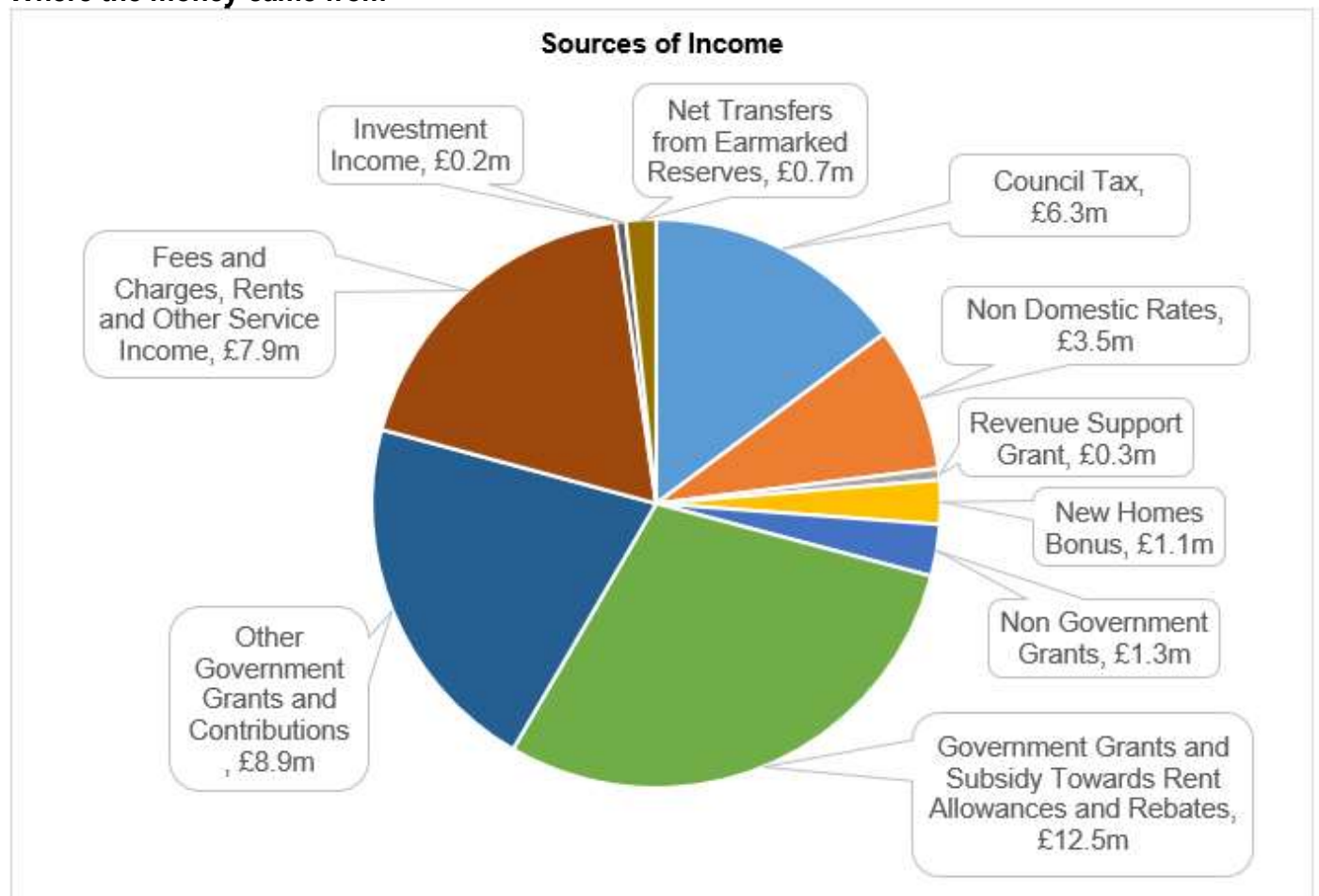
	2020/21 Budget £'000	2020/21 Actual £'000	2020/21 Variance £'000
Commercialisation Directorate	2,097	2,435	338
Place Directorate - Investment Properties	(187)	(155)	31
Place Directorate	6,076	6,228	152
Strategy & Governance Directorate	3,587	3,694	107
Statutory recharge to the HRA for support services	(1,962)	(1,966)	(4)
Cost of Services	9,612	10,236	624
Internal Drainage Boards and Parish Precepts	3,457	3,457	0
Investment Income	(383)	(246)	137
Decrease in impairment allowance	86	60	(26)
Transfers to Earmarked Reserves	773	773	(0)
Efficiencies Requirement	(993)	(62)	931
Total Cost of Services	12,552	14,218	1,666
Funding			
Government Grants	(2,754)	(4,508)	(1,754)
Council Tax	(6,305)	(6,318)	(13)
Retained Business Rates	(3,493)	(3,517)	(24)
Total Financing	(12,552)	(14,343)	(1,791)
Funding Surplus Transferred to Council Tax Reserve		(125)	(125)

The full year outturn delivered under budget spend of £0.125m as a result of redirecting significant budgeted resource to Covid compliance and community grant distribution activities which have been supported by grant from central government. Income losses arising from Covid compliance activity have also been compensated from government grant. The budget surplus above has been transferred to Council reserves.

Revenue expenditure and income and the services provided

The following charts show in broad terms where the money came from, how it was spent and the services provided.

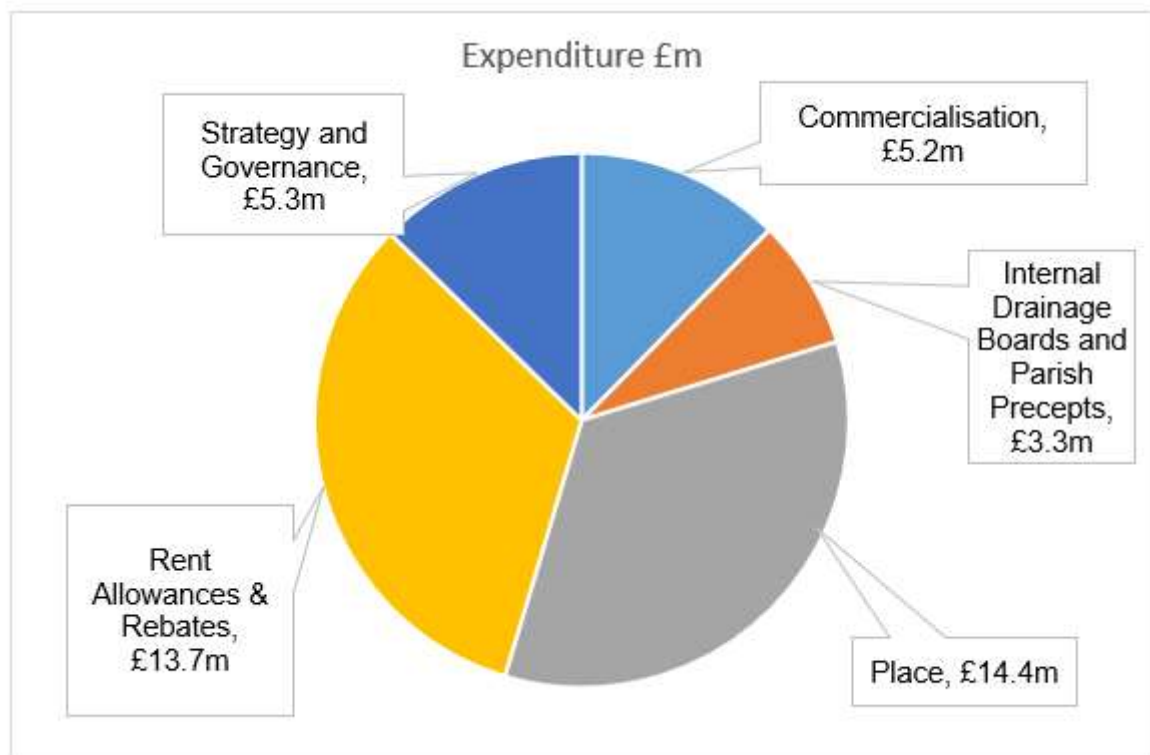
Where the money came from



Council Tax is the income received from taxpayers through the Council Tax levied by the Council for South Holland, the Parishes and the Internal Drainage Boards.

Another source of income was interest earned on the Council's cash deposits. This interest is applied towards the revenue budgets.

How the money was spent



Rent Allowances and Rebates include only costs relating to the actual Housing Benefits provided, they do not include any staffing or other related costs. These benefits are funded from Government grants as can be seen from the "where the money came from" graph.

Running expenses and employees expenditure are included as part of the Directorate expenditure items.

Running expenses include costs relating to:

- Premises – such as rents, rates, electricity, water and similar
- Transport – such as cars, fares and similar
- Supplies and services – such as equipment, telephones, hired services and similar
- Contract payments for services provided by external contractors, e.g. Leisure

Employee's expenditure includes costs relating to:

- Staffing – such as salaries, pensions, additional staff, professional subscriptions and similar costs.

Housing Revenue Account

The Housing Revenue Account is a record of revenue expenditure and income relating to the Council's housing stock. It is a statutory account, ringfenced from the rest of the General Fund, so that rents cannot be subsidised from council tax, or vice versa.

2020/21	2020/21 Budget £'000	2020/21 Actual £'000	Variance £'000
Rent Income - Dwellings	(15,049)	(15,066)	(17)
Charges for Services and Facilities	(1,176)	(1,203)	(27)
Contributions to Expenditure	(27)	(5)	22
Total Income	(16,252)	(16,274)	(22)
Repairs and Maintenance	3,008	2,461	(547)
Supervision and Management	2,963	2,875	(88)
Rents, rates, taxes and other charges	78	61	(17)
Depreciation	3,235	3,816	581
Debt management expenses (included in support service recharge)	-	-	-
Statutory recharge to the HRA for support services	1,962	1,966	4
Total Expenditure	11,246	11,177	(67)
Contribution from Operations	(5,006)	(5,095)	(89)
Investment Income	(161)	(79)	82
Interest Payable on £67.456m	2,348	2,347	(1)
Increase/(decrease) in impairment allowance	271	18	(253)
Capital expenditure charged in year	-	-	-
Transfer to Major Repairs Reserve and other adjustments	-	(210)	(210)
Net (Surplus)/Deficit	(2,548)	(3,019)	(471)

The full year outturn delivered combined savings and additional income of £0.471m relating to service provision in 2020/21.

Transparency

The Government's transparency agenda encourages local authorities to make public data openly available. Details of transparency items such as the Council's spend on items over £500, contracts and pay, and benefits for senior officers can be found on our website:

<https://www.sholland.gov.uk/article/5272/Transparency>

Capital Financial Performance

The capital outturn for 2020/21 is:

Department	General Fund 2020/21		Housing Revenue Account 2020/21	
	Revised Budget £'000	Actual £'000	Revised Budget £'000	Actual £'000
Commercialisation	7,420	6,004	-	-
Strategy and Governance	308	77	-	-
Place	1,013	1,552	6,371	4,912
Grand Total	8,741	7,633	6,371	4,912

This capital expenditure for 2020/21 was funded from the following areas:

	General Fund (£'000)	Housing Revenue Account (£'000)
Capital Receipts	-	1,676
Capital Grants and Contributions	5,261	190
Internal Borrowing	901	-
Revenue Resources	1,471	-
Major Repairs Reserve	-	3,046
Total	7,633	4,912

The 2020/21 capital budget planned to be spent on programmes in the year has not been fully utilized as these programmes are still in progress and therefore, the budgets are required for commitments to complete the programmes outlined in the Council's Capital Programme 2021/22. An analysis of non-current assets and funding of the capital expenditure is shown in notes 13-17 and 35. Currently South Holland does not borrow externally to finance its capital programme, however the available capital funding is reducing year-by-year and borrowing may be undertaken in future if the business case for a project supports it.

Based on the current budgeted projections, South Holland will be borrowing from internal balances by the end of the medium term financial plan, so available capital for future projects is limited unless it is relevant to use revenue funding, additional capital receipts are generated or the business case supports borrowing. The Capital Programme and its access to financing will be rigorously reviewed as a result of the Coronavirus Pandemic and its impact on the Council's Medium Term Financial Strategy.

Collection Fund financial performance

The balance on the Council Tax Collection Fund at 31 March 2021 showed a £0.144m surplus. This will be shared between the District, Lincolnshire County Council and Lincolnshire Police and Crime Commissioner in proportion with each authority's relative precept. This surplus has resulted from a higher than budgeted tax base, SHDC's share is £0.017m.

The balance on the NNDR Collection Fund at 31 March 2021 showed a £10.179m deficit. This will be shared between the District, Lincolnshire County Council and the Government in proportion with each party's relative proportionate share. This deficit has resulted from Covid-19 business rates reliefs provided in year after the budget had been set, however Government have provided grants to offset the lost income from the reliefs leaving a smaller 'real' deficit to be funded by the Council. Notes 12 and 32 provides further detail on the impact of the pandemic on these accounts.

Reserves and balances (GF and HRA)

The net increase in reserves and balances for 2020/21 was £3.675m. This includes an increase of £11.153m for unusable reserves and an decrease of £7.478m in usable reserves. Increases and (decreases) in reserves balances include:

Reserves and Balances 2020/21	Increase/ (Decrease) £'000
Pensions reserve	9,220
Revaluation reserve	(3,577)
Deferred Capital Receipts	3
Capital Adjustment Account	177
Other Unusable Reserves	4,114
Total Unusable Reserves	9,937
General Fund	(3,337)
HRA	(3,019)
Capital Receipts	(159)
Major Repairs	(770)
Capital grants unapplied	(193)
Total Usable Reserves	(7,478)
Total	2,459

Further information on reserves can be found in the Movement in Reserves Statement and Note 24 to the Financial Statements.

Pension fund

The accounts and notes with relation to the pension fund have been prepared in accordance with International Accounting Standard (IAS) 19. The Pension Fund liability shown in the Balance Sheet as at 31 March 2021 stands at £43.953m compared with £34.733m the previous year, this represents the liability to the Lincolnshire Pension Fund. This amount is matched by a pension reserve also shown in the Balance Sheet and therefore has no impact on the Council's overall financial position at 31 March 2021. The IAS 19 Balance Sheet position for the Council shows an increased obligation and the net liability to the Council under IAS 19 pension deficit is higher in monetary terms at 31 March 2021. The actuary uses a set of demographic assumptions that are consistent with those used for the Lincolnshire Pension Fund. These are highlighted in note 36. Following the results of the triennial review in 2019, the Council's budget includes both a pension contribution percentage and also a lump sum payment each year which is forecast to bring the pension scheme into a fully funded position over a 20-year term.

Cash flows

The table below shows the level of investments held by the Council which are used to fund day to day cash flow requirements, achieve a return on investments to help support the low levels of council tax, support the reserves expenditure and to fund capital expenditure. Short term investments maturing in 2020/21 and long term investments mature beyond this or are open-ended.

	2020/21 £'000	2019/20 £'000	Change £'000
Long Term Investments	3,963	3,664	299
Short Term Investments	34,524	26,118	8,406
Cash and Cash Equivalents	10,528	12,040	(1,512)
Total	49,015	41,822	7,193

Capital spend will reduce the cash held, however the Council does not currently have a need to borrow over the medium term. The Council's overall Capital Financing Requirement (CFR) which details the Council's underlying need to borrow can be found at Note 33.

There were no significant provisions, contingencies or write offs during the year. Full details on provisions and contingencies can be found at Note 22. However appeals from Business Rates (NNDR) continue to be a risk to the Council.

Current economic climate, outlook and risk

The current economic climate, unprecedented circumstance from events such as the Pandemic and Brexit plus the continuing reduction and un-certainty in Central Government funding continues to add pressures to the Council's budgets. Future changes relating to the percentage of retained Business Rates is now planned by Government to be implemented for 2022/23 alongside the Fair Funding review. This is a fundamental review by Government on how to calculate the 'needs' of each authority in order to determine the amount of funding each local authority requires through grant funding. This continues to add further uncertainty for our budget setting in the medium term as funding levels past 2021/21 are still not known, neither is the percentage share of retained NNDR under the new scheme and neither is sufficient detail available on the Fair Funding review to calculate estimated funding shares.

The Council remains in a strong financial position over the medium term, with robust plans for transformation, capital spend and delivery of services as well as investment in our communities. This means the Council is well placed to deal with any changes in funding levels resulting from the Fair Funding review and 75% Rates Retention with a measured and planned approach. Our Medium Term Financial Plan (MTFP) provides information on the Council's budget, transformation programme and reserves and can be found on our website <https://democracy.sholland.gov.uk/documents/s28891/Budget%20Medium%20Term%20Plan%20and%20Capital%20Strategy.pdf>

The current level of reserves held by the Council is considered adequate to withstand current pressures and to invest in transformation projects, but it would not be financially sustainable to rely on these reserves to continue to fund the reduction in Central Government funding.

The impact of Brexit on the Council's corporate objectives and finances continues to be monitored, particularly in relation to inflation levels (which impact our major contracts) and the impact on businesses and licensing.

Covid-19 Pandemic

The Covid-19 pandemic has had a considerable impact on the Council, our businesses and our residents. The lockdowns and tier systems announced throughout the year has meant that many of our businesses have been forced to close at different times, or have worked with many restrictions in place, significantly impacting the local economy and our residents. The Council has played a critical role in helping to lead the local response to Covid-19 along with our partners to ensure our residents are supported and protected. The Council has adapted quickly, putting considerable additional resource into ensuring rough sleepers are safe, providing temporary accommodation for those in need, administering business rates relief and grants to businesses and supporting the most vulnerable and in need within our community. Our staff have quickly adapted to working from home whilst our offices are closed, finding new ways of working and communicating and some have been redeployed to support our priority areas of work.

The Council suffered losses in income from areas such as car parking, licensing and investment income. Additional costs have been incurred in providing support for rough sleepers, ensuring compliance with Covid tier requirements and administering financial support to our communities and businesses. The financial effects of the pandemic have been significant for the Council, however we have received £1.340m of general Covid funding from Government, alongside income loss compensation of £0.407m. In the longer term we will need to reset our Medium Term Financial Plan and our budget in recognition of the national impact of the pandemic on our place, businesses and residents and reflect these changes in our strategic objectives for the future.

Key Risks

Risk	Likelihood	Impact	Mitigating Action
Cost pressures or changes to services as a result of the Covid-19 pandemic lead to financial pressures to the Council	High	High	Continued financial monitoring in year. Allocation of Covid-19 grants to areas with the greatest needs.
Reduced public sector funding from Central Government (e.g. New Homes Bonus)	High	High	Keep up to date with developments and make prudent budget assumptions.
Business rates retention reset leaves Council exposed to economic fluctuations and rating appeals	High	High	Monitor developments & set aside appropriate reserves and provisions to help with potential initial pressures and fluctuations
Increased maintenance costs of ageing physical assets	High	High	Review and maintain Asset Management Plan. Adopting a pro-active rather than reactive maintenance programme
Growth plans may require borrowing at some point in the future	High	High	Continue to closely monitor and prioritise the Council's Capital Financing Requirement.
Additional duties arising from the Homeless Reduction Act	High	High	Embed structure changes in service and maximise use of Government funding and closely monitor impact.
Low income levels from fees and charges	High	High	Review and revise proposals for fees and charges and annual increases as appropriate.
Return to lower interest rates	High	Medium	Market advice and forecasting. Mitigation by diversification
Court Income collectability	High	Low	Court income projections are in varying favourably against budget. The budget has not been increased due to concerns over collectability of this income. A year-

Risk	Likelihood	Impact	Mitigating Action
			end review will be undertaken to inform future year's budgets.
Universal Credit effect on service demand and recoverability of Housing Benefit Overpayments	Medium	Medium	The implementation of the Universal credit may impact on the General Fund in terms of running costs for the Benefits service and additional demand on other council services and on the HRA in terms of increased arrears. This will be closely monitored.
Pension fund deficit	Medium	Medium	Close links with LCC pension fund Increased contributions following triennial review
Additional bad debts as a result of economic circumstances	Medium	Medium	The Council has pro-active debt management and pre-pay fee policies in line with Cabinet Decisions
Inflation rises by more than budgeted projections	Medium	Medium	Budget assumptions kept up to date with most recent projections.
Brexit negotiations and trade deals impact on the levels of NNDR income and Housing Benefits demand.	Medium	Low	Reserve to manage potential fall to NNDR safety net levels
Increased risk that liability insurance premiums will increase	Medium	Low	Prepare to go to the market again if premiums exceed market trends.
Public Sector Partnership Services may be unable to deliver an effective service within the agreed reduced contract price	Low	Medium	Service Level Agreements activity levels and service priorities, reviewed regularly. Performance monitored against the PSPS Transformation Programme

The Performance, Risk and Audit Board reviews updates on corporate and operational risks on a quarterly basis and takes any remedial actions as necessary (for example, escalation to the Executive Management Team or Governance and Audit committee). Quarterly updates on the corporate risk register are provided to both the Executive Management Team and the Governance and Audit Committee. The Governance and Audit Committee is responsible for monitoring the arrangements in place for identification, monitoring and management of strategic risk.

The Council is always looking for new opportunities, such as sharing services with other Councils, service improvements and cost reductions through digitalisation of services, etc. All opportunities will be examined on their own merits and detailed business cases completed if the opportunity is considered worthy of implementation.

7. The Statement of Accounts

The Statements for the Council have been prepared on the going concern accounting basis, i.e. on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. This assessment has been possible due to the sound financial position of the Council, notably the delivery of a balanced outturn position for 2020/21, the establishment of a balanced budget for 2021/22 with an embedded transformation programme aimed at delivering ongoing savings. Additionally, the Council has sufficient funds and reserves to meet its immediate financial commitments and has robust governance arrangements in place to monitor and control the Council's financial position. More information can be found in Note 42 on page 88.

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2021. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which in turn is underpinned by International Financial Reporting Standards.

A Glossary of key terms can be found at the end of this publication.

- **Group and South Holland District Council Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding. Expenditure represents a combination of:
 - Services and activities that the Council is required to carry out by law (statutory duties) such as street cleaning, planning, refuse collection; and,
 - Discretionary expenditure focused on local priorities and needs.
- **Group and South Holland District Council Movement in Reserves Statement** is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into "usable", which can be invested in capital projects or services improvements, and "unusable" which must be set aside for specific purposes
- **Group and South Holland District Council Balance Sheet** is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date
- **Group and South Holland District Council Cash Flow Statement** shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities
- **Accounting Policies** – these explain the basis of the figures presented in the accounts
- **Notes to the Accounts** – the accounts are supported by the notes to the financial statements. These notes include further detail relating to items in the main financial statements, assumptions made about the future and major estimations made.
- **Expenditure and Funding Analysis** – shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. This was previously presented with the primary statements above, but is now shown within the notes to the accounts.

Supplementary Financial Statements

- **The Housing Revenue Account Statement** reflects the landlord function of the Council and is prepared in accordance with a statutory obligation to maintain a revenue account for local authority housing provision; Part 6 of the Local Government and Housing Act 1989.
- **Collection Fund** – this reflects the statutory requirement for the Council to maintain a separate account providing details of receipts of Council Tax and Business Rates, and any associated payments to precepting authorities, and the Government.

Group Accounts

- The Council has produced Group Accounts for 2020/21, consisting of a Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement, consolidating the transactions relating to its subsidiary Companies South Holland Homes Community Interest Company and Welland Homes Ltd.

Annual Governance Statement – sets out the Council’s approach to corporate governance and how it manages its governance arrangements in accordance with the Code of Governance.

8. Further Information

Further information on the Statement of Accounts is available from Public Sector Partnership Services Ltd (formerly Compass Point Business Services), who provide all financial services for the Council. This is available as follows:

- In writing - to Financial Services, Council Offices, Priory Road, Spalding, Lincs PE11 2XE.
- By telephone - 01775 761161
- By e-mail - to Customer Services at info@sholland.gov.uk

The accounts are available on our website at www.sholland.gov.uk

Christine Marshall, Deputy Chief Executive Corporate Development and Section 151 Officer
22 March 2022

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Executive Director Commercialisation
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Financial Statements, delegated to the Governance and Audit Committee.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Council'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 (the Code)*.

In preparing the Financial Statements, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code
- kept proper accounting records which were up to date and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification by the Chief Financial Officer

I hereby certify that the audited Financial Statements give a 'true and fair' view of the financial position of the Council and Group at the reporting date and of its expenditure and income for the year ended 31 March 2021.

Christine Marshall

Christine Marshall
Deputy Chief Executive
Corporate Development

Dated: 22 March 2022

Approval of the Financial Statements

The Governance and Audit Committee approved the audited Financial Statements on 17 March 2022.

Signed on behalf of South Holland District Council:

Cllr T Carter

Cllr Tracey Carter
Chair of meeting approving the accounts

Dated: 22 March 2022

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure Statement shows 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 (or rents). The Council raises taxation and 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 and the Movement in Reserves Statement.

The Council recognises its share (37%) of expenses incurred and income it earns from the activity of Public Sector Partnership Services Ltd (formerly Compass Point Business Services (East Coast) Ltd) in the Comprehensive Income and Expenditure Statement – see note 40 Joint Operation for full details.

Gross Expenditure £'000	2019/20 Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	2020/21 Gross Income £'000	Net Expenditure £'000
18,175	(15,488)	2,687	Growth and Commercialisation Directorate	23,718	(19,982)	3,736
13,628	(23,127)	(9,499)	Place Directorate	19,464	(21,350)	(1,886)
5,531	(1,160)	4,371	Strategy and Governance Directorate	5,107	(644)	4,463
37,334	(39,775)	(2,441)	Cost of Services	48,289	(41,976)	6,313
5,225	(2,228)	2,997	Other operating expenditure (Note 10)	6,340	(2,326)	4,014
5,031	(2,607)	2,424	Financing and investment income and expenditure (Note 11)	4,547	(1,769)	2,778
6,081	(20,117)	(14,036)	Taxation and non-specific grant income and expenditure (Note 12)	6,162	(20,793)	(14,631)
53,671	(64,727)	(11,056)	(Surplus) or Deficit on the Provision of Services	65,338	(66,864)	(1,526)
		(7,636)	Surplus on revaluation of property, plant and equipment assets			(3,577)
		(9,539)	Remeasurements of the net defined benefit liability			7,562
		(17,175)	Other Comprehensive Income and Expenditure			3,985
		(28,231)	Total Comprehensive Income and Expenditure			2,459

The notes to the accounts on pages 27 - 88 form an integral part of the Financial Statements.

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

The Council recognises its share (37%) of the movement in reserves from the activity of Public Sector Partnership Services Ltd (formerly Compass Point Business Services (East Coast) Ltd) in the Movement in Reserves Statement – see note 40 Joint Operation for full details.

2020/21	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	HRA Earmarked Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020	2,443	8,013	19,809	200	3,586	3,061	2,991	40,103	99,171	139,274
Movement in Reserves during 2020/21										
Total Comprehensive Income and Expenditure	(3,489)	-	5,015	-	-	-	-	1,526	(3,985)	(2,459)
Adjustments between accounting basis and funding basis under regulations (Note 8)	6,826	-	(1,996)	-	770	159	193	5,952	(5,952)	-
Increase/(Decrease) in 2020/21	3,337	-	3,019	-	770	159	193	7,478	(9,937)	(2,459)
Transfer to/(from) Earmarked Reserves	(3,402)	3,402	-	-	-	-	-	-	-	-
Balance at 31 March 2021 carried forward	2,378	11,415	22,828	200	4,356	3,220	3,184	47,581	89,234	136,815

2019/20	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	HRA Earmarked Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019	2,353	8,702	16,575	200	4,684	4,959	2,707	40,180	70,863	111,043
Movement in Reserves during 2019/20										
Total Comprehensive Income and Expenditure	(3,786)	-	14,842	-	-	-	-	11,056	17,175	28,231
Adjustments between accounting basis and funding basis under regulations (Note 8)	3,187		(11,608)	-	(1,098)	(1,898)	284	(11,133)	11,133	-
Increase/(Decrease) in 2019/20	(599)	-	3,234	-	(1,098)	(1,898)	284	(77)	28,308	28,231
Transfer to/(from) Earmarked Reserves	689	(689)	-	-	-	-	-	-	-	-
Balance at 31 March 2020 carried forward	2,443	8,013	19,809	200	3,586	3,061	2,991	40,103	99,171	139,274

The notes to the accounts on pages 27 - 88 form an integral part of the Financial Statements

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. 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 that 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 Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The Council recognises its share (37%) of its rights to the assets and obligations for the liabilities from the activity of Public Sector Partnership Services Ltd (formerly Compass Point Business Services (East Coast) Ltd) in the Balance Sheet – see note 40 Joint Operation for full details.

31 March 2020 £'000		Note	31 March 2021 £'000
199,140	Property, Plant and Equipment	13	201,712
105	Heritage Assets	14	105
1,021	Investment Property	15	1,573
701	Intangible Assets	16	708
3,664	Long Term Investments	17	3,963
3,535	Long Term Debtors		3,966
208,166	Long Term Assets		212,027
26,118	Short Term Investments		34,524
989	Assets Held for Sale	20	1,391
4,255	Short Term Debtors	18	8,710
12,078	Cash and Cash Equivalents	19	10,528
43,440	Current Assets		55,153
(38)	Cash and Cash Equivalents	19	-
(26)	Short Term Borrowing		(26)
(8,595)	Short Term Creditors	21	(16,960)
(841)	Provisions	22	(638)
(9,500)	Current Liabilities		(17,624)
(67,456)	Long Term Borrowing		(67,456)
(34,733)	Other Long Term Liabilities – Pension Liability	36	(43,953)
(643)	Grants Receipts in Advance – Capital	32	(1,332)
(102,832)	Long Term Liabilities		(112,741)
139,274	Net Assets		136,815
40,103	Usable Reserves*		47,581
99,171	Unusable Reserves	24	89,234
139,274	Total Reserves		136,815

The notes to the accounts on pages 27 - 88 form an integral part of the Financial Statements.

* See Movement in Reserves Statement on page 23.

CASH FLOW STATEMENT

The Cash Flow Statement 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, investing and financing activities. 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 from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the Council.

The Council recognises its share (37%) of cash flows from the activity of Public Sector Partnership Services Ltd (formerly Compass Point Business Services (East Coast) Ltd) in the Cash Flow Statement – see note 40 Joint Operation for full details.

2019/20 £'000	2019/20 £'000		2020/21 £'000	2020/21 £'000
	11,056	Net surplus on the provision of services		1,526
893		Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 25)	12,731	
(5,435)	(4,542)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 25)	(7,980)	4,751
	6,514	Net cash flows from Operating Activities		6,277
	1,458	Investing Activities (Note 26)		(6,223)
	(1,231)	Financing Activities (Note 27)		(1,564)
	6,741	Net increase in cash and cash equivalents		(1,510)
	5,299	Cash and cash equivalents at the beginning of the reporting period		12,040
	-	Other Cash Movements		(2)
	12,040	Cash and cash equivalents at the end of the reporting period (Note 19)		10,528

The notes to the accounts on pages 27 - 88 form an integral part of the Financial Statements.

NOTES TO THE ACCOUNTS

NOTE 1 – ACCOUNTING POLICIES

1. General Principles

The Financial Statements summarise the Council's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Financial Statements is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are not carried as inventories on the Balance Sheet due to their immateriality.
- Expenses in relation to services received, including services provided by employees, are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount, where considered material, is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

5. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets 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, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

6. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the 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, billing authorities, 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.

Accounting for Council Tax and NDR

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

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 and prepayments and appeals.

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 any form of leave e.g. 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 made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

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 General Fund Balance and Housing Revenue 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 Movement in Reserves Statement, 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 members of the Local Government Pension Scheme, administered by Lincolnshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

The liabilities of the Lincolnshire County Council pension fund attributable to the Council 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 assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.0% (2.3% in 2019/20), based on the indicative rate of return on high quality corporate bonds.

The assets of the Lincolnshire County Council 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 liability is analysed into the following components:

Service Cost comprising:

- **current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- **past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
- **net interest on the net defined benefit liability**, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- **the return on plan assets** – excluding amounts included in the net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **actuarial gains and losses** – changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **contributions paid to the Lincolnshire County Council 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 General Fund Balance and Housing Revenue Account Balance 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. In the Movement in Reserves Statement, this means that there are transfers 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 General Fund and Housing Revenue Account 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 also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8. Events after the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Financial Statements are adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Financial Statements are 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 Financial Statements.

9. 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 Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate 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.

For the long term borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The Council has provided a guarantee in relation to the liabilities of Public Sector Partnership Services, based on 37% of any outstanding liabilities, in the event that the Company should cease trading. Details can be found in the Joint Operations note (note 40).

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. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, or where relevant FVOCI, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The Council has issued four loans to its subsidiary, Welland Homes Limited, and has assessed lifetime expected losses for these loans on a collective basis. The Council relies on past due information and calculates losses based on lifetime credit losses for all loans more than 30 days past due.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

For Financial Assets measured at Fair Value through Profit and Loss, monthly dividend/distribution income receivable is credited to the Financial and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in other comprehensive expenditure and taken to the financial instruments revaluation reserve, except for impairment gains or losses until the financial asset is derecognised or reclassified.

Where financial assets are measured at FVPL or FVOCI, the fair value measurements are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

10. 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 Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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 and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance and Housing Revenue Account Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

11. Heritage Assets

The extent of the Council's holdings of heritage assets is limited. Heritage assets are held to help increase the knowledge, understanding and appreciation of the Council's history and local area. Heritage assets are recognised and measured, including the treatment of revaluation gains and losses, in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules

are relaxed in relation to heritage assets as detailed below. The Council's heritage assets fall into two categories; Civic Regalia and Works of Art, and Archaeological Sites, Smallholdings and other Land and Sites of Special Interest and are accounted for as follows:

Civic Regalia and Works of Art:

- Civic regalia and Tulip paintings – insurance value; valued by an external valuer

Archaeological Sites, Smallholdings and other Land and Sites of Special Interest:

- Chain Bridge Forge (formerly Blacksmith's shop) – current use; valued by an external valuer
- Nature reserve – Historic Cost

Heritage assets not recognised on the Council's Balance Sheet:

- Community Beacon, Gas Wharf, Pill box, HMS Hornet bell and model of HMS Taku submarine – not included on the Balance Sheet as the cost of obtaining valuations outweighs the benefit to the users of the statements.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see item 19 in this summary of significant accounting policies. Depreciation is not charged as the assets are deemed to be held in perpetuity. Should any heritage assets be disposed of, the proceeds are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

12. Intangible Assets

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

Intangible assets are measured initially at cost and are carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. Amortisation is calculated on the following basis:

- Computer software and licences – straight line basis

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, the amortisation charge is not permitted to have an impact on the General Fund Balance or Housing Revenue Account Balance. It is therefore reversed out of the General Fund Balance and Housing Revenue Account Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

13. Interest in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost.

14. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

South Holland has joint control with East Lindsey District Council over Public Sector Partnership Services Ltd (formerly Compass Point Business Services (East Coast) Ltd), a company established in 2010 to provide 'back office' services to both Councils.

The Council recognises on its Balance Sheet an appropriate share of its rights to the assets and obligations for the liabilities and debits and credits the Comprehensive Income and Expenditure Statement with its share of expenses incurred and income it earns from the activity of the Company.

15. Investment Property

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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. 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 Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Assets are transferred into or out of the Investment Property class only when there is evidence of a change of use.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account 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 transfer 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.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council has no finance lease commitments as at 31 March 2021.

The Council as Lessee - *Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement 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 - *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 relevant line in the Comprehensive Income and Expenditure Statement. 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. Material Items of Income or Expense

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

18. Overheads and Support Services

Following revisions to the Accounting Code, the cost of overheads and support services are not charged to service segments, within the Financial Statements, in accordance with the Council's arrangements for accountability and financial performance. However, they are apportioned to comply with the requirements of various government returns.

19. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment 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 assets potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

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 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 authority). 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 authority.

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

- infrastructure assets, community assets and assets under construction – depreciated historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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 Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value 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 in the Comprehensive Income and Expenditure Statement.

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

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 Comprehensive Income and Expenditure Statement.

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

Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight line allocation over the life of the property as estimated by the valuer
- Vehicles, plant and equipment – straight line allocation over the life of the asset, as advised by a suitably qualified officer
- Infrastructure – straight line allocation.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Materiality levels have been assessed and a materiality level of £0.5m for major components has been applied. Council dwellings are separated into their principal components, which are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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 Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous 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 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 Property, Plant and Equipment or assets held for sale, is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement 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 Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals 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. Receipts are appropriated to the Reserve from the General Fund Balance and Housing Revenue Account Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax or housing rents, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance and Housing Revenue Account Balance in the Movement in Reserves Statement.

20. Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties, and some of its financial instruments at fair value at each reporting date. 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.

When measuring the fair value of a non-financial asset, the authority 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.

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 authority 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.

21. 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 can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council has an obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now 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, 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.

22. 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.

23. 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.

24. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingences. Reserves are created by transferring amounts out of the General Fund Balance. 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 Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

25. Revenue Expenditure Funded from Capital under Statute

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 Comprehensive Income and Expenditure Statement 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 Movement in

Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

26. 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.

NOTE 2 – ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) has introduced several changes in accounting standards which will be required from 1 April 2021.

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new accounting standard, but one which has not yet been implemented.

It is not anticipated that the above amendments will have a material impact on the information provided in the financial statements, i.e. there is unlikely to be a change to the reported information in the reported net cost of services or the Surplus or Deficit on the Provision of Services.

NOTE 3 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

There was a high level of uncertainty about the longer-term impact of the Coronavirus pandemic at the time the accounts were prepared, and this has presented challenges in preparing the financial statements. Further information about volatility in financial and other markets at 31 March 2021 that became available up until the date the accounts were authorised for issue has been taken into account.

The critical judgements made in the Financial Statements are:

- There is a large degree of uncertainty about future levels of funding for local government, including short-term compensation for the costs of dealing with the pandemic. The council has determined that this high level of uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- At the time the accounts were authorised for issue, the Council's valuers have provided values for the Council's assets taking into account what was known at the time. The Council's judgement was that there was not enough information to indicate that the assets were impaired and that balance sheet values should be reduced.
- The Council has examined its leases, and classified them as either operating leases or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgements in determining whether the lease is a finance lease that transfers substantially all the risks and rewards incidental to ownership. With effect from 2022/23 financial accounts all lessee operational agreements (apart from those of less than 12 months or those of low value assets) are required to be shown on the balance sheet.
- One factor that has had a demonstrable impact on the accounts in the past five years concerns the assumptions surrounding pensions and the likelihood of legislative change and the impact of such change. The sensitivity analysis, shown in note 36 on pages 76-82, estimates the likely impact of changes to the assumptions used when reporting the pension liability.

- Investments - Investment in banks and other financial institutions are secure and will not suffer impairments. A certain amount of volatility in financial markets was apparent at the time the accounts were authorised for issue and expected credit losses were calculated based on information available at the time.

NOTE 4 – ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Financial Statements 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, including the effects of the Coronavirus pandemic. This is an unprecedented situation however, and because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Liability

The estimation of the net liability (£43.953m at 31 March 2021) to pay pensions depends on a number of complex judgements relating to the discount rate 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 expert advice about the assumptions to be applied.

During 2020/21, the actuaries advised that the net pension liability had increased by £9.220m. This is made up of:

- £7.562m actuarial loss
- £1.658m loss arising from employer contributions of £2.361m being less than the pension obligations of £4.019m.

Debt Impairment

At 31 March 2021, the Council had a balance of sundry debtor and housing benefit overpayments of £1.674m. The Council's normal approach to review significant items suggested that an impairment allowance for doubtful debts of 58.36% (£0.977m) was appropriate. However, in the current economic climate it is not certain that the allowance will be sufficient.

If collection rates were to deteriorate, increasing the impairment for doubtful debts to 65% of the total debt would require an additional £0.111m to be set aside as an allowance.

The change in the impairment allowance for bad debts is presented within Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Business Rates

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities need to account for any reduction in Business Rates income and repayment to ratepayers, in respect of successful appeals against business rates for current and earlier years. A provision has been made in the accounts based on the best estimate of the amount that the Council might need to repay as a result of successful appeals up to 31 March 2021.

For appeals already lodged, this estimate has been calculated using the latest Valuation Office Agency list of outstanding appeals with an assessment being made of the likely impact of those appeals, taking into account past national decisions together with any specific / local implications. This assessment has been undertaken by an external provider, and reviewed by officers to reflect local circumstances. The Council's share of the provision as at 31 March 2021 is £0.638m (40% of £1.595m), but it is possible that this will need to increase in the future, partially due to the restrictions put in place by the government during the pandemic. The restrictions have had an adverse impact on many businesses, resulting in some reducing operations and

some closing down, but at the time the accounts were finalised it was not possible to predict the impact of this on the Council's overall business rates income.

If the appeals provision increased by 10% the Council's share would increase to £0.701m.

Fair Value Measurements

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.

Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the external valuer). Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 13 and 15.

The outbreak of COVID-19, declared by the World Health Organisation as a 'Global Pandemic' on 11 March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases 'lockdowns' have been applied to varying degrees and to reflect further waves of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.

Accordingly, the valuations are not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards, except as identified below.

In respect of retail and specific trading related assets/sectors such as car parks, as at the valuation date the valuers continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant and sufficient market on which to base their judgements.

The valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently in respect of these valuations, less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case.

The meaning of this clause is explained by the Royal Institute of Chartered Surveyors as:

'Where a material uncertainty clause is being used, its purpose is to ensure that any client relying upon that specific valuation report understands that it has been prepared under extraordinary circumstances. The term is not meant to suggest that the valuation cannot be relied upon; rather, it is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. Indeed, with regard to the process itself, professional valuers will almost certainly have undertaken far more due diligence than normal, in order to arrive at their estimate of value.'

Asset Lives

Asset lives are determined by the valuers and if asset lives were reduced by one year the impact on the depreciation charged to the CIES would be immaterial.

NOTE 5 – EVENTS AFTER THE BALANCE SHEET DATE

The audited Financial Statements were authorised for issue by the Deputy Chief Executive – Corporate Development on 22 March 2022. Events taking place after this date are not reflected in the Financial Statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

From 1 April 2021, Boston Borough Council back office services transferred into the joint merged services organisation arrangements delivered through Public Sector Partnership Services Ltd. This does not impact on the Council's share of the Company's assets, liabilities, income and expenditure presented in the Financial Statements as at 31 March 2021.

NOTE 6 – EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local Councils in comparison with those resources consumed or earned by Councils in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/20				2020/21			
Net Expenditure Chargeable to the General Fund and HRA Balance £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund and HRA Balance £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	
2,502	185	2,687	Growth and Commercialisation Directorate	3,521	215	3,736	
92	(9,591)	(9,499)	Place Directorate	(767)	(1,119)	(1,886)	
4,427	(56)	4,371	Strategy and Governance Directorate	4,233	230	4,463	
7,021	(9,462)	(2,441)	Net Cost of Services	6,987	(674)	6,313	
(9,656)	1,041	(8,615)	Other Income and Expenditure	(13,343)	5,504	(7,839)	
(2,635)	(8,421)	(11,056)	(Surplus) or Deficit	(6,356)	4,830	(1,526)	

General Fund Balance £'000	HRA Balance £'000	Total £'000		General Fund Balance £'000	HRA Balance £'000	Total £'000	
2,353	16,575	18,928	Opening Balance at 1 April	2,443	19,809	22,252	
90	3,234	3,324	Surplus or (Deficit) in Year (after transfers to/from earmarked reserves)	(65)	3,019	2,954	
2,443	19,809	22,252	Closing Balance at 31 March	2,378	22,828	25,206	

NOTE 6A – NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2020/21				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Growth and Commercialisation Directorate	(6)	221	-	215
Place Directorate	(1,562)	394	49	(1,119)
Strategy and Governance Directorate	68	(18)	180	230
Net Cost of Services	(1,500)	597	229	(674)
Other Income and Expenditure from the Funding Analysis	557	1,061	3,886	5,504
Difference between General Fund (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (Surplus)/Deficit	(943)	1,658	4,115	4,830

2019/20				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Growth and Commercialisation Directorate	(203)	388	-	185
Place Directorate	(10,344)	750	2	(9,592)
Strategy and Governance Directorate	(72)	48	(32)	(56)
Net Cost of Services	(10,619)	1,186	(30)	(9,463)
Other Income and Expenditure from the Funding Analysis	(1,728)	1,438	1,331	1,041
Difference between General Fund (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (Surplus)/Deficit	(12,347)	2,624	1,301	(8,422)

Adjustments for Capital Purposes

This column adds in depreciation and impairment, revaluation gains and losses and transfer to the Major Repairs Reserve for future capital investment in the service lines, 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. Minimum Revenue Provision 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. 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 the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income are reflected as follows:

- **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 or credited to the Comprehensive Income and Expenditure Statement and amounts payable or receivable to be recognised under statute are as follows:

- **For services** the other differences column recognises adjustments to the General Fund and Housing Revenue Account for accumulated absences.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and business 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.

NOTE 7 – EXPENDITURE AND INCOME ANALYSED BY NATURE

The authority's expenditure and income is analysed as follows:

<u>2020/21</u>	SHDC Income and Expenditure £'000	Remove amounts paid to/received from PSPS £'000	Add PSPS subjective analysis £'000	Total Income and Expenditure £'000
<u>Expenditure</u>				
Employee benefits expenses	12,734	-	3,119	15,853
Other service expenses	32,819	(3,575)	436	29,680
Depreciation, amortisation, impairment	4,916	-	15	4,931
Interest payments	2,347	-	-	2,347
Precepts and levies	3,457	-	-	3,457
Increase/(Decrease) in Impairment Allowance (General Fund)	78	-	-	78
Payments to Housing Capital Receipts Pool	431	-	-	431
Business Rates tariff and levy	6,162	-	-	6,162
Loss on disposal of non-current assets	2,452	-	-	2,452
Share of PSPS Taxation	-	-	4	4
Pensions interest cost	2,115	-	324	2,439
Total Expenditure	67,511	(3,575)	3,898	67,834
<u>Income</u>				
Income from council tax and non-domestic rates	(12,076)	-	-	(12,076)
Government grants and contributions	(28,459)	-	-	(28,459)
Other grants and contributions	(1,253)	-	-	(1,253)
Fees, charges and other service income	(21,974)	241	(20)	(21,753)
Interest and investment income	(325)	-	(1)	(326)
Change in fair value of equity investments	(23)	-	-	(23)
Changes in fair value of investment property	-	-	-	-
Gain on revaluation of non-current assets	(1,538)	-	-	(1,538)
Gain on disposal of non-current assets	(2,326)	-	-	(2,326)
Pensions interest income	(1,345)	-	(261)	(1,606)
Total Income	(69,319)	241	(282)	(69,360)
(Surplus) or Deficit on the Provision of Services	(1,808)	(3,334)	3,616	(1,526)

2019/20	SHDC Income and Expenditure £'000	Remove amounts paid to/received from PSPS £'000	Add PSPS subjective analysis £'000	Total Income and Expenditure £'000
<u>Expenditure</u>				
Employee benefits expenses	12,547	-	3,116	15,663
Other service expenses	30,892	(3,601)	440	27,731
Depreciation, amortisation, impairment	4,307	-	11	4,318
Interest payments	2,348	-	-	2,348
Precepts and levies	3,294	-	-	3,294
Increase/(Decrease) in Impairment Allowance (General Fund)	(17)	-	-	(17)
Payments to Housing Capital Receipts Pool	431	-	-	431
Business Rates tariff and levy	6,080	-	-	6,080
Loss on disposal of non-current assets	1,500	-	-	1,500
Pensions interest cost	2,274	-	408	2,682
Total Expenditure	63,656	(3,601)	3,975	64,030
<u>Income</u>				
Income from council tax and non-domestic rates	(15,704)	-	-	(15,704)
Government grants and contributions	(21,179)	-	-	(21,179)
Other grants and contributions	(950)	-	-	(950)
Fees, charges and other service income	(22,732)	289	(62)	(22,505)
Interest and investment income	(517)	-	(3)	(520)
Decrease in impairment allowance for bad debts (HRA)	81	-	-	81
Change in fair value of equity investments	(171)	-	-	(171)
Changes in fair value of investment property	(225)	-	-	(225)
Gain on revaluation of non-current assets	(10,026)	-	-	(10,026)
Gain on disposal of non-current assets	(2,227)	-	-	(2,227)
Pensions interest income	(1,345)	-	(315)	(1,660)
Total Income	(74,995)	289	(380)	(75,086)
(Surplus) or Deficit on the Provision of Services	(11,339)	(3,312)	3,595	(11,056)

NOTE 8 – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year. However, as a Housing authority, the balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance

The Housing Revenue Account 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 as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at year end.

Capital Receipts Reserve

The Capital Receipts Reserve 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.

Capital Grants Unapplied

The Capital Grants Unapplied Account 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.

2020/21	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
Adjustments to Revenue Resources					
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>					
• Pension costs	1,324	334	-	-	-
• Council Tax and Non-Domestic Rates	3,908	-	-	-	-
• Holiday pay	180	48	-	-	-
• Movements in the market value of Investment Properties	-	-	-	-	-
• Movements in fair value of financial assets designated to fair value other comprehensive income	(23)	-	-	-	-
• Capital grants and contributions applied to capital financing	(5,333)	(190)	-	-	-
• Capital grants and contributions not applied to capital financing	(193)	-	-	-	193
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	7,481	3,891	-	-	-
Total Adjustments to Revenue Resources	7,344	4,083	-	-	193
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	541	(2,340)	2,340	-	-
Administrative costs of non-current asset disposals	-	77	(77)	-	-
Payments to the government housing receipts pool	431	-	(431)	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	(3,816)	-	3,816	-
Capital expenditure financed from revenue balances	(1,490)	-	-	-	-
Total Adjustments between Revenue and Capital Resources	(518)	(6,079)	1,832	3,816	-
Adjustments to Capital Resources					
Use of Capital Receipts Reserve to finance capital expenditure	-	-	(1,676)	-	-
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	(3,046)	-
Use of capital grants to finance capital expenditure	-	-	-	-	-
Cash payments in relation to deferred capital receipts	-	-	3	-	-
Total Adjustments to Capital Resources	-	-	(1,673)	(3,046)	-
Total Adjustments	6,826	(1,996)	159	770	193

2019/20	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000
Adjustments to Revenue Resources					
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>					
• Pension costs	2,137	488	-	-	-
• Council Tax and Non-Domestic Rates	1,501	-	-	-	-
• Holiday pay	(25)	(5)	-	-	-
• Movements in the market value of Investment Properties	(225)	-	-	-	-
• Movements in fair value of financial assets designated to fair value other comprehensive income	(171)	-	-	-	-
• Capital grants and contributions applied to capital financing	(2,130)	(910)	-	-	(39)
• Capital grants and contributions not applied to capital financing	(323)	-	-	-	323
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	2,907	(5,770)	-	-	-
Total Adjustments to Revenue Resources	3,671	(6,197)	-	-	284
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(38)	(2,188)	2,225	-	-
Administrative costs of non-current asset disposals	-	36	(36)	-	-
Payments to the government housing receipts pool	431	-	(431)	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	(3,259)	-	3,259	-
Capital expenditure financed from revenue balances	(877)	-	-	-	-
Total Adjustments between Revenue and Capital Resources	(484)	(5,411)	1,758	3,259	-
Adjustments to Capital Resources					
Use of Capital Receipts Reserve to finance capital expenditure	-	-	(3,658)	-	-
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	(4,357)	-
Use of capital grants to finance capital expenditure	-	-	-	-	-
Cash payments in relation to deferred capital receipts	-	-	2	-	-
Total Adjustments to Capital Resources	-	-	(3,656)	(4,357)	-
Total Adjustments	3,187	(11,608)	(1,898)	(1,098)	284

NOTE 9 – MOVEMENTS IN EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2020/21.

	Balance 1 April 2019 £'000	Transfers Out 2019/20 £'000	Transfers In 2019/20 £'000	Balance 31 March 2020 £'000	Transfers Out 2020/21 £'000	Transfers In 2020/21 £'000	Balance 31 March 2021 £'000
General Fund							
Council Tax Reserve	2,348	(1,571)	1,284	2,061	(614)	362	1,809
Replacement and Refurbishment Reserve	173	(77)	-	96	(60)	136	172
Investment and Growth Reserve	5,489	(1,373)	1,148	5,264	(1,970)	1,195	4,489
Transformation Reserve	299	(158)	-	141	(70)	-	71
Earmarked Grants Reserve	393	(116)	174	451	(180)	4,603	4,874
Total General Fund	8,702	(3,295)	2,606	8,013	(2,894)	6,296	11,415
Housing Revenue Account							
Insurance Reserve	200	-	-	200	-	-	200
Total Housing Revenue Account	200	-	-	200	-	-	200
Total Earmarked Reserves	8,902	(3,295)	2,606	8,213	(2,894)	6,296	11,615

The Earmarked Reserves have had an exceptional contribution during 2020/21 in respect of £4.006m Tax Income Guarantee funds from MHCLG to support the distribution of Business Rates collected on behalf of other authorities.

NOTE 10 – OTHER OPERATING EXPENDITURE

2019/20 £'000		2020/21 £'000
846	Parish Council Precepts	897
2,447	Internal Drainage Board Levies	2,560
431	Payments to the Government Housing Capital Receipts Pool	431
(727)	(Gains)/Losses on the disposal of non-current assets	126
2,997	Total	4,014

NOTE 11 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2019/20 £'000		2020/21 £'000
2,348	Interest payable and similar charges	2,347
1,023	Net interest on the net defined benefit liability for pensions	833
(521)	Interest receivable and similar income	(326)
64	Movement in the impairment allowance for bad debts	78
(319)	Income and expenditure in relation to investment properties and changes in their fair value	(135)
(171)	Movements in fair value of financial assets designated to fair value	(23)
-	other comprehensive income	
-	Share of PSPS Taxation	4
2,424	Total	2,778

Following the introduction of IFRS9 Financial Instruments, the Council is required to value its equity stake in South Holland Local Housing Community Interest Company and Welland Homes Limited at fair value.

NOTE 12 – TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE

2019/20 £'000		2020/21 £'000
(6,014)	Council Tax income	(6,246)
(3,609)	Retained Business Rates income and expenditure	332
(1,266)	Section 31 Grant	(1,252)
-	Section 31 Grant – Extended Reliefs	(4,005)
-	Council Tax Income Compensation	(13)
(271)	Revenue Support Grant	(275)
(1,170)	Non-ringfenced government grants	(1,235)
(1,706)	Capital grants and contributions	(190)
-	Covid-19 Support Grant	(1,340)
-	Covid-19 Sales, Fees and Charges Income Compensation	(407)
(14,036)	Total	(14,631)

Additional Business Rates reliefs were provided in year to businesses to provide financial assistance in response to the Covid-19 pandemic, resulting in reduced income due from ratepayers, and therefore lost income to the Council in the current financial year. However, Central Government have provided compensation to the Council to offset this lost income, in the form of Section 31 Grant for extended reliefs.

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT - Movements on Balances

2020/21	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<u>Movements on balances</u>								
Cost or Valuation								
At 1 April 2020	169,365	23,039	5,886	2,444	962	1,446	1,774	204,916
Additions	3,543	462	270	-	-	-	1,293	5,568
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	2,338	(1,120)	-	-	-	20	-	1,238
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	205	(244)	-	-	-	-	-	(39)
Derecognition – disposals	(1,073)	(2)	(120)	-	-	(525)	(63)	(1,783)
Assets reclassified (to)/from Held for Sale	-	(552)	-	-	-	-	-	(552)
Other movements in Cost or Valuation	1,756	-	-	-	-	-	(2,871)	(1,115)
At 31 March 2021	176,134	21,583	6,036	2,444	962	941	133	208,233
Accumulated Depreciation and Impairment								
At 1 April 2020	-	-	(3,733)	(1,897)	(146)	-	-	(5,776)
Depreciation charge	(3,493)	(428)	(682)	(156)	-	(7)	-	(4,766)
Depreciation written out to the Revaluation Reserve	1,936	403	-	-	-	-	-	2,339
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,551	25	-	-	-	-	-	1,576
Derecognition – disposals	6	-	93	-	-	7	-	106
At 31 March 2021	-	-	(4,322)	(2,053)	(146)	-	-	(6,521)
Net Book Value								
At 31 March 2020	169,365	23,039	2,153	547	816	1,446	1,774	199,140
At 31 March 2021	176,134	21,583	1,714	391	816	941	133	201,712

2019/20	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<u>Movements on balances</u>								
Cost or Valuation								
At 1 April 2019	150,171	22,960	5,308	2,261	962	823	309	182,794
Additions	6,639	304	578	195	-	707	1,494	9,917
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	5,871	366	-	-	-	(188)	-	6,049
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	8,693	(305)	-	-	-	(182)	-	8,206
Derecognition – disposals	(1,020)	-	-	(12)	-	-	(29)	(1,061)
Assets reclassified (to)/from Held for Sale	(989)	-	-	-	-	-	-	(989)
Other movements in cost or valuation	-	(286)	-	-	-	286	-	-
At 31 March 2020	169,365	23,039	5,886	2,444	962	1,446	1,774	204,916
Accumulated Depreciation and Impairment								
At 1 April 2019	-	-	(3,112)	(1,729)	(146)	-	-	(4,987)
Depreciation charge	(3,028)	(399)	(621)	(180)	-	-	-	(4,228)
Depreciation written out to the Revaluation Reserve	1,215	374	-	-	-	-	-	1,589
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,794	25	-	-	-	-	-	1,819
Derecognition – disposals	19	-	-	12	-	-	-	31
At 31 March 2020	-	-	(3,733)	(1,897)	(146)	-	-	(5,776)
Net Book Value								
At 31 March 2020	169,365	23,039	2,153	547	816	1,446	1,774	199,140
At 31 March 2019	150,171	22,960	2,196	532	816	823	309	177,807

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – major components
 - Structure – 36-70 years
 - Roofs – 1-69 years
 - Kitchens – 3-19 years
 - Bathrooms – 1-25 years
 - Windows and Doors – 1-29 years
- Other Land and Buildings – 2-72 years
- Vehicles, Plant, Furniture & Equipment – 4-25 years
- Infrastructure – 2-19 years

Capital Commitments

At 31 March 2021, the Council has entered into contracts for the enhancement of Property, Plant and Equipment in 2020/21 and future years budgeted at a cost of £3.1m. Similar commitments at 31 March 2020 were £4.2m, mainly relating to works to dwellings. The major commitments are:

• Central Heating Replacements	£0.6m
• New Build Council Houses and Shared Ownership	£1.1m
• IT & Equipment Upgrade and Replacement	£0.1m
• Vehicles, plant and machinery	£1.3m

Effects of Changes in Estimates

No material changes were made to the Council's accounting estimates for Property, Plant and Equipment 2020/21.

Revaluations

The Council carries out a programme that ensures that all Property, Plant and Equipment required to be measured at current value is regularly revalued. A full revaluation of all Council housing stock and other land and buildings is undertaken every 5 years, although a desktop review of all assets is carried out in each of the intervening years. All valuations are carried out externally. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

In addition due regard has been taken of amendments introduced in the CLG document "Stock Valuation for Resource Accounting – Guidance for Valuers 2010". The basis of valuation is Current Value (EUV) for non-housing property and Existing Use Value for Social Housing (EUV – SH) for Council dwellings. Surplus property is valued at Fair Value, estimated at highest and best use from a market participant's perspective.

Revaluations during 2020/21 were undertaken by Darren Fabris BSc (Hons) MRICS, RICS Registered Valuer (Kier) and Guy S C Harbord MA MRICS, IRRV (Hons), RICS Registered Valuer (Wilks Head and Eve).

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	-	6,036	2,444	962	-	133	9,575
Valued at fair value as at: 31 March 2021	176,134	21,583	-	-	-	941	-	198,658
Total Cost or Valuation	176,134	21,583	6,036	2,444	962	941	133	208,233

Fair Value Hierarchy – Surplus Assets

Details of the authority's surplus assets and information about the fair value hierarchy as at 31 March 2021 is as follows:

Fair Value Level 2 2019/20 £'000		Fair Value Level 2 2020/21 £'000
1,446	Surplus Land	941
1,446	Balance at end of the year	941

Valuation Techniques Used to Determine Level 2 Fair Values for Surplus Assets

Significant Observable Inputs – Level 2

The fair value of surplus assets have been measured using either the income or comparative approach methods.

For land only assets the Valuers have compared sale prices of comparable land in applicable uses and similar locations before making adjustments for differences in key attributes such as land size.

For some assets the Valuers have relied upon data ascertained from current evidence of passing rents on comparable properties including new lettings and rent reviews. Evidence of yields has been taken from the sale of comparable investments having regard to the type of property, covenant strength and lease terms. Factors of relevance in the leases include the lease term, rent review frequency, any break clauses and obligations for repair, maintenance and buildings insurance.

Valuation inputs for rental and yield which are directly applicable i.e. an almost identical property let to a similar covenant on the same repairing and insuring terms for a similar term to the valuation subject are said to be at Level 2 in the fair value hierarchy as they are directly comparable with limited adjustment.

Highest and best use of Surplus Assets

In estimating the fair value of the Council's surplus assets, the highest and best use of the properties is deemed to be their current use for some assets and alternative use for others.

Valuation Process for Surplus Assets

The fair value of the Council's surplus assets is measured at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional

standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers regarding all valuation matters.

NOTE 14 – HERITAGE ASSETS

Reconciliation of the carrying value of Heritage Assets held by the Council:

2019/20 £'000		Civic Regalia and Works of Art 2020/21 £'000	Archaeological Sites, Smallholdings and other Land and Sites of Special Interest 2020/21 £'000	Total 2020/21 £'000
107	Cost or valuation	62	43	105
(2)	1 April	-	-	-
	Revaluations			
105	31 March	62	43	105

The Council's heritage assets fall into two categories; Civic Regalia and Works of Art, and Archaeological Sites, Smallholdings and other Land and Sites of Special Interest. All the assets have been in the Council's ownership for a number of years and are held for their intrinsic worth as opposed to financial gain. As such they are unlikely to be sold. There were no additions or disposals in the current financial year.

Heritage assets recognised on the Council's Balance Sheet:

Civic Regalia and Works of Art:

- Civic regalia – included in the Balance Sheet at their insurance valuation. These valuations were undertaken on 31 March 2015 by an external specialist valuer – Bonham's.
- Tulip paintings – included in the Balance Sheet at their insurance value. These valuations were undertaken on 31 March 2016 by Woodbine Contemporary Arts.

Archaeological Sites, Smallholdings and other Land and Sites of Special Interest:

- Chain Bridge Forge – recorded at existing use value as determined by the Council's external valuer, Guy S C Harbord MA MRICS, IRRV (Hons), RICS Registered Valuer Wilks, Head and Eve and were last valued on 31 March 2021.
- Nature reserve – recorded at Historic Cost.

Heritage assets not recognised on the Council's Balance Sheet:

- Community Beacon, Gas Wharf, Pill box, HMS Hornet bell and model of HMS Taku submarine have been classified as heritage assets but are not included on the Council's Balance Sheet as the cost of obtaining valuations outweighs the benefit to the users of the Financial Statements.

NOTE 15 – INVESTMENT PROPERTY

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2019/20 £'000		2020/21 £'000
(95)	Rental Income from investment property	(145)
1	Direct operating expenses arising from investment property	10
(225)	Net (gains)/losses from fair value adjustments	-
(319)	Net (gain)/loss	(135)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

2019/20 £'000		2020/21 £'000
796	Balance at start of the year	1,021
-	Reclassification to Investment Property	552
225	Net gains/(losses) from fair value adjustments	-
1,021	Balance at end of the year	1,573

Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2021 is as follows:

Fair Value Level 2		Fair Value Level 2
2019/20 £'000		2020/21 £'000
1,021	Commercial Industrial Units	1,573
1,021	Balance at end of the year	1,573

Valuation Techniques Used to Determine Level 2 for Investment Properties

Significant Observable Inputs – Level 2

The fair value of investment properties has been measured using two main approaches - the income method and the comparable method.

For land only assets the Valuers have compared sale prices of comparable land in applicable uses and similar locations before making adjustments for differences in key attributes such as land size.

For land and building assets the Valuers have relied upon data ascertained from current evidence of passing rents on comparable properties including new lettings and rent reviews. Evidence of yields has been taken from the sale of comparable investments having regard to the type of property, covenant strength and lease terms. Factors of relevance in the leases include the lease term, rent review frequency, any break clauses and obligations for repair, maintenance and buildings insurance.

Valuation inputs for rental and yield which are directly applicable i.e. an almost identical property let to a similar covenant on the same repairing and insuring terms for a similar term to the valuation subject are said to be 'observable inputs' as they are directly comparable with limited adjustment and are said to be a Level 2 in the fair value hierarchy.

Highest and best use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is deemed to be their current use.

Valuation Process for Investment Properties

The fair value of the Council's investment properties is measured at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers regarding all valuation matters.

NOTE 16 – INTANGIBLE ASSETS

The Council accounts for its software as intangible assets. Intangible assets include purchased licenses.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The carrying amount of intangible assets is amortised on a straight-line basis, over 1 to 10 years. The amortisation of £164,000 was charged to an overhead account and then absorbed across service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

2019/20 £'000		2020/21 £'000
1,502	Balance at start of year:	2,004
(1,213)	- Gross carrying amounts	(1,303)
289	- Accumulated amortisation	
	Net carrying amount at start of year	701
502	Additions:	
(90)	- Purchases	171
-	Amortisation for the period	(164)
	Derecognition	-
701	Net carrying amount at end of year	708
	Comprising:	
2,004	- Gross carrying amounts	2,175
(1,303)	- Accumulated amortisation	(1,467)
701		708

NOTE 17 – FINANCIAL INSTRUMENTS

The following categories of financial instrument are carried in the Balance Sheet:

Financial Assets	Non-Current				Current				Total	
	Long-term Investments		Long-term Debtors		Short-term Investments		Short-term Debtors		Total	
	31	31	31	31	31	31	31	31	31	31
	March	March	March	March	March	March	March	March	March	March
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through other comprehensive income – Designated equity instruments	3,664	3,963	-	-	-	-	-	-	3,664	3,963
Amortised cost										
Investments	-	-	-	-	26,118	34,524	-	-	26,118	34,524
Cash & cash equivalents	-	-	-	-	12,040	10,528	-	-	12,040	10,528
Mortgages and car loans	-	-	165	113	-	-	52	38	217	151
Loans to Welland Homes	-	-	3,227	3,710	-	-	-	-	3,227	3,710
Trade debtors	-	-	143	143	-	-	1,975	1,560	2,118	1,703
Total financial assets	3,664	3,963	3,535	3,966	38,158	45,052	2,027	1,598	47,384	54,579

Financial Liabilities	Non-Current				Current				Total	
	Long-term Borrowings		Long-term Creditors		Short-term Borrowings		Short-term Creditors		Total	
	31	31	31	31	31	31	31	31	31	31
	March	March	March	March	March	March	March	March	March	March
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost										
External borrowing	(67,456)	(67,456)	-	-	(26)	(26)	-	-	(67,482)	(67,482)
Trade creditors	-	-	-	-	-	-	(4,334)	(2,746)	(4,334)	(2,746)
Total financial liabilities	(67,456)	(67,456)	-	-	(26)	(26)	(4,334)	(2,746)	(71,816)	(2,746)

Income, expense, gains and losses

	2019/20 Surplus or Deficit on the Provision of Services £'000	2020/21 Surplus or Deficit on the Provision of Services £'000
Net gains/losses on:		
Financial assets measured at fair value other comprehensive income	(171)	(23)
Interest Revenue		
Financial assets measured at amortised cost	(517)	(326)
Interest expense	2,348	2,347
Fee Expense		
Brokers fees	2	3

Fair Value of Financial Assets

The Council has a shareholding interest in the UK Municipal Bonds Agency (MBA). The fair value has been written down to zero as the balance sheet of the MBA shows negative equity. The company has been created with a view to providing funds to the public sector, and issued its first bond during 2019/20. The profit from this will show in the MBA's 2020/21 accounts. The authority did not intend to dispose of the shares at the Balance Sheet date.

The authority is the sole shareholder of Welland Homes Limited, which is the Council's wholly owned Housing Development Company. The fair value of the equity balance brought forward was £2.601m and a further equity investment was made during the year of £276k. This equity is categorised as Level 3 inputs due to there being no active market for the shares. The Company accounts reported capital and reserves balances of £2.889m as at 31 March 2021. This is presented in the Financial Assets table above, as fair value through other comprehensive income – designated equity instruments. The authority did not intend to dispose of the shares at the Balance Sheet date.

The authority is also the sole shareholder of South Holland Local Community Housing Interest Company. The fair value of the equity balance brought forward was £1.063m and this equity is categorised as Level 3 inputs due to there being no active market for the shares. The Company accounts reported capital and reserves balances of £1.074m as at 31 March 2021. This is presented in the Financial Assets table above, as fair value through other comprehensive income – designated equity instruments. The authority did not intend to dispose of the shares at the Balance Sheet date.

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between input levels 1 and 2 during the year.

Changes in the Valuation Technique

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

Fair Values of Assets and Liabilities that are not measured at Fair Value (but which fair value disclosures are required)

Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment highlighting the impact of the alternative valuation;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

LIABILITIES	31 March 2020		31 March 2021	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Borrowing	(67,482)	(85,849)	(67,482)	(93,676)

For long term borrowing, the fair value is higher than the carrying amount because the authority's portfolio of loans includes fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £93.676m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty Interest rates. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £67.482m would be valued at £93.676m. But, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £119.056m.

ASSETS	31 March 2020		31 March 2021	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Short Term investments	26,118	26,118	34,524	34,524
Welland Homes	3,227	3,227	3,710	3,710
Castle Sports	143	143	143	143

The loans to Welland Homes were made at the market rate at the time of issue. As at 31 March 2021 there had been no material changes to the market rates so the fair value of the loans are deemed to be unchanged.

NOTE 18 – DEBTORS

31 March 2020 Net £'000		31 March 2021 Gross £'000	31 March 2021 Impairment £'000	31 March 2021 Net £'000
842	Trade debtors	336	(123)	213
753	Council Tax & NDR debtors	6,935	(1,286)	5,649
1,106	Related parties	1,151	-	1,151
236	Prepayments	284	-	284
103	Costs	314	(194)	120
1,215	Other entities and individuals	2,545	(1,252)	1,293
4,255	Total	11,565	(2,855)	8,710

NOTE 19 – CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2020 £'000		31 March 2021 £'000
396	Bank current accounts	1,571
11,682	Deposits with Banks on Instant Access	8,957
12,078	Cash and Cash Equivalents categorised as Current Assets	10,528
(38)	Bank current accounts	-
(38)	Cash and Cash Equivalents categorised as Current Liabilities	-
12,040	Total Cash and Cash Equivalents	10,528

NOTE 20 – ASSETS HELD FOR SALE

Assets held for sale represent Council Houses to be sold under the Governments Right to Buy (RTB) Scheme. Fair Value is deemed to be the discounted RTB price paid by tenants to acquire the dwelling. This represents level 1 under the fair value hierarchy.

The balance outstanding at 31 March 2021 has significantly increased from the prior year due to more RTB applications being at the accepted stage by tenants who are eligible to purchase them.

2019/20 £'000		2020/21 £'000
432	Balance outstanding at start of year	989
989	Assets newly classified as held for sale:	
	- Property, Plant and Equipment	1,184
-	Assets declassified as held for sale:	
	- Property, Plant and Equipment	(70)
(432)	Assets sold	(712)
989	Balance outstanding at year end	1,391

NOTE 21 – CREDITORS

2019/20 £'000		2020/21 £'000
(1,182)	Trade payables	(1,963)
(1,511)	Council Tax & NDR payables	(5,094)
(3,541)	Other payables	(1,816)
(2,361)	Receipts in Advance	(8,087)
(8,595)	Total	(16,960)

NOTE 22 – PROVISIONS

	Business Rate Appeals £'000
Balance at 1 April 2020	(841)
Additional provisions made in 2020/21	(145)
Amounts used in 2020/21	309
Unused amounts reversed in 2020/21	39
Balance at 31 March 2021	(638)

The provision represents South Holland's share (40% of £1.595m) of the total provision for appeals against the rateable values set by the Valuation Office Agency (VOA) not settled as at 31 March 2021. The total provision has been recognised in the Collection Fund Statement (page 94).

NOTE 23 – USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

NOTE 24 – UNUSABLE RESERVES

31 March 2020 £'000		31 March 2021 £'000
29,370	Revaluation Reserve	31,952
102,926	Capital Adjustment Account	103,743
(34,733)	Pensions Reserve	(43,953)
47	Deferred Capital Receipts Reserve	44
(146)	Collection Fund Adjustment Account	(4,054)
(9)	Accumulated Absences Account	(237)
1,716	Financial Instruments Revaluation Reserve	1,739
99,171	Total Unusable Reserves	89,234

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. 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 and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2019/20 £'000	2019/20 £'000		2020/21 £'000	2020/21 £'000
	22,386	Balance at 1 April		29,370
8,386		Upward revaluation of assets	5,184	
(749)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,607)	
	7,636	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		3,577
(472)		Difference between fair value depreciation and historical cost depreciation	(732)	
(180)		Accumulated gains on assets sold or scrapped	(262)	
	(652)	Amount written off to the Capital Adjustment Account		(995)
	29,370	Balance at 31 March		31,952

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 Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2019/20 £'000		2020/21 £'000
(41,647)	Balance at 1 April	(34,733)
9,539	Remeasurements of the net defined benefit liability	(7,562)
(4,751)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,019)
2,126	Employer's pensions contributions and direct payments to pensioners payable in the year	2,361
(34,733)	Balance at 31 March	(43,953)

Capital Adjustment Account

The Capital Adjustment Account 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 additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs. The Account contains accumulated gains and losses on Investment Properties. It also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2019/20 £'000	2019/20 £'000		2020/21 £'000	2020/21 £'000
	87,213	Balance at 1 April		102,926
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(4,228)		Charges for depreciation and impairment of non-current assets	(4,767)	
10,040		Reversal of Revaluation losses on Property, Plant and Equipment	1,538	
(90)		Amortisation of intangible assets	(164)	
(1,397)		Revenue expenditure funded from capital under statute	(6,129)	
(1,461)		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,390)	
	2,864			(11,912)
	180	Adjusting amounts written out of the Revaluation Reserve		262
	472	Net written out amount of the cost of non-current assets consumed in the year		732
		Capital financing applied in the year:		
3,658		Use of the Capital Receipts Reserve to finance new capital expenditure	1,676	
4,357		Use of the Major Repairs Reserve to finance new capital expenditure	3,046	
3,079		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	535	
		Application of grants to capital financing from the Capital Grants Unapplied Account	4,988	
877		Capital expenditure charged against the General Fund and HRA balances	1,490	
	11,971			11,735
	225	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		-
	102,926	Balance at 31 March		103,743

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2019/20 £'000		2020/21 £'000
49	Balance at 1 April	47
(2)	Transfer to the Capital Receipts Reserve upon receipt of cash	(3)
-	Other Movements	-
47	Balance at 31 March	44

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2019/20 £'000		2020/21 £'000
1,356	Balance at 1 April	(146)
	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	
(1,502)		(3,908)
(146)	Balance at 31 March	(4,054)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance and Housing Revenue Account Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance and Housing Revenue Account Balance is neutralised by transfers to or from the Account.

2019/20 £'000	2019/20 £'000		2020/21 £'000	2020/21 £'000
	(39)	Balance at 1 April		(9)
39		Settlement or cancellation of accrual made at the end of the preceding year	9	
9		Amounts accrued at the end of the current year	(237)	
		Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(228)
	48			
	9	Balance at 31 March		(237)

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve holds the gains and losses on the fair value of financial instruments.

2019/20 £'000		2020/21 £'000
1,545	Balance at 1 April	1,716
250	Welland Homes equity	12
(29)	South Holland Local Housing Community Interest Company equity	11
(50)	Investment in Municipal Bonds Agency (MBA)	-
1,716	Balance at 31 March	1,739

NOTE 25 – CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2019/20 £'000		2020/21 £'000
511	Interest received	414
(2,295)	Interest paid	(2,347)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2019/20 £'000		2020/21 £'000
4,228	Depreciation	4,766
452	Impairment and downward valuations	236
(10,492)	Impairment and revaluation losses/(gains) on HRA non dwellings	(1,774)
90	Amortisation of intangible assets	164
(118)	(Increase)/decrease in interest debtors	88
4,115	Increase in creditors	4,695
(452)	(Increase)/decrease in debtors	748
2,625	Movement in pension liability	1,658
(672)	Contribution to/(from) provisions	(203)
(221)	Adjustment for movements in fair value of investments classified as Fair Value through Other Comprehensive Income	(23)
1,461	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	2,390
225	Movement in Investment Property Values	-
(348)	Other non-cash items charged to the net surplus or deficit on the provision of services	(14)
893		12,731
(3,248)	<i>Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities</i>	
	Capital Grants credited to surplus or deficit on the provision of services	(5,716)
(2,187)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,264)
(5,435)		(7,980)

NOTE 26 – CASH FLOW STATEMENT – INVESTING ACTIVITIES

2019/20 £'000		2020/21 £'000
(10,213)	Purchase of property, plant and equipment, investment property and intangible assets	(5,708)
(39,768)	Purchase of short term and long term investments	(247,869)
(620)	Other payments for investing activities	(494)
2,189	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,267
46,500	Proceeds from sale of short term investments	239,100
3,370	Other receipts from investing activities	6,481
1,458	Net cash flows from investing activities	(6,223)

NOTE 27 – CASH FLOW STATEMENT – FINANCING ACTIVITIES

2019/20 £'000		2020/21 £'000
(1,231)	Other payments for financing activities	(1,564)
(1,231)	Net cash flows from financing activities	(1,564)

NOTE 28 - RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2020/21 1 April £'000	Financing Cashflows £'000	Non-Cash Changes £'000	2020/21 31 March £'000
Debtors	(150)	(5,053)	(5,203)	(10,256)
Creditors	(1,081)	4,720	3,639	8,359
Total Liabilities from Financing Activities	(1,231)	(333)	(1,564)	(1,897)

NOTE 29 – MEMBERS' ALLOWANCES

The Council paid the following amounts to members of the Council during the year.

	2020/21 £'000	2019/20 £'000
Basic Allowance	233	232
Special Responsibility Expenses	163	156
	4	12
Total	400	400

NOTE 30 – OFFICERS’ REMUNERATION

The remuneration paid to the Council’s senior employees is as follows:

		Salary, Fees and Allowances £	Expenses Allowances £	Pension Contribution £	Redundancy Payments £	Total £
* Chief Executive	2020/21	-	-	-	-	-
	2019/20	-	-	-	-	-
* Chief Finance Officer	2020/21	-	-	-	-	-
	2019/20	-	-	-	-	-
* Monitoring Officer	2020/21	-	-	-	-	-
	2019/20	-	-	-	-	-
**Executive Manager/ Interim Director	2020/21	84,147	283	14,277	-	98,707
	2019/20	78,293	221	12,477	-	90,991
** Place Manager/ Interim Director	2020/21	75,436	101	13,040	-	88,576
	2019/20	-	-	-	-	-
Executive Manager (until 07/10/19)	2020/21	-	-	-	-	-
	2019/20	37,469	645	5,769	-	43,883

* The Council has entered into a shared management arrangement with Breckland District Council where the two Councils share members of the management team. The Executive Managers referred to in the table above are employed by South Holland District Council, and Breckland District Council employs eight other members of the management team including the Chief Executive, the Chief Financial Officer and the Monitoring Officer. The costs to South Holland are; Chief Executive (01/04/2020 – 30/11/2020) - £51,069, Chief Financial Officer - £60,676 and Monitoring Officer - £37,010.

** These role undertook additional duties to support the response to the Covid-19 pandemic in the year for which an additional remuneration was paid during the period for which additional duties were undertaken.

In October 2020 a strategic review of the shared management structure between South Holland and Breckland Councils was commissioned. Both councils have successfully developed and operated a shared management model for over 10 years which has been replicated across the Local Government sector, however during the covid-19 pandemic there was a ‘temporary uncoupling’ of shared managers to enable each council to focus on their own ‘places’. As a result of this successful place based working and the evolving needs to provide service to our residents to meet the challenges of the Covid-19 pandemic, Full Council approved in February 2021 that the existing shared management arrangements with Breckland would end with effect from May 2021. Staff have been ‘landed’ in their new roles at either South Holland or Breckland Councils, there were no redundancies. Some sharing of other services is continuing (such as legal and procurement) in the same manner as prior to May 2021.

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	2020/21 Number of Employees	2019/20 Number of Employees
£50,000 – £54,999	5	4
£55,000 – £59,999	1	3
£60,000 – £64,999	4	1

The Council terminated the contracts of 11 employees in 2020/21 incurring liabilities of £17,119 (£1,630 in 2019/20). The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
£0-£20,000	10	-	1	1	11	1	17,119	1,630
£20,001 - £40,000	-	-	-	-	-	-	-	-
Total cost included in bandings and in CIES (£)							17,119	1,630

NOTE 31 – EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Financial Statements.

	2020/21 £'000	2019/20 £'000
Statutory Audit Services		
Fees payable to Ernst & Young with regard to external audit services carried out for the year by the appointed auditor for the year	34	34
Audit fee for 2019/20	20	-
Fees payable to KPMG LLP with regard to certification of grants and claims	14	17
	68	51
Other Audit Services		
Share of fees payable to KPMG LLP with regard to external audit services carried out for the year on behalf of Public Sector Partnership Services Ltd (formerly Compass Point Business Services)	3	3
	3	3
Total	71	54

NOTE 32 – GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21.

	2020/21 £'000	2019/20 £'000
Credited to Taxation and Non Specific Grant Income and Expenditure		
Covid-19 Related Grants and Contributions		
Local Authority Covid Support Grant	(1,340)	-
Sales, Fees and Charge Income Compensation	(407)	-
Local Tax Income Guarantee	(856)	-
Business Rates Relief Grant – Expanded Retail and Nursery Relief	(3,429)	-
Other Grants and Contributions		
Revenue Support Grant	(275)	(271)
S31 Grant – Business Rates	(985)	(1,266)
New Homes Bonus Scheme Grant	(1,067)	(1,002)
Other non-specific grants	(168)	(168)
Grants in relation to capital expenditure	(190)	(1,706)
Total Credited to Taxation and Non Specific Grant Income and Expenditure	(8,717)	(4,413)
Credited to Services		
Covid-19 Related Grants and Contributions		
Test and Trace	(265)	-
Retail, Hospitality and Leisure Grants	(991)	-
Hardship Funding	(461)	-
Other Covid-19 related grants	(15)	-
Other Grants and Contributions		
Housing Benefit Subsidy	(12,244)	(13,444)
Council Tax and Housing Benefit Administration	(263)	(273)
Discretionary Housing Payments	(150)	(104)
Disabled Facilities Grant	(694)	(691)
Electoral Commission	(8)	(13)
Homelessness Grants	(185)	(38)
Grants for Growth	(740)	(452)
Housing Infrastructure Funding	(3,863)	-
Other grants	(1,146)	(2,701)
Total Credited to Services	(20,995)	(17,716)
Total Grants	(29,712)	(22,129)
Sources of Grants:		
Central Government	(28,459)	(21,179)
Other Local Authorities	(962)	(852)
Other Bodies	(291)	(98)
Total	(29,712)	(22,129)

During the year the Council was responsible for the administration of various grants and relief to business and individuals on behalf of Central Government. For some grant schemes the Council was acting as agent, effectively passing the money on from Central Government, had no control over the amount allocated to recipients. The transactions for such schemes do not appear in the Comprehensive Income and Expenditure Statement (CIES). For other grant schemes the Council did have control over the distribution of funding. For these schemes the Council was acting as principal and the related transactions for these schemes do appear in the CEIS. Following the closure of grant schemes where the Council has acted as Agent, any unused funding awarded is returned to Central Government following a reconciliation process. Similarly, if the Council

has paid out more than it received the Council will be compensated by Government. The below table provides an overall summary of the schemes and the role of the Council in their administration.

Grant Scheme	2020/21 Grant Awarded £'000	2020/21 Grant Paid Out £'000	Balance £'000
Small Business Grants, Retail, Leisure and Hospitality Discretionary Grants	(19,815)	17,475	2,340
Test and Trace Main Support Scheme	(214)	70	144
Local Restrictions Support Grant (Closed) Addendum November Lockdown	(1,377)	746	631
Local Restrictions Support Grant (Closed) Tier 3 and Tier 3	(601)	369	232
Local Restrictions Support Grant (open)	(27)	27	-
Local Restrictions Support Grant Additional Restrictions Grant	(2,744)	390	2,354
Local Restrictions Support Grant (Christmas Support Wet Led Pubs)	(77)	43	34
Local Restrictions Support Grant (Closed) January Lockdown	(4,131)	2,257	1,874
Local Restrictions Support Grant (Closed) Addendum post 05/01/21	(4,231)	2,235	1,996

The Council has received grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver if the conditions are not met. The balances at the year end are as follows:

Grants Received in Advance - Capital

	2020/21 £'000	2019/20 £'000
Long Term Liabilities		
MHCLG – Gypsy and Travellers	(196)	(196)
Private Developers – S106 Funding	(1,136)	(447)
Total	(1,332)	(643)

NOTE 33 – RELATED PARTIES

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

UK Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits).

Details of material transactions with Central Government are shown below. 2019/20 comparators shown in brackets.

• Funding from Government	Note 32	£28.459m	(£21.179m)
• Non-Domestic Rates Share Payable	Collection Fund	£12.248m	(£12.019m)
• Debtors		£5.213m	(£1.077m)
• Creditors		£12.512m	(£0.844m)

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in note 30. During 2020/21 a number of members had links to local Parish Councils, held positions on Internal Drainage Boards and other Local Community associations. Two members are Directors of Public Sector Partnership Services Ltd (formerly Compass Point Business Services (East Coast) Ltd), a joint venture with East Lindsey District Council). During 2020/21 four members were Directors of South Holland Local Housing Community Interest Company, and five members were Directors of Welland Homes Ltd.

Payments to Companies during the year (other than to those companies mentioned above) for which members are directors, amounted to £25,884 (£30,600 in 2019/20).

Details of specific transactions where members declared their interests are recorded in the Register of Members' Interest, open to public inspection at the Council Offices during office hours. The Council is compliant with the Localism Act 2012.

Other Public Bodies

Joint management arrangements exist between South Holland District Council and Breckland District Council. The costs of this arrangement are shared between the two Councils. During the year, the Council paid Breckland £1.105m (£1.322m in 2019/20) for shared Breckland employee and other costs and received £206k (£285k in 2019/20) from Breckland for payment of shared South Holland employees and other costs. There was an outstanding balance of £279k due by South Holland and Breckland owed South Holland a balance of £71k at the end of March 2021.

Transactions with the Lincolnshire Pension Fund are detailed in note 36, Defined Benefits Pension Scheme.

Precepts paid to other authorities from Council Tax collected and other authorities retained share of National Non-Domestic Rates are detailed in the Collection Fund note.

The precept value paid to parish and town councils is included in Other Operating Expenditure in Note 10 and was £897,000 in 2020/21 (£846,000 in 2019/20)

Entities Controlled or Significantly Influenced by the Council

Public Sector Partnership Services Ltd (formerly Compass Point Business Services)

Joint merged service organisation arrangements for the shared provision of a number of back office services with East Lindsey District Council were implemented with effect from 1 August 2010, delivered through Public Sector Partnership Services Ltd (PSPS, formerly Compass Point Business Service (East Coast) Ltd (CPBS)). The Council's share of the Company's assets, liabilities, income and expenditure are shown in note 40. There are no significant balances outstanding between the Council and the Company at 31 March 2021. One officer was a director of PSPS Ltd during the year.

During 2020/21 payments totalling £3.5m were paid to PSPS (£3.4m 2019/20).

Further information about the accounts of PSPS is available from the Company Secretary, New Bailey, 4 Stanley Street, Manchester M3 5JL.

South Holland Homes and Welland Homes Ltd

The Council has two wholly owned subsidiary companies, South Holland Local Housing Community Interest Company and Welland Homes Ltd. Information and transactions for the year are set out in the group accounts. One officer was a director of South Holland Homes during 2020/21 and another officer was company secretary. A different officer was company secretary for Welland Homes Ltd.

NOTE 34 – 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. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR). This is a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2020/21	2019/20
	£'000	£'000
<i>Opening Capital Financing Requirement</i>	74,992	73,892
<i>Capital Investment</i>		
Property, Plant and Equipment	5,567	9,917
Intangible Assets	89	362
Revenue Expenditure Funded from Capital under Statute	6,129	1,397
Long Term Investments – Welland Homes	276	768
Long Term Debtor – Welland Homes	484	347
Long Term Debtor – Castle Sports Leisure	-	143
<i>Sources of finance</i>		
Capital receipts	(1,676)	(3,658)
Government grants and other contributions	(5,451)	(2,926)
Major Repairs Reserve	(3,046)	(4,358)
<i>Sums set aside from revenue:</i>		
Direct revenue contributions	(1,471)	(877)
Other adjustments to the CFR	-	(15)
<i>Closing Capital Financing Requirement</i>	75,893	74,992
<i>Explanation of movements in year</i>		
Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	901	1,100
<i>Increase/(decrease) in Capital Financing Requirement</i>	901	1,100

NOTE 35 – LEASES

Council as Lessee

Operating Leases

The Council has acquired some of its vehicle fleet by entering into operating leases, which typically have a 5 year life. It also has entered into some property leases.

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

	31 March 2021 £'000	31 March 2020 £'000
Not later than 1 year	10	20
Later than 1 year and not later than 5 years	1	10
	11	30

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2020/21 £'000	2019/20 £'000
Minimum lease payments	19	35
	19	35

Council as Lessor

Operating Leases

The Council leases out a number of items of land and property under operating leases.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2021 £'000	31 March 2020 £'000
Not later than 1 year	222	220
Later than 1 year and not later than 5 years	197	168
Later than 5 years	196	195
	615	583

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2020/21 no contingent rents were receivable by the Council (2019/20 nil).

NOTE 36 – DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, there is a commitment to make the payments and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered by Lincolnshire County Council. This is a funded defined benefit scheme, meaning that the employer and employees pay

contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Lincolnshire pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Lincolnshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme, changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

The financial information contained in this note includes the position for South Holland District Council together with a share for Public Sector Partnership Services Ltd (formerly Compass Point Business Services Ltd) to comply with the accounting requirements for Joint Operations.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax and housing rents is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance and Housing Revenue Account Balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme	
	2020/21 £'000	2019/20 £'000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
<i>Service cost comprising</i>		
Current service cost	3,164	3,562
Administration Costs	51	0
Past Service costs (including curtailments)	13	166
<i>Financing and Investment Income and Expenditure</i>		
Net interest expense	791	1,023
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	4,019	4,751
<i>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>		
Remeasurement of net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(13,789)	8,303
Actuarial (gains) and losses arising on changes in demographic assumptions	(1,103)	(3,783)
Actuarial (gains) and losses arising on changes in financial assumptions	23,639	(8,561)
Other experience	(1,185)	(5,498)
Total Remeasurements recognised in Other Comprehensive Income and Expenditure	7,562	(9,539)
Total Post-employment Benefit charged to the Comprehensive Income and Expenditure Statement	11,581	(4,788)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(1,658)	(2,625)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	2,274	2,035
Contributions in respect of unfunded benefits	87	91

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme	
	2020/21 £'000	2019/20 £'000
Present Value of the defined obligation	(120,008)	(96,343)
Fair Value of plan assets	76,055	61,610
Net Liability arising from defined benefit obligation	(43,953)	(34,733)

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	Local Government Pension Scheme	
	2020/21 £'000	2019/20 £'000
Opening fair value scheme assets	61,610	68,765
Interest Income	1,255	1,660
Remeasurement gain/(loss)		
The return on plan assets, excluding the amount included in the net interest expense	13,789	(8,303)
Contributions from employer	2,274	2,035
Contributions from employees into the scheme	526	505
Contributions in respect of unfunded benefits	87	91
Administration Cost	(51)	0
Benefits paid	(3,435)	(3,143)
Closing fair value of scheme assets	76,055	61,610

Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme	
	2020/21 £'000	2019/20 £'000
Opening Balance at 1 April	96,343	110,412
Current Service Cost	3,164	3,562
Past Service Cost	13	166
Interest Cost	2,046	2,682
Contributions from scheme participants	526	505
<i>Remeasurements (gains) and losses:</i>		
Actuarial (gains) and losses arising on changes in demographic assumptions	(1,103)	(3,783)
Actuarial (gains) and losses arising from changes in financial assumptions	23,639	(8,561)
Other experience	(1,185)	(5,498)
Benefits paid	(3,435)	(3,142)
Closing Balance at 31 March	120,008	96,343

Local Government Pension Scheme assets comprised:

	2020/21		2019/20	
	Quoted prices in active markets £'000	% of Total assets	Quoted prices in active markets £'000	% of Total assets
Cash and Cash Equivalents	3,422	5%	924	2%
<u>Equity Instruments</u>				
UK	12,321	16%	9,734	16%
Overseas	31,259	41%	23,658	38%
<u>Debt Securities</u>				
Corporate Bonds - UK	7,529	10%	7,085	12%
Corporate Bonds - Overseas	-	-	-	-
Fixed Interest Government - UK	837	1%	801	1%
Fixed Interest Government - Overseas	-	-	-	-
Index Linked Government - UK	1,293	2%	1,232	2%
Index Linked Government - Overseas	-	-	-	-
Property	5,324	7%	5,237	9%
Private equity	228	-	-	-
<u>Others</u>				
Hedge Fund	-	-	-	-
Infrastructure	456	1%	62	-
Bonds	-	-	2,403	4%
Commodities	380	-	185	-
Credit Diversified Income	2,510	3%	-	-
Other Diversified Alternatives	1,217	2%	863	1%
Private Debt	-	-	-	-
Forward Currency Contracts	-	-	-	-
Total	66,776	88%	52,184	85%

	2020/21		2019/20	
	Unquoted prices in active markets £'000	% of Total assets	Unquoted prices in active markets £'000	% of Total assets
Cash and Cash Equivalents	-	-	-	-
<u>Equity Instruments</u>				
UK	-	-	-	-
Overseas	-	-	-	-
<u>Debt Securities</u>				
Corporate Bonds - UK	-	-	-	-
Corporate Bonds - Overseas	-	-	-	-
Fixed Interest Government - UK	-	-	-	-
Fixed Interest Government - Overseas	-	-	-	-
Index Linked Government - UK	-	-	-	-
Index Linked Government – Overseas	-	-	-	-
Property	228	-	62	-
Private equity	4,259	5%	3,943	6%
<u>Others</u>				
Hedge Fund	2,282	3%	2,156	4%
Infrastructure	1,977	3%	1,848	3%
Bonds	-	-	-	-
Commodities	-	-	123	-
Credit Diversified Income	-	-	-	-
Other Diversified Alternatives	(152)	-	308	1%
Private Debt	761	1%	739	1%
Forward Currency Contracts	(76)	-	246	-
Total	9,279	12%	9,425	15%

Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme has been assessed by Barnett Waddingham, an independent firm of actuaries; estimates for the Lincolnshire Pension Fund are based on the latest full valuation of the scheme as at 31 March 2019, transferred from Hymans Robertson.

The significant assumptions, for the Council, used by the actuary have been:

Local Government Pension Scheme		
	2020/21	2019/20
<i>Mortality assumptions:</i>		
Longevity at 65 for current pensioners (years):		
- Men	21.1	21.4
- Women	23.6	23.7
Longevity at 65 for future pensioners (years):		
- Men	22.0	22.4
- Women	25.0	25.2
Rate of increase in salaries	3.1%	2.2%
Rate of increase in pensions	2.8%	1.9%
Rate for discounting scheme liabilities	2.0%	2.3%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme		
	Present Value of Obligation £'000	Projected Service Cost £'000
0.1% decrease in Discount Rate	102,101	3,682
0.1% increase in the Salary Increase Rate	100,432	3,587
0.1% increase in the Pension Increase Rate	101,867	3,681

Impact on the Council's Cash Flows

The contributions paid by the Council are set by the Fund Actuary at each triennial actuarial valuation, the most recent being 31 March 2019. The employer's contributions rate, over the period to 31 March 2023 will be 17.4%, a 0.7% increase from the level set at the previous triennial valuation.

Employer contributions payable to the scheme in 2021/22 are estimated to be £2.147m.

NOTE 37 – CONTINGENT LIABILITIES

At 31 March 2021 the Council identified no material contingent liabilities.

NOTE 38 – CONTINGENT ASSETS

At 31 March 2021 the Council has identified the following material contingent assets:

Decent Homes Loans

The Council has, for a number of years, been giving property owners loans to enable them to improve their homes to meet a decent standard. These loans have been registered with Land Registry and will only become repayable, together with interest and a proportion of the increased property value, once the dwelling is sold or otherwise disposed of. The disposal and therefore repayment could be many years in the future. Loans outstanding as at 31 March 2021 are £514,000 (£471,000 at 31 March 2020).

NOTE 39 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

The Council's activities expose it to a variety of financial 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 rate movements.

Overall procedures for managing risk

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

Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This 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, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below.

This Council uses the creditworthiness service provided by Link Group. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries.

The full Investment Strategy for 2020/21 was approved by Council on 26 February 2020 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £29.5m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2021 that this was likely to crystallise.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions:

	Amount at 31 March 2021 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2021 %	Estimated maximum exposure to default and uncollectability at 31 March 2021 £'000	Estimated maximum exposure at 31 March 2020 £'000
	A	B	C	(A x C)	
Debtors	1,598	3.09%	3.09%	49	63

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for its customers, such that £217,435 of the £0.659m trade debtor balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2021 £'000	31 March 2020 £'000
Less than three months	450	796
Three to six months	8	6
Six months to one year	57	96
More than one year	144	49
TOTAL	659	947

During the reporting period the Council held no collateral as security.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities (borrowing) is as follows:

	31 March 2021 £'000	31 March 2020 £'000
Less than one year	26	26
More than ten years	67,456	67,456
	67,482	67,482

Most trade and other payables are due to be paid in less than one year. The exceptions to this relate to car loans to staff and a loan to Castle Leisure which are due to be paid within five years.

Refinancing and maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments for greater than one year in duration are the key parameters used to address this risk. The approved treasury and investment strategies address the main risks and the treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer-term investments.

Market Risk

Interest Rate Risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- borrowings at fixed rates – the fair value of the borrowing will fall
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The treasury team monitors market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns; similarly the drawing of longer term fixed rate borrowing would be postponed.

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

£'000	
Increase in interest receivable on variable rate investments	172
Impact on Surplus or Deficit on the Provision of Services	172
Share of overall impact credited to the HRA	69

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk - The Council does not generally invest in equity share or marketable bonds. However, it does have shareholdings in Public Sector Partnership Services Ltd (formerly Compass Point Business Services (East Coast) Ltd), a joint venture with East Lindsey District Council.

It also holds an equity stake in the UK Municipal Bonds Agency and is the sole shareholder of Welland Homes Limited and South Holland Local Community Housing Interest Company. This equity is valued at fair value through other comprehensive income each year and full details are shown in Note 17 – Financial Instrument.

Foreign Exchange Risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

NOTE 40 – JOINT OPERATION

South Holland has joint control with East Lindsey District Council over Public Sector Partnership Services Limited (formerly Compass Point Business Services (East Coast) Ltd), a company established in 2010 to provide 'back office' services to both Councils. South Holland owns 37%, of the company, and East Lindsey 63%, but voting rights are split 50:50.

This arrangement is classified as a joint operation. The Council recognises on its Balance Sheet an appropriate share of its rights to the assets and obligations for the liabilities and debits and credits the Comprehensive Income and Expenditure Statement with its share of expenses incurred and income it earns from the activity of the Company.

Public Sector Partnership Services' attributable proportion included in the Council's Balance Sheet as at 31 March 2021:

31 March 2020 £'000		31 March 2021 £'000
5	Property, Plant and Equipment	3
145	Intangible Assets	211
150	Long Term Assets	214
34	Short Term Debtors	64
490	Cash and Cash Equivalents	471
524	Current Assets	535
(38)	Cash and Cash Equivalents	-
(120)	Short Term Creditors	(224)
(158)	Current Liabilities	(224)
(2,920)	Other Long Term Liabilities	(5,759)
(2,404)	Net Liabilities	(5,234)
	Usable Reserves	
366	General Fund	300
	Unusable Reserves	
159	Capital Adjustment Account	235
(2,920)	Pension Reserve	(5,759)
(9)	Accumulated Absences Adjustment Account	(10)
(2,770)		(5,534)
(2,404)	Total Reserves	(5,234)

Public Sector Partnership Services' attributable proportion included in the Council's Comprehensive Income and Expenditure Account for the year:

31 March 2020 £'000		31 March 2021 £'000
3,116	Gross Pay, National Insurance and Pensions	3,119
(39)	Premises Related Expenses	(8)
59	Transport Related Expenses	21
420	Supplies and Services	423
11	Depreciation and Amortisation	15
3,567	Gross Operating Expenditure	3,570
(62)	Other Income	(20)
3,505	Cost of Services	3,550
93	Net interest on the net defined benefit liability	63
(3)	Interest receivable and similar income	(1)
-	Tax liability	4
3,595	(Surplus)/Deficit on the Provision of Services	3,616
(1,143)	Remeasurements of the net defined benefit liability	2,548
2,452	Total Comprehensive Income and Expenditure	6,164

NOTE 41 – TRUST FUNDS

The Council is custodian trustee for:

IVO Day Care Centre

The Council holds and invests £10,000 on behalf of the trust. This is not held on the Council's Balance Sheet.

Weston St Mary's Village Hall

The Council is a custodian trustee for the village hall. It has no liability for debts and is not responsible for the management of the trust property.

Ayscoughfee Hall and Gardens (registered charity 515905)

The Council, as trustee, holds the deeds on behalf of the people of Spalding.

Sir Halley Stewart Playing Field (registered charity 1084450)

Day to day running costs for Ayscoughfee Hall and Gardens and the Sir Halley Stewart Playing Field are included in the Council's Comprehensive Income and Expenditure Statement. Values placed on these assets, by an external RICS qualified valuer are shown below. They are not included in the Council's Balance Sheet.

Ayscoughfee Hall and Gardens £1,367,000 last revalued as at 31 March 2021.

Sir Halley Stewart Playing Field £144,300 last revalued as at 31 March 2021.

	2020/21			2019/20		
Trust Fund Revenue Account	Expenditure £'000	Income £'000	Net £'000	Expenditure £'000	Income £'000	Net £'000
Ayscoughfee Hall and Gardens	293	(55)	238	456	(113)	343
Sir Halley Stewart Playing Field	41	(1)	40	35	(7)	28

NOTE 42 – GOING CONCERN

The CIPFA Code confirms that local authority accounts must be prepared on a going concern basis. The coronavirus restrictions across the UK, have created significant issues for many businesses and residents and as a result from April 2020, Council income was affected detrimentally as payers sought to defer payments. The government has provided some support for lost income and for the additional costs borne by authorities because of the crisis and the Council has received just over £2.472 million in this regard to date.

Covid-19 Grant Support funding	Year	£'000
Local Authority Support Grant		
Tranche 1	2019/20	59
Tranches 2 to 4	2020/21	1,340
Tranche 5	2021/22	477
Sales, Fees and Charges Compensation	2020/21	407
New Burdens Grant		189
Total		2,472

Our most recent year end balances, as reported in these statements are as follows.

Date	General Fund	Earmarked reserves
31 March 2021	£2.4m	£11.4m

We have carried out an assessment of the impact of Covid-19 on our future finances and we are satisfied that there is no material uncertainty relating to the Council's going concern. Through our assessment we have identified that we expect reductions in our major income sources in 2021/22 as follows:

- Investment income – £218k reduction
- Court income – £103k reduction
- Car park income – £309k reduction.

Additional costs relating to Covid-19 have been identified for 2021/22 as £1.3m.

Allowing for the expected income grant from government and allowances within reserves already set aside to cover these type of events, we would expect our 2021/22 outturn to show a revised deficit of £0.5m, before application of government grants and taking into account a cautious recovery from the impact of Covid-19 on income streams and a likely reduction in the availability of support grants. This would be funded from a combination of government grants and reserves which would then protect the General Fund balance to remain at £2.078m at 31 March 2022.

The Council has undertaken cash flow modelling through to March 2023 which demonstrates the Council's ability to work within its Capital Financing Requirement and Cash management framework, with a positive cash position throughout the period.

The Council thereby concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will be a going concern to March 2023, 12 months from the date of authorisation of these Financial Statements, based on its cash flow forecasting and the resultant liquidity position of the Council, taking account of the cash and short term investment balances of £48.4 million at 31 December 2021. This demonstrates that the Council has sufficient liquidity over the same period, and no requirement to borrow.

SUPPLEMENTARY FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT

2019/20 £'000		2020/21 £'000
	Expenditure	
2,849	Repairs and maintenance	2,461
4,009	Supervision and management	4,291
56	Rents, rates, taxes and other charges	61
3,259	Depreciation of non-current assets (Note 6)	3,816
82	Debt management expenses	82
10,255	Total Expenditure	10,711
	Income	
(14,696)	Dwelling rents	(15,066)
(1,243)	Charges for services & facilities	(1,203)
(23)	Contribution towards expenditure	(5)
(10,477)	Revaluation of non current assets	(1,775)
(26,439)	Total Income	(18,049)
(16,184)	Net income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	(7,338)
469	HRA share of Corporate and Democratic Core	469
(15,715)	Net income for HRA Services	(6,869)
	HRA Share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement	
(689)	(Gain)/loss on sale of HRA non-current assets	(414)
2,347	Interest payable and similar charges	2,347
81	Movement in the allowance for bad debts	18
(161)	Interest and investment income	(79)
205	Net interest on the net defined benefit liability	172
(910)	Capital grants and contributions	(190)
(14,842)	Surplus for the year on HRA services	(5,015)

The accompanying notes form an integral part of the Financial Statements.

MOVEMENT ON THE HRA STATEMENT

2019/20 £'000		2020/21 £'000
16,575	Balance on the HRA at the end of the previous reporting period	19,809
14,842	Surplus for the year on the HRA Income and Expenditure Statement	5,015
(11,608)	Adjustments between accounting basis and funding basis under statute	(1,996)
19,809	Balance on the HRA at the end of the current reporting period	22,828

Adjustments between accounting basis and funding basis under statute

2019/20 £'000		2020/21 £'000
(689)	(Gain)/loss on sale of HRA non-current assets	(414)
(5)	Employee Benefits	48
488	HRA Share of contributions to or from the Pension's Reserve	334
(3,259)	Transfers to the Major Repairs Reserve	(3,816)
(910)	Application of Capital Grants to Capital Adjustment Account	(190)
3,259	Differences relating to changes in property values Funding of depreciation from Capital Adjustment Account	3,816
(10,492)	Reversal of Revaluation losses on HRA Property	(1,774)
(11,608)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(1,996)

The accompanying notes form an integral part of the Financial Statements.

NOTES TO THE HOUSING REVENUE ACCOUNT

NOTE 1 – PURPOSE OF HRA STATEMENT

The HRA Income and Expenditure Statement shows the economic cost in the year 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 Housing Revenue Account Statement.

NOTE 2 – HOUSING STOCK

The Council was responsible for managing 3,793 dwellings at 31 March 2021 (3,779 at 31 March 2020). The stock is analysed below by number of bedrooms. The Council has an equity share in 28 shared ownership properties, with the Council's equity share being equivalent to 17 dwellings.

Analysis of Housing Stock at 31 March 2021	1 Bed	2 Bed	3 Bed	3+ Bed	Total
HRA Housing Stock					
Houses	8	346	1,473	13	1,840
Bungalow	671	991	-	-	1,662
Flats	110	153	-	-	263
Shared Ownership	-	16	12	-	28
Total	789	1,506	1,485	13	3,793

NOTE 3 – RENT ARREARS

Rent arrears at 31 March 2021 amounted to £742,000 (£770,000 in 2019/20) and are analysed as follows:

	31 March 2021 £'000	31 March 2020 £'000
Rent Arrears Due From		
Residential - Current Tenants	436	493
- Former Tenants	292	258
Non Residential - Garages	14	19
Total	742	770
These arrears include all charges due from tenants: rents, service charges and other charges.		
Allowance for bad debts	(398)	(383)

NOTE 4 – ASSET VALUES

The Balance Sheet value of assets within the Council's HRA is shown below:

	31 March 2021 £'000	31 March 2020 £'000
Property, Plant and Equipment		
Council Dwellings	176,134	169,365
Other Land and Buildings	283	431
Infrastructure – Housing Sewerage	362	507
Vehicles, Plant and Equipment	324	406
Surplus Assets	468	291
Community Assets	46	46
	177,617	171,046
Non-operational assets		
Assets Under Construction	131	1,774
Intangible Non-Current Assets	288	309
Assets Held For Sale	1,391	989
Total	179,427	174,118

NOTE 5 – VACANT POSSESSION

The vacant possession value is the Council's estimate of the total sum that it would receive if all the dwellings were sold on the open market. The Balance Sheet value is calculated on the basis of rents receivable on existing tenancies. These are less than would be obtainable on the open market, and the Balance Sheet value is therefore lower than the vacant possession valuation. The difference between the two values therefore shows the economic cost of providing housing at less than market value. The vacant possession value of dwellings within the HRA is shown below:

	2020/21 £'000	2019/20 £'000
Vacant possession value	419,367	407,508

NOTE 6 – DEPRECIATION

	2020/21 £'000	2019/20 £'000
Depreciation		
Council dwellings	3,497	3,028
Other Land and Buildings	-	5
Infrastructure - Housing Sewerage	145	164
Vehicles, Plant & Equipment	94	36
	3,736	3,233
Amortisation		
Intangible Assets	80	26
Total	3,816	3,259

NOTE 7 – CAPITAL EXPENDITURE AND FINANCING

	2020/21 £'000	2019/20 £'000
Expenditure		
Improvements and enhancements to Council Dwellings	2,969	3,603
New Build – Council Dwellings	1,258	2,283
Improvements to wastewater treatments	-	195
Purchase of Units	607	2,246
Vehicles, Plant & Equipment	19	303
Information systems	59	257
Total Expenditure	4,912	8,887
Financing		
Capital receipts	1,676	3,620
Major Repairs Reserve	3,046	4,357
Grants and Contributions	190	910
Total Financing	4,912	8,887

NOTE 8 – CAPITAL RECEIPTS FROM DISPOSAL OF ASSETS

	2020/21 £'000	2019/20 £'000
Sale of Council Houses under the Right to Buy Scheme	1,024	1,318
Shared Ownership Sales Proceeds	1,259	195
Total from Disposals	2,283	1,513

NOTE 9 – MAJOR REPAIRS RESERVE

The Major Repairs Reserve is maintained to meet HRA Capital Investment. Movements on the reserve were:

	2020/21 £'000	2019/20 £'000
Balance at 1 April	3,586	4,684
Transfers from the HRA		
Depreciation	3,816	3,259
Funding set-aside for Capital Investment		-
Financing of Capital Investment	(3,046)	(4,357)
Balance at 31 March	4,356	3,586

COLLECTION FUND STATEMENT

2019/20			2020/21		
Council Tax £'000	Non- Domestic Rates £'000	Total £'000	Council Tax £'000	Non- Domestic Rates £'000	Total £'000
(49,572)		(49,572)			
	(26,757)	(26,757)	(51,934)		(51,934)
				(19,747)	(19,747)
	(22)	(22)		(520)	(520)
-	-	-	-	(430)	(430)
-	-	-	-	(113)	(113)
(49,572)	(26,779)	(76,351)	(51,934)	(20,810)	(72,744)
5,946	12,019	12,019		12,248	12,248
36,098	9,615	15,561	6,241	9,799	16,040
6,742	2,404	38,502	38,110	2,450	40,560
		6,742	7,162		7,162
	2,274	2,274		2,882	2,882
232	110	342	392	2,320	2,712
	427	427		266	266
	105	105		104	104
	343	343		356	356
100	1,276	1,376	64	-	64
	-	-		-	-
594	858	1,452	390	-	390
105		105	66		66
49,817	29,431	79,248	52,425	30,425	82,850
245	2,652	2,897	491	9,615	10,106
(880)	(2,088)	(2,968)	(635)	564	(71)
(635)	564	(71)	(144)	10,179	10,035

NOTES TO THE COLLECTION FUND STATEMENT

NOTE 1 – PURPOSE OF COLLECTION FUND STATEMENT

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities and the Government of council tax and non-domestic rates.

NOTE 2 – COUNCIL TAX RECEIVABLE

Council Tax income derives from charges raised according to the value of residential properties that have been classified into eight Valuation Bands (A to H). Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Lincolnshire County Council, Police and Crime Commissioner for Lincolnshire and South Holland District Council, together with the relevant Parish requirement.

This is then divided by the council tax base, i.e. the number of properties in each valuation band, converted to an equivalent number of band D dwellings and adjusted for discounts and exemptions.

The council tax base was calculated as follows:

Band	No. of properties on Valuation List	No. of chargeable dwellings	Ratio	Band D equivalent dwellings
A (with Disabled Relief)		34	5/9	19
A	15,761	11,729	6/9	7,819
B	8,978	7,633	7/9	5,937
C	10,054	8,983	8/9	7,985
D	4,231	4,275	9/9	4,275
E	1,864	1,744	11/9	2,131
F	377	352	13/9	508
G	106	97	15/9	161
H	13	9	18/9	18
Band D Equivalents				28,853
Allowance for non-collection (1.25%)				(361)
District Tax Base				28,492

The basic amount of council tax for a band D property including an average parish charge, £1,808.01 (2019/20 £1,746.66), is then multiplied by the ratio specified for the particular band to give an individual amount due.

NOTE 3 – NON-DOMESTIC RATES RECEIVABLE

Under the arrangements for non-domestic rates, the Council collects rates for its area based on local rateable values (determined by the Valuation Office Agency, an executive agency of HM Revenue and Customs) multiplied by the multiplier (determined by the Government). For 2020/21 there are two multipliers, the non-domestic rating multiplier of 51.2p and the small business non-domestic rating multiplier of 49.9p.

The Council's total Non-Domestic Rates Rateable Value at 31 March 2021 was £61.124m (31 March 2020 £60.125m).

NOTE 4 – NON-DOMESTIC RATES PROVISION FOR APPEALS

The Collection Fund provides for a provision for appeals against the Rateable Value set by the Valuation Office Agency (VOA) not settled at 31 March 2021.

		Business Rate Appeals	
		£'000	£'000
Balance at 1 April 2020			(2,102)
Amounts used in 2020/21			773
Additional provisions made in 2020/21	(362)		
Unused amounts reversed in 2020/21	96		
			(266)
Balance at 31 March 2021			(1,595)

NOTE 5 – COLLECTION FUND DEFICIT/ (SURPLUS)

As at 31 March 2021, the net deficit on the Collection Fund is £10.035m (Net surplus £0.071m at 31 March 2020).

The Council Tax surplus is apportioned to the relevant precepting bodies based on the following year's Council Tax requirement. The Business Rates deficit relating to 2020/21 is apportioned to South Holland (40%), Central Government (50%) and Lincolnshire County Council (10%).

The balance on the Collection Fund is allocated as follows:

2019/20			2020/21		
Council Tax	Non-Domestic Rates		Council Tax	Non-Domestic Rates	
£'000	£'000		£'000	£'000	
	270	Central Government		5,089	
(76)	230	South Holland District Council	(17)	4,072	
(471)	64	Lincolnshire County Council	(106)	1,018	
(88)		Police and Crime Commissioner for Lincolnshire	(21)		
(635)	564	(Surplus)/deficit	(144)	10,179	

GROUP ACCOUNTS

The Council is not required to produce a Group Expenditure and Funding Analysis.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure £'000	2019/20 Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	2020/21 Gross Income £'000	Net Expenditure £'000
18,175	(15,469)	2,706	Growth and Commercialisation Directorate	23,718	(21,729)	1,989
13,602	(23,117)	(9,515)	Place Directorate	19,464	(21,340)	(1,876)
5,531	(1,160)	4,371	Strategy and Governance Directorate	5,107	(644)	4,463
37,308	(39,746)	(2,438)	Cost of Services	48,289	(43,713)	4,576
5,225	(2,228)	2,997	Other operating expenditure	6,340	(2,326)	4,014
5,086	(2,744)	2,342	Financing and investment income and expenditure	4,717	(1,952)	2,765
6,081	(20,117)	(14,036)	Taxation and non-specific grant income and expenditure	6,162	(19,046)	(12,884)
53,700	(64,835)	(11,135)	(Surplus)/Deficit on the Provision of Services	65,508	(67,037)	(1,529)
39	-	39	Tax expenses of subsidiaries	3	-	3
53,739	(64,835)	(11,096)	Group Deficit on the Provision of Services	65,511	(67,037)	(1,526)
		(7,636)	Surplus on revaluation of property, plant and equipment assets			(3,577)
		(9,539)	Remeasurements of the net defined benefit liability			7,562
		(17,175)	Other Comprehensive Income and Expenditure			3,985
		(28,271)	Total Comprehensive Income and Expenditure			2,459

The accompanying notes form an integral part of the Financial Statements.

GROUP MOVEMENT IN RESERVES STATEMENT

2020/21	General Fund Balance £'000	General Fund Earmarked Reserves £'000	Housing Revenue Account £'000	HRA Earmarked Reserve £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Authority's Share of Reserves of Subsidiaries £'000	Total Reserves £'000
Balance at 31 March 2020	2,443	8,013	19,809	200	3,586	3,061	2,991	40,103	98,358	138,461	813	139,274
Movement in Reserves during 2020/21												
Total Comprehensive Income and Expenditure	(3,489)	-	5,015	-	-	-	-	1,526	(3,985)	(2,459)	23	(2,436)
Adjustments between group accounts and authority accounts	-	-	-	-	-	-	-	-	(14)	(14)	(10)	(24)
Net (Increases)/Decreases before transfers	(3,489)	-	5,015	-	-	-	-	1,526	(3,999)	(2,473)	13	(2,460)
Adjustments between accounting basis & funding basis under regulations	6,826	-	(1,996)	-	770	159	193	5,952	(5,952)	-	-	-
Increase/(Decrease) in Year	3,337	-	3,019	-	770	159	193	7,478	(9,951)	(2,473)	13	(2,460)
Transfer to/from Earmarked Reserves	(3,402)	3,402	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2021 carried forward	2,378	11,415	22,828	200	4,356	3,220	3,184	47,581	88,407	135,988	826	136,814

A description of the nature and purpose of each of the usable reserves can be found in Note 9 on page 51. Unusable reserves can be found in Note 24 on pages 64-68.

The accompanying notes form an integral part of the Financial Statements.

2019/20	General Fund Balance £'000	General Fund Earmarked Reserves £'000	Housing Revenue Account £'000	HRA Earmarked Reserve £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Authority's Share of Reserves of Subsidiaries £'000	Total Reserves £'000
Balance at 31 March 2019	808	8,702	16,575	200	4,684	4,959	2,707	38,635	71,690	110,325	719	111,044
Movement in Reserves during 2019/20												
Adjustment to opening balance rounding											(1)	(1)
Total Comprehensive Income and Expenditure	(3,786)	-	14,842	-	-	-	-	11,056	17,175	28,231	261	28,492
Adjustments between group accounts and authority accounts	1,545	-	-	-	-	-	-	1,545	(1,640)	(95)	(166)	(261)
Net (Increases)/Decreases before transfers	(2,241)	-	14,842	-	-	-	-	12,601	15,535	28,136	95	28,231
Adjustments between accounting basis & funding basis under regulations	3,187	-	(11,608)	-	(1,098)	(1,898)	284	(11,133)	11,133	-	-	-
Increase/(Decrease) in Year	(946)	-	3,234	-	(1,098)	(1,898)	284	1,468	26,668	28,136	95	28,231
Transfer to/from Earmarked Reserves	689	(689)	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2020 carried forward	2,443	8,013	19,809	200	3,586	3,061	2,991	40,103	98,358	138,461	813	139,274

GROUP BALANCE SHEET

31 March 2020 £'000		31 March 2021 £'000
199,140	Property, Plant and Equipment	201,712
105	Heritage Assets	105
7,696	Investment Property	9,005
701	Intangible Assets	708
308	Long Term Debtors	256
207,950	Long Term Assets	211,786
26,118	Short Term Investments	34,524
989	Assets Held for Sale	1,391
4,254	Short Term Debtors	8,701
12,808	Cash and Cash Equivalents	11,265
44,169	Current Assets	55,881
(38)	Cash and Cash Equivalents	-
(26)	Short Term Borrowing	(26)
(8,643)	Short Term Creditors	(16,980)
(841)	Provisions	(638)
(9,548)	Current Liabilities	(17,644)
(67,456)	Long Term Borrowing	(67,456)
(35,000)	Other Long Term Liabilities	(44,220)
(198)	Long Term Provisions	(201)
(643)	Grants Receipts in Advance – Capital	(1,332)
(103,297)	Long Term Liabilities	(113,209)
139,274	Net Assets	136,814
40,916	Usable Reserves	48,407
98,358	Unusable Reserves	88,407
139,274	Total Reserves	136,814

The accompanying notes form an integral part of the Financial Statements.

GROUP CASH FLOW STATEMENT

2019/20 £'000	2019/20 £'000		2020/21 £'000	2020/21 £'000
	11,135	Net surplus on the provision of services		1,529
909		Adjustments to net surplus or deficit on the provision of services for non-cash movements	12,912	
(5,548)	(4,639)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(8,000)	4,912
	6,496	Net cash flows from Operating Activities		6,441
	1,281	Investing Activities		(6,691)
	(885)	Financing Activities		(1,252)
	6,892	Net increase/(decrease) in cash and cash equivalents		(1,502)
	5,878	Cash and cash equivalents at the beginning of the reporting period		12,770
	-	Other movements		(3)
	12,770	Cash and cash equivalents at the end of the reporting period		11,265

The accompanying notes form an integral part of the Financial Statements.

The Council is the sole owner of two subsidiary companies: South Holland Local Housing Community Interest Company ("South Holland Homes"), and Welland Homes Ltd ("Welland Homes"), holding 100% of the issued share capital in each. It therefore has control over both of these entities and is required to prepare group accounts, which reflect the financial position, financial performance and cash flows of the group.

Explanatory Notes to the Group Accounts

Where figures in the group accounts differ materially from the Council's accounts, the relevant explanatory notes have been prepared on a consolidated basis. The notes below give information on the areas that have materially changed on consolidation of the group entities into the Council's accounts.

Accounting Policies

The financial statements of South Holland Homes and Welland Homes have been prepared in accordance with the Financial Reporting Standard 102 Section 1A - "The Financial Reporting Standard applicable in the UK and Republic of Ireland". There are no significant differences in the accounting policies of the subsidiary companies and the Council that would cause a material adjustment in the consolidation of the Group Accounts. Any statutory adjustments between accounting and funding basis included in the Council's accounting policies do not apply to the subsidiary company.

Notes within the group accounts have not been provided except where there are material differences to those provided in the notes above.

GROUP INVESTMENT PROPERTY

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Group Comprehensive Income and Expenditure Statement:

2019/20 £'000		2020/21 £'000
(372)	Rental Income from investment property	(493)
87	Direct operating expenses arising from investment property	212
(430)	Net (gains)/losses from fair value adjustments	(13)
(715)	Net (gain)/loss	(294)

There are no restrictions on the Group's ability to realise the value inherent in its investment property or on the Group's 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.

2019/20 £'000		2020/21 £'000
6,321	Balance at start of the year	7,696
945	Additions resulting from acquisitions	744
-	Transfers to/from Property, Plant and Equipment	552
430	Net gains/(losses) from fair value adjustments	13
7,696	Balance at end of the year	9,005

Fair Value Hierarchy

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2021 is as follows:

Fair Value Level 2 2019/20 £'000		Fair Value Level 2 2020/21 £'000
1,021	Commercial Industrial Units	1,573
6,675	Residential Investment Property	7,432
7,696	Balance at end of the year	9,005

Valuation Techniques Used to Determine Level 2 for Investment Properties

Significant Observable Inputs – Level 2

The fair value of investment properties has been measured using two main approaches - the income method and the comparable method.

For land only assets the Valuers have compared sale prices of comparable land in applicable uses and similar locations before making adjustments for differences in key attributes such as land size.

For land and building assets the Valuers have relied upon data ascertained from current evidence of passing rents on comparable properties including new lettings and rent reviews. Evidence of yields has been taken from the sale of comparable investments having regard to the type of property, covenant strength and lease terms. Factors of relevance in the leases include the lease term, rent review frequency, any break clauses and obligations for repair, maintenance and buildings insurance.

Valuation inputs for rental and yield which are directly applicable i.e. an almost identical property let to a similar covenant on the same repairing and insuring terms for a similar term to the valuation subject are said to be 'observable inputs' as they are directly comparable with limited adjustment and are said to be a Level 2 in the fair value hierarchy.

Highest and best use of Investment Properties

In estimating the fair value of the Group's investment properties, the highest and best use of the properties is deemed to be their current use.

Valuation Process for Investment Properties

The fair value of the Group's surplus assets is measured at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Group's valuation experts work closely with finance officers regarding all valuation matters.

GROUP CASH AND CASH EQUIVALENTS

The balance of Group Cash and Cash Equivalents is made up of the following elements:

31 March 2020 £'000		31 March 2021 £'000
1,125	Bank current accounts	2,308
11,682	Deposits with Banks on Instant Access	8,957
12,807	Cash and Cash Equivalents categorised as Current Assets	11,265
(38)	Bank current accounts	-
(38)	Cash and Cash Equivalents categorised as Current Liabilities	-
12,770	Total Cash and Cash Equivalents	11,265

ADDITIONAL INFORMATION

The notes that follow relating to each entity are produced to assist the reader's understanding of the relationship between the Council and the entity.

Contingent Liabilities

There are no contingent liabilities for 2020/21 relating to the interests in the companies and joint venture or in the entities themselves that are not disclosed elsewhere in the Accounts.

South Holland Local Housing Community Interest Company – South Holland Homes

South Holland Homes was established by the Council in 2008/09 for the purpose of accessing social housing grant from the Homes and Communities Agency. This was in order to provide affordable and social housing for the benefit of the local community. In 2009/10, 6 new properties were constructed. These are tenanted and managed by the Council.

The Business Plan for South Holland Homes is currently in the process of being refreshed.

In 2020/21 the Council collected rent of £25,613 on behalf of the Company and charged management, support fees and other expenses of £9,795. There was an outstanding balance of £9,196 due to the Council at 31 March 2021 (£3,696 31 March 2020).

Retained Surplus/Deficit

In 2020/21 the company made a profit after tax of £10,819 (2019/20 £11,845). This is included in the Group Comprehensive Income and Expenditure Statement.

Assets and Liabilities

At 31 March 2021, South Holland Homes held fixed assets valued at £836,400 and current assets totalling £561,423. Liabilities consisted of short term creditors of £15,945 and long term creditors of £267,000 and a provision for a deferred tax liability of £40,668.

Commitments under capital contracts

At 31 March 2021 the company had no commitments under capital contracts (31 March 2020 nil).

Inter-organisation Balances

Group accounting regulations require that inter-organisation balances be removed. The following balances were removed in 2020/21:

- Debtors Nil (2018/19 Nil)
- Creditors £9,795 (2019/20 £3,696)

Inter-organisation transactions

Group accounting regulations require that inter-organisation transactions be removed. The following transactions were removed in 2020/21:

- Rent £25,613 (2019/20 £25,683)
- Management and support fees and other expenses £9,795 (2019/20 £10,427)

Further information about the accounts of South Holland Homes is available from the Company Secretary, M Stinson, Council Offices, Priory Road, Spalding, Lincolnshire, PE11 2XE.

Welland Homes Ltd

During 2015/16 the Council established a wholly owned subsidiary company, Welland Homes Ltd, in order to meet a number of social and economic objectives including increasing housing supply in the area to address existing demand and meet the needs of a growing population. In 2016/17, 4 new build residential properties were purchased.

During 2017/18, Welland Homes purchased a further 11 new build residential properties. All 15 properties are rented to private tenants at market value. Welland Homes also purchased a piece of land for future residential development. The Council committed to providing financial support to Welland Homes in the form of a £1,393,261 loan facility, to be used to construct residential property. £187,676 of the loan facility was drawn down in 2017/18.

During 2018/19 work started on the building of a further 10 properties for rental to private tenants at market value, using the land purchased in 2017/18. £883,948 of the £1,393,261 loan facility was drawn down during the year to finance this project. A further 5 properties were purchased for rental to private tenants at market value. The Council committed to providing financial support in the form of a £719,983 loan facility, of which £466,771 was drawn down during the year

During 2019/20 the 10 properties started in 2018/19 were completed, and a further £255,384 of the £1,393,261 loan facility was drawn down. A further 5 properties were purchased for rental to private tenants at market value. The Council committed to providing financial support in the form of a £564,086 loan facility, of which £555,548 was drawn down during the year.

During 2020/21, Welland Homes Purchased a further 4 properties were purchased for rental to private tenants at market value. The Council committed to providing financial support in the form of a £500,136 loan facility, of which £461,791 was drawn down during the year. In respect of loans, there was a balance of £3,710,031 outstanding to the Council as at 31 March 2021 (£3,226,517 at 31 March 2020).

The Council charged £113,134 interest to Welland Homes during the year, A further £14,420 of expenses was recharged and capitalised. The Council also recharged expenses incurred on behalf of Welland Homes of £19,004 in the year.

Retained Surplus/Deficit

In 2020/21 the company made a profit after tax of £12,216 (2019/20 £248,705). This is included in the group Comprehensive Income and Expenditure Statement. The majority of the fall in profits year on year was due to the gains on property revaluations (£10,486 2020/21, £166,122 2019/20) and charitable donations made on behalf of Welland Homes of £111,000.

Assets and Liabilities

At 31 March 2021, Welland Homes held fixed assets valued at £6,596,400 and current assets totalling £192,841. Liabilities consisted of short term creditors of £30,444, long term creditors of £3,710,031 and a provision for a deferred tax liability of £159,734.

Commitments under capital contracts

At 31 March 2021 the company had no commitments under capital contracts. (31 March 2020 nil).

Inter-organisation balances

Group accounting regulations require that inter-organisation balances be removed. The following balances were removed in 2020/21:

Creditors: Amounts falling due within one year – £17,304 (2019/20 £2,880)
Long term creditors – £3,710,031 (2019/20 £3,226,517)

Inter-organisation transactions

Group accounting regulations require that inter-organisation transactions be removed. The following transactions were removed in 2020/21:

Management and support fees and other expenses £19,004 (2019/20 £18,983)
Loan Interest £113,134 (2019/20 £101,758)

Further information about the accounts of Welland Homes is available from the Company Secretary, V Cherry, Council Offices, Priory Road, Spalding, Lincolnshire, PE11 2XE.

GLOSSARY OF TERMS

Accounting Period

This is the period of time covered by the accounts, normally twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accruals Basis

The accruals principle is that income is recorded when it is earned rather than when it is received and expenses are recorded when goods and services are received rather than when the payment is made.

Actuarial Gains and Losses

Actuaries assess financial and non-financial information by the Council to project levels of future pension fund requirements. Changes in actuarial deficits or surpluses can arise leading to a loss or gain because:

- events have not coincided with the actuarial assumptions made for the last valuation
- the actuarial assumptions have changed

Appointed Auditors

Public Sector Audit Appointments Limited (PSAA) appoints external auditors to every local authority from one of the major firms of registered auditors. For South Holland this is Ernst and Young.

Balance Sheet

This is a statement of the recorded assets, liabilities and other balances held at the end of the accounting period.

Balances

The balances of the Council represent the accumulated surplus of income over expenditure on any of the funds.

Capital Adjustment Account

The Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (e.g. Disabled Facilities Grants). The balance on this account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure

This is expenditure on the acquisition of a non-current asset (fixed asset), or expenditure, which adds to, and not merely maintains, the value of an existing non-current asset.

Capital Receipts

Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

Carrying Amount

The Balance Sheet value recorded of either an asset or a liability.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the financial year.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services

Collection Fund

A fund administered by the Council showing the transactions of the billing authority (South Holland) in relation to the collection from taxpayers and the distribution to local authorities and the Government of council tax and non-domestic rates.

Community Assets

These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately and for which, provision has not been made in the Council's accounts.

Council Tax

This is one of the main sources of local taxation to local authorities. Council tax is levied on households within its area by the billing authority (South Holland) and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.

Council Tax Requirement

This is the estimated revenue expenditure on General Fund services that is required to be financed from council tax after deducting income from fees and charges, certain specific grants and any funding from reserves,

Creditors

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the Balance Sheet date.

Current Service Cost

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

Curtailment

Curtailments will allow the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year

Debtors

These are sums of money due to the Council that have not been received at the Balance Sheet date.

Deferred Capital Receipts

These represent capital income still to be received after disposals have taken place.

Defined Benefit Scheme

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Ministry of Housing, Communities and Local Government (MHCLG)

The CLG is a key Department within Central Government with the overriding responsibility for determining the allocation of general resources to local authorities.

Depreciation

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed (non-current) asset.

Earmarked Reserves

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Accounts are authorised for issue.

Exceptional Items

Material items deriving from events or transactions that fall within the ordinary activities of the Council but which need to be disclosed separately by virtue of their size and/or incidence, to give fair presentation of the accounts.

External Audit

The independent examination of the Council's activities and accounts to ensure that the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

Expenditure

This is amounts paid by the Council for goods and services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods or services have been received even if they have not been paid for.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Finance Lease

A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes Investments, trade receivables and trade payables.

General Fund

This is the main revenue fund of the Council and includes the net cost of all services financed by local taxpayers and Government Grants.

Heritage Assets

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Housing Revenue Account

Local authorities are required to maintain a separate account – the Housing Revenue Account – which sets out the expenditure and income arising from the provision of Council housing. Other services are charged to the General Fund.

Impairment

A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

Income

These are amounts due to the Council for goods supplied or services rendered of either a capital or a revenue nature. This does not necessarily involve a cash payment. Income is deemed to have been earned once the goods or the services have been supplied even if the payment hasn't been received (in which case the recipient is a debtor to the Council).

Infrastructure Assets

Fixed assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

Intangible Assets

These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include Software Licenses.

Internal Borrowing

The use of internal cash balances to pay for the unfinanced element of capital expenditure rather than taking on additional external borrowing.

International Financial Reporting Standards

These are defined Accounting Standards that must be applied by all reporting entities to all Financial Statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with Financial Statements of other entities.

Joint Operation

A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current Liabilities are usually payable within one year of the Balance Sheet date.

Materiality

The concept that the Accounts should include all amounts which, if omitted or mis-stated, could be expected to lead to a distortion of the Financial Statements and ultimately mislead a user of the accounts.

National Non-Domestic Rates (Business Rates)

This is one of the main sources of local taxation to local authorities. NDR is the levy on business property, based on a national rate in the pound applied to the rateable value of the property.

Net Book Value (NBV)

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

Net Debt

Net debt is the Council's borrowings less cash and liquid resources.

Net Realisable Value (NRV)

NRV is the open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Non-Current Assets (Fixed Assets)

Assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

Non-Operational Assets

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

Operational Assets

Fixed assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Operational Boundary

This reflects the maximum anticipated level of external debt consistent with budgets and forecast cash flows.

Operating Lease

This is a type of lease usually for computer equipment or office furniture and equipment where the balance of risks and rewards of holding assets remains with the lessor. The assets remain the property of the lessor and the lease costs are revenue expenditure to the Council.

Precept

The amount levied by various authorities that is collected by the Council on their behalf. The precepting authorities in South Holland are Lincolnshire County Council and the Police and Crime Commissioner for Lincolnshire.

Prior Year Adjustment

These are material adjustments which are applicable to an earlier accounting period arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provision

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

Public Works Loan Board (PWLB)

A Central Government Agency which provides loans, for one year and above, to Councils at interest rates only slightly higher than those at which the government can borrow itself.

Related Parties

Related parties are Central Government, other Local Councils, precepting and levying bodies, subsidiary and associated companies. Related parties are deemed to include the Council's elected members, the Chief Executive and its Directors. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual or member of their close family or the same household has a controlling interest.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expense allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received. Pension contributions payable by the employer are excluded.

Reserves

The accumulation of surpluses, deficits and appropriations arising from previous financial years. Reserves can either be usable; that is, available to meet the Council's future expenditure plans and unusable; that is, those maintained purely for accounting purposes.

Revaluation Reserve

The Reserve records the accumulated gains on the fixed assets held by the Council arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

Revenue Expenditure

Expenditure incurred on the day-to-day running of the Council. This mainly includes employee costs, general running expenses and capital financing costs.

Revenue Expenditure Funded From Capital under Statute (REFCUS)

Expenditure incurred in year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the Comprehensive Income and Expenditure Statement.

Revenue Support Grant

A grant paid by Central Government towards the cost of providing General Fund services.

Service Potential

Future benefits that an asset is expected to bring to the Council.

Treasury Management

This is the process by which the Council controls its cash flow and its borrowing and lending activities.

Treasury Management Strategy

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

ANNUAL GOVERNANCE STATEMENT

For the Year Ended 31 March 2021

Scope of responsibilities

South Holland District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded, properly accounted for, used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, South Holland District Council is also responsible for ensuring that there is a sound system of governance which facilitates the effective exercise of its functions, guarantees that the financial and operational management of the authority is effective and includes arrangements for the management of risk.

South Holland District Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Code is available on our website at:

<https://www.sholland.gov.uk/article/5700/Standards-and-Code-of-Conduct>

This statement explains how South Holland District Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to consideration of the findings of a review of the system of internal control and approval and publication of an annual governance statement.

The purpose of the Governance Framework

The Governance Framework comprises the systems and processes, culture and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically. It cannot eliminate all risk and can only provide reasonable and not absolute assurance of effectiveness.

The Governance Framework has been in place at South Holland District Council for the year ended 31 March 2021 and up to the date of approval of the Financial Statements.

The Governance Framework

Vision and Priorities – the Council's ambition is to continue to increase the prosperity and wellbeing of residents and businesses, whilst striving to protect and enhance the district's environment and its unique and historic character. Council priorities are:

- To develop safer, stronger, healthier and more independent communities while protecting the most vulnerable,
- To have pride in South Holland by supporting the district and residents to develop and thrive,
- To provide the right services, at the right time and in the right way, and
- To encourage the local economy to be vibrant with continued growth.

Quality of Services - The Council has an established Performance Management Strategy which sets out how it monitors both performance and the delivery of objectives and risks. The framework for managing performance has been completely reviewed in light of changes to the business planning and shared management arrangements, with new performance measures also being developed to reflect the change in central government policy to move away from national targets to those that better identify with local requirements'.

Operational Governance - The Council has produced an operational governance document whose purpose is to ensure the senior officers effectively manage the business of the Council, this document is reviewed regularly (last reviewed January 2020). It covers the shared management officer led groups/boards which report to the Executive Management Team (EMT) and then through to Corporate Management Team (CMT) as required. Each group/board is supported with agreed terms of reference and the minutes and actions are reviewed by EMT. EMT manages the business of the Council and CMT escalation of corporate level issues risks and decisions. The groups/boards cover a wide range of areas, such as; Finance, Performance Risk and Audit, Joint Safeguarding, statutory officers group and Transformation to name a few. There are a number of other groups covering cross cutting themes and specific services which also report to the Corporate Management Team. These governance arrangements are being reviewed in 2021/22 to reflect the new structure which took effect on 1 May 2021.

South Holland District Council also participates in the Lincolnshire Counter-Fraud Partnership and regular updates are circulated within applicable departments and partner organisations to ensure controls are amended as necessary.

Constitution and Responsibilities - A comprehensive document setting out the Council's constitution exists which sets out the clearly defined structure for the Council's organisational and decision-making arrangements based upon a Cabinet/Executive model. It sets out how the Council operates, what matters are reserved for decision by the whole Council, the responsibilities of the Cabinet and the matters reserved for collective and individual decisions, and the powers delegated to panels, committees and community councils. In essence the different roles can be summarised as follows:

- Council decides upon certain policies and other specialist functions that cannot be delegated elsewhere including the setting of the council tax,
- A limited number of policies are reserved to the Council, either by the Council's own choice or because they are allocated by law (together these are known as the Policy Framework). Subject to any specific legislative requirements, the Cabinet is responsible for all policies outside of the Policy Framework,
- For its most significant decisions, the Cabinet works to a Key Decision Plan of forthcoming decisions for up to twelve months ahead,
- All decisions, along with formal minutes of all committee meetings are published on the Council's website,
- The work of the Cabinet and the Council as a whole is supported by the Overview and Scrutiny Committees through the Policy Development Panel and the Performance Monitoring Panel and associated task and finish groups. The Panels scrutinise decisions made by the Cabinet, and those delegated to officers, and review services provided by the Council and its partners. The Panels have developed their own work programme for the review of Council services in addition to scrutinising the work of the Cabinet. The Panels can 'call-in' a decision which has been made by the Executive but not yet implemented,
- The Governance and Audit Committee is responsible for monitoring the effective development and operation of corporate governance in the Council. It provides independent assurance of the adequacy of the governance arrangements, including the risk management framework, the associated control environment, financial and non-financial performance including exposure to risk and potential threats to the control environment. It also has the responsibility for the approval of the Statements of Accounts and review of treasury policy and outturn.
- Separate committees exist for Planning and Licensing.
- Delegation arrangements to committees, the Executive and officers are set out in detail within the constitution, and
- Regular meetings take place between relevant senior officers and members of the Council to discuss and propose policy.

The constitution also includes sections on standing orders, financial regulations and conduct of meetings. The constitution as a whole is reviewed periodically with interim updates as and when appropriate. A complete review of the constitution was carried out in 2015/16 to ensure that it remains relevant and effective. Formal adoption of the revised constitution was made at Full Council in January 2016 and there is a standing item at Full Council for any minor updates to be made.

Regulations to allow virtual meeting were introduced in early April 2020, following which all Council Meetings were held virtually via Zoom, these regulations ended on 6th May 2021 after which all meetings must continue on a face-to-face basis.

During this period, a number of temporary amendments were made to the Council's Constitution as well as additional temporary delegations to allow the Council to continue with its day-to-day business in a Covid compliant environment.

Effective leadership - The Constitution sets out roles and responsibilities for the Council and its standing committees, as well as the Leader, Cabinet and Portfolio Holders. All working groups have clear terms of reference for their work in supporting policy development and progress monitoring. Roles and responsibilities of Councillors are defined in both generic and specific job descriptions that have been tested through consultation and based on a recommended national model with some additional local interpretation. A clear Officer/Member delegation framework exists to provide clarity on the powers entrusted in those appointed to make decisions on behalf of the Council.

The Council has adopted a standard form of committee report which seeks to ensure that all matters coming to Councillors for decision have first received consideration in respect of all appropriate and necessary, legal, financial and professional matters, as well as risk. This has been expanded to include coverage of technical matters such as carbon footprint. The Council updates and publishes Key Decision and Exempt Decision Plans. These record all key and exempt decisions the Executive expects to make in the next twelve months.

Policies, Procedures, Laws and Regulations - The statutory officers of South Holland District Council are the Head of the Paid Service, the Monitoring Officer and the Section 151 Officer. They are responsible for staff and ensuring the Council acts within the law and in accordance with established policies and procedures. The Section 151 Officer is specifically responsible for the proper discharge of financial arrangements and must advise the Council where any proposal might be unlawful or where expenditure is likely to exceed resources, and to ensure that the authority's financial management arrangements conform to the governance requirements as set out in the Chartered Institute of Public Finance and Accountancy statement on the Role of the Chief Financial Officer (2010).

Compliance with established policies, procedures, statements, laws and regulations is ensured by the requirements of the constitution to give the Chief Executive, the Monitoring Officer and the Chief Finance Officer (Executive Director – Strategy & Resources) the opportunity to comment on every report submitted to a decision making body. The Monitoring Officer has a legal duty to ensure the lawfulness and fairness of decision making.

The Council understands its legal powers and limitations, and seeks to ensure that it acts lawfully at all times. The Monitoring Officer is responsible for advising the Council if any proposal, decision or omission is likely to give rise to unlawfulness or maladministration.

The statutory officers are also members of the authority's Corporate and Executive Management Teams. Service Managers are responsible for ensuring that legislation and policy relating to service delivery and health and safety are implemented in practice.

Working relationships - The Constitution of the Council sets out a number of delegated authorities for Officers, including the conditions of such delegations. Other delegations may also be granted separately from the constitution and these are recorded in a log maintained by the Monitoring Officer.

All staff have conditions of employment and job descriptions that set out their roles and responsibilities. There is also a competency framework. The framework defines the competencies required of each post in the Council so that individuals can be assessed against them to identify suitability for the posts, areas of strength and areas for further development. Competencies can be used to measure how well we do things and are essential to the performance management process. The competencies provide consistent standards across the organisation, which align to the corporate Core Values and help to identify the types of behaviour the Council wishes to promote, develop and engender.

Codes of Conduct - The Council's constitution contains codes of conduct applying to members as well as a protocol for councillor/officer relationships. These have enabled the authority to develop an inclusive culture over the years, whereby members and officers work together to deliver the Council's vision and quality services to its residents. The codes include reference to the need to declare any interests which may conflict with the individual's role at the Council and such registers for councillors and officers are maintained by the Council. The Members' Code of Conduct was reviewed during 2016/17

Complaints - The Council has in place a Whistle-blowing Policy as well as a compliments and complaints procedure that ensure that any referrals are fully investigated, properly resolved and learning applied to service delivery. Systems and procedures have been enhanced to ensure that complaints/service requests are a cornerstone of the management approach of the Council.

Partnership working - The Financial Regulations of the Council set out the principles of effective management of resources when working in partnership, including the setting of clear objectives and management of financial and delivery risks.

The South Holland District Council shared management arrangement with Breckland District Council has been in place for many years and is well established. Despite the commitment to sharing a management team the two Councils continue to exercise independent democratically accountable local government in their respective areas, each having its own governance arrangements. A Memorandum of Understanding is in place, and sets out the governance arrangements for shared management and joint working. (See note on shared management at the end of this document).

Group Companies - Public Sector Partnership Services Ltd, (PSPS), formerly Compass Point Business Services (East Coast) Ltd. (CPBS) was set up by South Holland and East Lindsey District Councils in August 2010 to deliver human resources, customer services, ICT, revenues and benefits, and financial services to the two authorities. South Holland District Council owns a 37% stake in the company with the remaining share being owned by East Lindsey District Council. Each authority has equal voting rights.

The PSPS Board of Directors includes Councillors and Chief Officers of both authorities. The company has regularly reported its progress on performance of services to the Monitoring Officer, with quarterly shareholder performance being subject to Scrutiny.

An annual business plan is approved by Council. The ongoing governance arrangements are set out in the Service Level Agreement (SLA), and a management Agreement is in place that sets out the partnership arrangements, principles and parameters.

The Council is the sole shareholder of South Holland Local Housing Community Interest Company. The board of directors are responsible for preparing the Director's report, financial statements and governance arrangements for the company.

Welland Homes Limited was set up during 2015/16 and became fully operational in 2016/17 with the Council as the sole shareholder. The Board of Directors is responsible for preparing the Director's report, Financial Statements and governance arrangements for the company. Officers of the Council work within this framework to deliver services to the company and Welland Homes operates within the governance arrangements of the Council when delivering services to the authority.

Transparency

The Council strives to be publicly accountable and to present its work with openness and transparency. As such, the authority routinely publishes data on its website in accordance with the requirements of the Local Government Transparency Code 2015. In addition, Committee reports, minutes and decision records are all available on the website. The Council also applies the principle that everything is publically available unless there is a substantial reason for not doing so.

Functions and roles

Financial management

The Executive Director – Strategy & Resources is designated the responsible officer for the administration of the financial affairs of the Council under S151 of the Local Government Act 1972. This includes ensuring the lawfulness and financial prudence of decision making; providing advice, particularly on financial impropriety, publicity and budget issues, giving financial information; and acting as the Council Money Laundering Reporting Officer. The Section 151 Officer is specifically responsible for the proper discharge of financial arrangements and must advise the Council where any proposal might be unlawful or where expenditure is likely to exceed resources, and to ensure that financial management arrangements conform to the governance requirements as set out in the Chartered Institute of Public Finance and Accountancy statement on the Role of the Chief Financial Officer.

The Council operates a strong financial management framework to ensure the lawful and best economic use of the Council's assets. Financial regulations are supported by effective financial procedures underpinned by the work of internal and external audit. Financial regulations and contract procedure rules are periodically reviewed to ensure they remain effective in supporting sound internal control.

Risk Management

The Council's risk management arrangements are embedded in its Corporate Risk Management Strategy and risk registers. South Holland District Council has developed its performance system to maintain a register of the key strategic risks it considers it faces along with the actions planned or taken to mitigate these risks, which have been monitored by Performance, Risk and Audit Board and the Governance and Audit Committee on a regular basis. Risk logs are also being used to manage the risks for key projects and partnerships, along with other project management techniques, and all key decisions are required to be assessed for risks. All committee reports contain a mandatory risk section to ensure that members can consider the risks and opportunities of any recommendations or options, so that the consideration of risk forms an integral part of all decision making.

Data Protection

Following the implementation of the General Data Protection Regulation (GDPR) 2016/679 and Data Protection Act 2018 our policies, practices and procedures have been updated and continue to be updated to reflect changes and guidance as it is issued. Data Protection continues to be a priority and is being overseen by the Executive Manager for Governance, the Information Governance Officer and a corporate governance group; the Statutory Information Group. Progress is reported to the Executive Management Team on a monthly basis and the Council received 'Reasonable Assurance' for a GDPR audit in January 2019.

Councillor and officer development

The Council has a Councillor Development Working Group and provides opportunities to all members to undertake appropriate Development, both on first election and on an on-going basis. In addition, certain regulatory committees require member training before undertaking that role. The Council is working towards reaccreditation for the Member Development Charter.

Staff performance is managed using a performance development framework. The Performance Development Review (PDR) process improves communications and ensures employees have clear objectives and an understanding of how they contribute to corporate priorities and goals. All Council employees have a minimum of one annual Performance Development Review which is followed up and monitored by the reviewer and reviewee throughout the year. PDR's include a process for identifying training and development needs, setting objectives, providing a mechanism for feedback, in addition to aligning to the corporate core values and competence frameworks required by staff.

There is a strong working relationship between Councillors and staff, and the Council aims to ensure that they have the skills, resources and support needed to perform effectively in their roles. The Council has an embedded induction process and a continuous development ethos.

Senior officers are also expected to keep abreast of developments in their profession at all times and attend suitable training to maintain their professional competency.

Community engagement

The Council is committed to listening to and involving the community and consistently demonstrates that it does, therefore both the Medium Term Financial Plan and the Corporate Plan went out for public consultation prior to adoption. Our consultation processes provide useful feedback on services, public perceptions and quality of life; we provide guidance on good practice and we profile respondents to better understand equalities implications. The Housing Service employs a tenant engagement officer to work closely with our tenants, some of whom are also our most vulnerable, and understand their specific needs. Our community engagement strategy provides a robust strategic framework for addressing the most significant barriers to engagement in South Holland, and a programme of action for improving information provision, consultation and empowerment. This is complemented by our web strategy and online capability.

Review of effectiveness

South Holland District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and

maintenance of the governance environment, the Internal Audit Consortium Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The review of effectiveness covers all group activities undertaken by the Council with other partners.

The Council approves and keeps under regular review all the strategic policies which it reserves for its own consideration, including:

- The Constitution,
- The Corporate Business Plan,
- The Medium Term Financial Plan and Capital Strategy,
- The Licensing Authority Policy Statement,
- The Corporate Asset Management Strategy,
- The Treasury Management and Investment Strategies, and
- The Gambling Policy.

The Leader

- Executive powers vest in the Leader and the Leader has approved delegations to the Cabinet and Executive Members (Portfolio Holders). The Leader exercises executive functions which have not been expressly delegated to Cabinet or the other Executive Members.

The Cabinet is appointed by the Leader and carries out the executive functions of the Council as required by legislation and the Council's constitution and accordingly:

- Takes executive decisions,
- Approves policies other than those reserved for Council, and
- Recommends to Council policies and budgetary decisions.

The Executive consists of the Leader and Executive Members (Portfolio Holders), who together are the Cabinet and most day to day 'executive' decisions fall to the Executive under the law.

The Overview and Scrutiny Commission may undertake any work relating to the four key principles of scrutiny as follows:

- Hold the Executive to Account (Call-In),
- Performance Management,
- Assist Policy Development and Review, and
- Internal/External Scrutiny.

The Governance and Audit Committee

- Considers and approves audit plans,
- Considers audit reports,
- Comments on the work of audit in addressing the authority's significant risks,
- Satisfies itself that the control and governance arrangements have operated effectively by considering audit and risk reports and undertaking ad hoc reviews,
- Annually self-assess themselves against best practice guidance to check their effectiveness,
- Approves the Statements of Accounts,
- Reviews treasury policy and performance, and
- Consider standards issues.

Executive and Corporate Management. CMT review corporate responsibility, direction and delivery of corporate plan, direction and delivery of resources, horizon scanning and key controls. EMT receives regular reports from a variety of governance boards which have been set up to manage corporate performance and risk. These boards cover performance and risk, employee relations, safeguarding, health and safety, emergency planning, and finance, as well as the statutory officers group. There are a number of other groups covering cross cutting themes and specific services.

Managers have carried out self-assessments of the processes and controls they have in place to allow them to achieve their service objectives. These are reviewed by Finance to provide assurance that effective controls were in place.

External Auditors review the Council's arrangements for:

- Preparing accounts in compliance with statutory and other relevant requirements,

- Ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice, and
- Managing performance to secure economy, efficiency and effectiveness in the use of resources.

External audit is provided by Ernst & Young LLP (EY). Following the annual audit EY issues an Audit Results Report to the Governance and Audit Committee covering the opinion on the financial statements, value for money and the Whole of Government Accounts submission. The Council takes appropriate action where improvements need to be made.

Internal Audit

The S151 Officer has provided the Internal Audit service through a contract with Eastern Internal Audit Services Ltd which monitors the effectiveness of the control environment and reports specific recommendations to the senior management and the Governance and Audit Committee. **The Head of Internal Audit** provides an independent opinion on the framework of governance, risk management and control, which is incorporated in the Annual Report and Opinion. The Head of Internal Audit also places reliance on the outcomes of the work undertaken by East Lindsey District Council in relation to the services provided by Public Sector Partnership Service Ltd.

The internal audit conclusions are scored as either Substantial, Reasonable, Limited or No assurance by internal audit.

From the work undertaken by Internal Audit during the year, the Head of Internal Audit provides an opinion on the effectiveness of South Holland District Council's arrangements for governance, risk management and control; for the 2020/21 financial year the opinion concluded is of reasonable assurance.

During 2020/21 a total of nine assurance reviews have been completed, eight of these reports concluded in a positive assurance grading. One review, Accounts Payable, received a limited assurance grading. For three areas; Corporate Governance, Revenues and Benefits and Accountancy Services a Substantial assurance grading was given.

During 2020/21 a total of three reports have been issued to management for consideration but remain in draft at time of writing this report. They are for Asset Management, Coronavirus Response and Recovery, and Accounts Payable.

In none of the areas reviewed as part of the revised 2020/21 Internal Audit Plan did the findings indicate that the Covid-19 pandemic had severely impacted the Council's ability to deliver core services to its residents however the Council's budgeting challenges as a direct result of the pandemic have been highlighted and an internal audit review of budget sustainability is scheduled for 2021/22 to provide assurance over this risk.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Cabinet and Governance and Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the Governance Framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Significant Governance Issues

All issues raised are subject to action plans to improve the control environment.

The following items have been identified, from the internal audit Annual Opinion, for inclusion in the Annual Governance Statement:

A limited assurance opinion and eight recommendations were raised for Asset Management in 2017/18. One urgent recommendation remains outstanding. The urgent recommendation relates to completing a programmed review of all leases. A subsequent review of this area has been completed in 2020/21 and a reasonable assurance grading given, indicating a positive direction of travel in this area.

One important recommendation remains outstanding from the 2018/19 Financial Services report which was given a limited assurance grading. This recommendation relates to ensuring accounts receivable reconciliation processes are defined within the financial system.

In 2019/20, the private sector housing report was given a No Assurance grading. A total of 28 recommendations; 16 urgent, six important and six needs attention recommendations were raised of which one remains outstanding. The urgent outstanding recommendation relates to caravan site inspections.

Significant findings raised in 2020/21 which should be reported in the AGS until resolved, these are detailed as follows:

- A total of two urgent priority recommendations have been raised for Accounts Payable in 2020/21 by Audit Lincolnshire. They relate to ensuring that independent checks are undertaken and evidenced for supplier amendments.
- A further urgent priority recommendation was raised in relation to raising purchase orders in advance in accordance with policy.

Covid-19

Facing the significant leadership challenge presented to us, the Council transformed into a virtual network and a Gold command group was set up to include one Director and a number of the key senior management team. The Gold group is South Holland facing only and does not share with Breckland District Council. The group initially met daily, adapting and responding quickly to ensure critical services were maintained and a number of sub-cells were set up to focus on key areas: Critical services, Communications, Finance, Resources, Communities, Business/Economy and Recovery,

Key members of the management team attended Lincolnshire groups such as SCG, TCG, Outbreak boards, Engagement boards and resilience and recovery groups. The Chief Executive left the Council in October 2020 and since that time the Executive Directors have encompassed this work within their own remits, alongside support from the recruitment of a temporary part time Head of Paid Service. The Gold group and sub cells work at both a Lincolnshire level and at a local level. The Gold group and sub cells work at both a Lincolnshire level and at a local level. This structure continues into 2020/21 with the regularity of meetings adapted as required depending on the issues faced at the time. By the end of the financial year both a Gold meeting and an EMT meeting was held weekly.

Additional resources have been required to support Covid related work such as; staff to support the assessment and payment of grants to businesses through the various government schemes, staff to help support our residents through welfare calls, supporting the vulnerable to receive food and medicines whilst unable to leave their homes, domestic abuse support and support to food banks. Many South Holland staff were redeployed into these roles to help support the new work. These additional resources will continue into 2021/22 to provide continued work on our response to the Covid-19 pandemic.

In order to facilitate decision making whilst Committee meetings were cancelled a major incident was declared and the following part of the constitution is in place until a Council meeting takes place to clarify delegations:

Under Part 3 Section F2 paragraph 6 of the Council's Constitution the Chief Executive has power, after consultation with the Leader, to declare an incident to be a major incident under the Peacetime Emergency Plans and thereafter to take any necessary immediate action in respect of the incident, including expenditure of money subject to obtaining the agreement of the Leader and to calling a meeting of Cabinet as quickly as possible and so far as practicable thereafter acting in consultation with Cabinet.

In terms of Executive arrangements, decisions that would normally go to Cabinet, are being made by the Leader or appropriate Portfolio holder.

Whilst some services were temporarily stopped, due to lockdown requirements, the majority of Council services were delivered throughout the year without impact to our residents (such as waste collection, planning, etc). We reviewed the internal audit requirements for the year and removed non-essential audits, instead focusing internal audit on key control areas as well as the response to the pandemic and changes to ways of working. This both protected our staff to ensure they could manage workloads and also ensured sufficient work was done to produce an internal audit opinion for the year.

Shared Management

In October 2020 a strategic review of the shared management structure between South Holland and Breckland Councils was commissioned. Both councils have successfully developed and operated a shared management model for over 10 years which has been replicated across the Local Government sector, however during the Covid-19 pandemic there was a 'temporary uncoupling' of shared managers to enable each council to focus on their own 'places'.

As a result of this successful place based working and the evolving needs to provide service to our residents to meet the challenges of the Covid-19 pandemic, Full Council approved in February 2021 that the existing shared management arrangements with Breckland would end with effect from May 2021. Staff have been 'landed' in their new roles at either South Holland or Breckland Councils, there were no redundancies. Some sharing of other services is continuing (such as legal and procurement) in the same manner as prior to May 2021.

As a result of these changes, the internal governance arrangements are being reviewed in 2021/22 to reflect the new structure which took effect on 1 May 2021.

Certification

We are satisfied that appropriate arrangements are in place to address improvements identified in our review of effectiveness. Progress on these improvements and mitigation of risks will be monitored by the Executive Management Team and Governance and Audit Committee through the year and be considered in our next annual review.

Robert Barlow

Robert Barlow
Chief Executive

Date: 22 March 2022

Lord Porter of Spalding

Lord Porter of Spalding
Leader of the Council

Date: 22 March 2022