



UNAUDITED FINANCIAL STATEMENTS

For the Year Ended 31 March 2024

C o n t e n t s
FINANCIAL STATEMENTS

	Page
Narrative Report	3 - 17
Statement of Responsibilities	18
 CORE FINANCIAL STATEMENTS	
Comprehensive Income and Expenditure Statement	19
Movement in Reserves Statement	20 – 21
Balance Sheet	22
Cash Flow Statement	23
Notes to the Accounts	24 – 86
 SUPPLEMENTARY FINANCIAL STATEMENTS	
Housing Revenue Account Income and Expenditure Statement	87
Movement on the Housing Revenue Account Statement	88
Notes to the Housing Revenue Account Statement	89– 91
Collection Fund Statement	92
Notes to the Collection Fund Statement	93 – 95
Group Accounts	95 – 103
 Glossary of Terms	 104 – 109
 Annual Governance Statement	 110 – 121

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 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 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

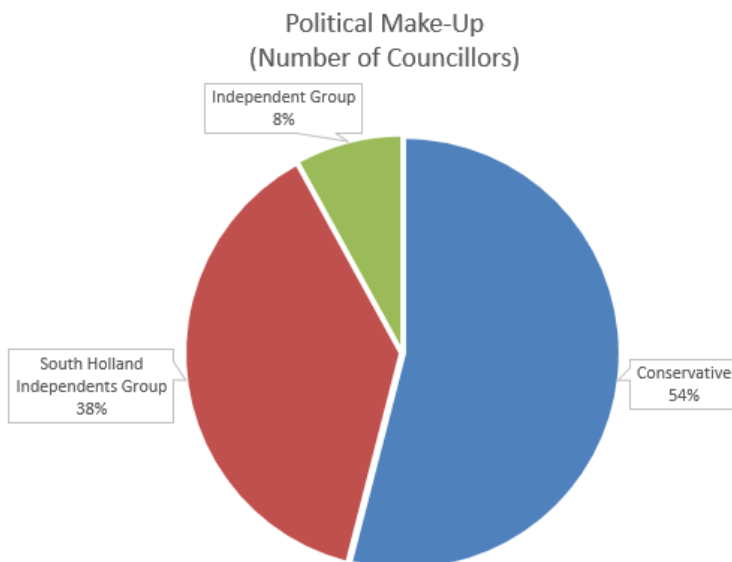
The Council, together with its partner organisations and external contractors, delivers a wide range of services to our residents, businesses and visitors.

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):

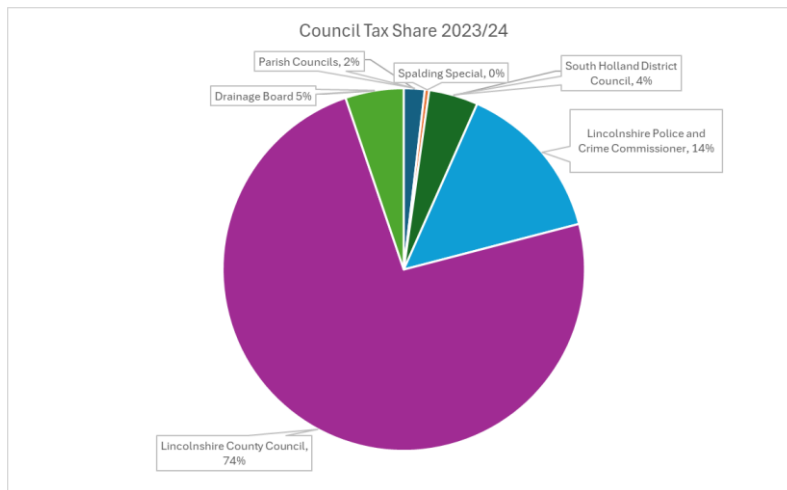
- Secured a commitment from the Government to seek a long term funding solution for the Internal Drainage Boards through an LGA Special Interest Group that has been formed, as well as additional funding of £3m in 2023/24 from Government for those Councils most impacted by the IDB levies.
- Secured additional 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

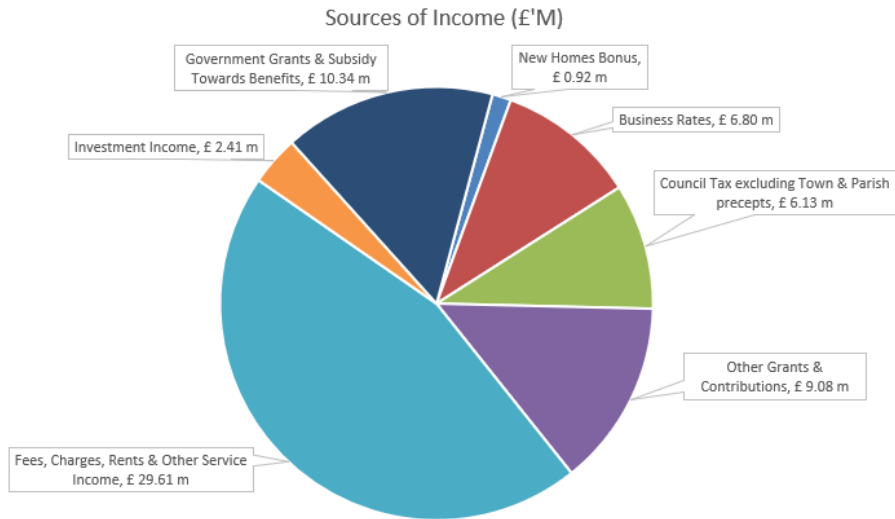
South Holland receives income from many sources, as shown in the chart below. Income is received from council tax (received from taxpayers levied by the Council for South Holland), from the Parishes, from Business Rates and Government grants.

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.

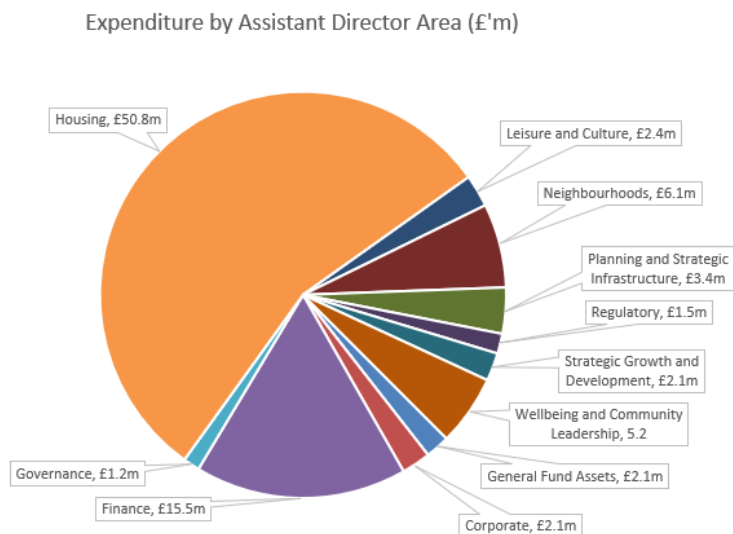
Running expenses and employee expenditure are included as part of the Assistant Director expenditure items.

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 Adaptions	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

CA Marshall

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.

2022/23				2023/24		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	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 designated at fair value through other comprehensive income			621
		(28,719)	Remeasurements of the net defined benefit liability			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	HRA Balance	Total		General Fund Balance	HRA Balance	Total
£'000	£'000	£'000		£'000	£'000	£'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 £'000		2023/24 £'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	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'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 £'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 £'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:

2021/22 £'000		Civic Regalia and Works of Art 2022/23 £'000	Archaeological Sites, Smallholdings and other Land and Sites of Special Interest 2022/23 £'000	Total 2022/23 £'000
108	Cost or valuation			
5	1 April	62	51	113
	Revaluations	-	(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)	
	226	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)
	(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 £'000	2022/23 £'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 £'000	2022/23 £'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:

- 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 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

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

2022/23				2023/24		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	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		2023/24
£'000		£'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		2023/24
£'000		£'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		Fair Value Level 2
2022/23		2023/24
£'000		£'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 \(sholland.gov.uk\)](#)

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	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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
<p>use of resources and value for money</p>	<ul style="list-style-type: none"> Individual Services carry out their own customer satisfaction surveys which feed into service improvement Corporate Peer Challenge by the LGA in July 2023 	
<p>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</p>	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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.
<p>Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff</p>	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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.
<p>Reviewing the effectiveness of the Authority's decision-making framework, including delegation</p>	<ul style="list-style-type: none"> This is set out in the Constitution Decision making arrangements meet legislative requirements Data sharing protocols are in place where necessary 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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
<p>Ensuring effective management of change and transformation</p>	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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.
<p>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></p>	<ul style="list-style-type: none"> • Full compliance with the CIPFA guidance: <ul style="list-style-type: none"> – 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 	<ul style="list-style-type: none"> • 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
<p><i>Local Government (2010)</i> and, where they do not, explain why and how they deliver the same impact</p>	<ul style="list-style-type: none"> - The Finance team is fit for purpose and recently been reviewed by CIPFA for adequacy. <p>The Medium Term Financial Strategy, annual budget process, compliance with CIPFA codes and guidance on capital finance, treasury management and management of reserves</p>	
<p>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 (2019)</i> and, where they do not, explain why and how they deliver the same impact</p>	<ul style="list-style-type: none"> • Full compliance with the CIPFA guidance: <ul style="list-style-type: none"> - 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. <p>The overall themed areas of Governance, Risk Management, Internal Control and Financial Control are all assessed as performing adequately.</p>	<ul style="list-style-type: none"> • 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.
<p>Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function</p>	<ul style="list-style-type: none"> • Set out in the Constitution • The Council shares a monitoring officer with East Lindsey District Council and Boston Borough Council. 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Set out in the Constitution • The Council shares a Head of Paid Service with East Lindsey District Council and Boston Borough Council. 	<ul style="list-style-type: none"> • 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>	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Council through the Constitution • Governance & Audit Committee
Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Corporate Management Team
Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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
	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Corporate and Group training opportunities can be supported.
<p>Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation</p>	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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
<p>Enhancing the accountability for service delivery and effectiveness of other public service providers</p>	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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.
<p>Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit</p>	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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
<p>Commission's report on the governance of partnerships and reflecting these in the Authority's overall governance arrangements</p>	<p>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</p> <ul style="list-style-type: none"> • 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. 	<p>been submitted to Full Council setting out the contractual and governance arrangements.</p> <ul style="list-style-type: none"> • Client/Partner meetings held regularly • 2 Members of SHDC on PSPS Board
<p>Information Governance</p>	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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:	<p>The Council approves and keeps under regular review all the strategic policies which it reserves for its own consideration, including</p> <ul style="list-style-type: none"> • 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:	<p>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.</p>
Cabinet	<p>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:</p> <ul style="list-style-type: none"> • Takes executive decisions, • Approves policies other than those reserved for Council, and • Recommends to Council policies and budgetary decisions.
Scrutiny	<p>The Overview and Scrutiny Committees may undertake any work relating to the four key principles of scrutiny as follows:</p> <ul style="list-style-type: none"> • Hold the Cabinet to Account (Call-In), • Performance Management, • Assist Policy Development and Review, and • Internal/External Scrutiny.
Audit and Governance Committee	<p>The Governance & Audit Committee:</p> <ul style="list-style-type: none"> • 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,

	<ul style="list-style-type: none"> • 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: