

AGENDA



- Committee - **GOVERNANCE AND AUDIT COMMITTEE**
- Date & Time - Thursday, 2 July 2026 at 6.30 pm
- Venue - Meeting Room 1, Council Offices, Priory Road, Spalding

Membership of the Governance and Audit Committee:

Councillors: A C Beal (Chairman), C J T H Brewis, M Geaney (Vice-Chairman), A Harrison, S-A Slade and T Sneath

Independent Co-opted Persons: A Cartwright and G Hall

Quorum 3.

Persons attending the meeting are requested to turn off mobile telephones

Democratic Services
Council Offices, Priory Road
Spalding, Lincs PE11 2XE

Date: 24 June 2026

AGENDA

1. Apologies for absence.
2. Declaration of Interests -
(Where a member has a Disclosable Pecuniary Interest the Councillor must declare the interest to the meeting and leave the room without participating in any discussion or making a statement on the item, except where a member is permitted to remain as a result of a grant of dispensation).
3. Minutes - (Pages 5 - 22)
To sign as a correct record the minutes of the Governance and Audit Committee meeting held on 19 March 2026 (enclosed).
4. Actions - (Pages 23 - 24)
Responses to actions that arose at the 19 March 2026 Governance and Audit Committee meeting (enclosed).
5. Quarter 4 Risk Report 2025/26 - (Pages 25 - 44)
To provide an update on risk as at the end of March 2026 (report of the Service Director – Legal and Governance enclosed).
6. Combined Assurance Status Report 2025/26 - (Pages 45 - 62)
To review the Combined Assurance Status Report 2025/26 (report of the Senior Leadership Team enclosed).
7. Internal Audit Annual Report and Opinion 2025/26 - (Pages 63 - 80)
To deliver an annual opinion and report to inform the Annual Governance Statement, concluding on the adequacy and effectiveness of the Council's governance, risk and control environment (report of the Head of Internal Audit - Lincolnshire County Council enclosed).
8. Draft Annual Governance Statement (AGS) 2025/26 - (Pages 81 - 96)
To review the draft Annual Governance Statement 2025/26 (report of the Executive Director – Finance (Section 151 Officer) and the Service Director – Legal and Governance (Monitoring Officer) enclosed).
9. Rescheduling of Public Works Loan Board Housing Revenue Account Borrowing. - (Pages 97 - 102)
To provide Members with a written update on the S151 Officer's decision under delegation to reschedule the Housing Revenue Account (HRA) Public Works Loan Board (PWLB) borrowing (report of the Executive Director – Finance (Section 151 Officer) enclosed).
10. Annual Treasury Report 2025/26 - (Pages 103 - 124)
To provide Members with the Annual Treasury Report 2025/26 in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management to ensure best practice is maintained (report of the Executive Director

– Finance (Section 151 Officer) enclosed).

11. Unaudited Financial Statements 2025/26 - (Pages 125 - 250)
To present the unaudited Financial Statements including Narrative Report for the Committee’s review, in line with best practice (report of the Executive Director – Finance (Section 151 Officer) enclosed).
12. Rebuilding Assurance Risk Assessment Outcome for the Year-Ending 31 March 2026 - (Pages 251 - 256)
To note the report of KPMG (enclosed).
13. Governance and Audit Committee Work Programme - (Pages 257 - 268)
To set out the Work Programme of the Governance and Audit Committee (report of the Democratic Services Manager enclosed).
14. Any other items which the Chairman decides are urgent. -

NOTE: No other business is permitted unless by reason of special circumstances, which shall be specified in the minutes, the Chairman is of the opinion that the item(s) should be considered as a matter of urgency.

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Minutes of a meeting of the **GOVERNANCE AND AUDIT COMMITTEE** held in the Meeting Room 1, Council Offices, Priory Road, Spalding, on Thursday, 19 March 2026 at 6.30 pm.

PRESENT

A C Beal (Chairman)
M Geaney (Vice-Chairman)

C J T H Brewis
A Harrison

S-A Slade

A Cartwright
G Hall

Apologies for absence were received from or on behalf of Councillors T Sneath, the Assistant Director – Governance and the Business Intelligence and Change Manager.

In Attendance: The Director of Finance (Section 151 Officer), the Assistant Director - Regulatory (SRO for RIPA) *virtual*, the Head of Finance Delivery - Technical and Corporate (PSPS), the Audit Manager (KPMG), the Audit Manager (LCC), the Treasury & Investments Manager (PSPS) and the Democratic Services Officer.

49. **DECLARATION OF INTERESTS**

Cllr Brewis declared that he was a director of PSPS.

50. **MINUTES**

Consideration was given to the minutes of the Governance and Audit Committee meeting held on 29 January 2026.

Members commented that they wished to express their gratitude to the Vice-Chair for her Chairing of the meeting.

AGREED:

That the minutes be signed by the Chairman as a correct record.

51. **ACTIONS**

Consideration was given to the responses to actions that arose from the 29 January 2026 Governance and Audit Committee meeting.

The Democratic Services Officer stated, in respect of action 46. 25/26 regarding the Governance and Audit Committee Personal Skills Audit, that a report was provisionally scheduled to come

Action By

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back to the committee at its September 2026 meeting.

Members raised the following queries:

- The Chairman stated that he was chasing non-responders to the Personal Skills Audit.
- In respect of action 41. 25/26, members queried whether the submission of Related Party Transaction information was a mandatory requirement for employees.
 - The Head of Finance Delivery – Technical and Corporate (PSPS) responded that the mandatory requirement applied to senior managers only in their capacity as decision makers.
- In respect of action 44(a) 25/26, members asked which services would be at risk if the funding was not received.
 - The Director of Finance responded that any should funding not materialise, the issue would be considered as part of the overall budget process with options brought forward for consideration. At this stage, no hierarchy of services at risk had been identified, and matters would be managed as required.
- In respect action 44(b) 25/26, members queried whether the review of pay rates for Emergency Repairs Service staffing had been approved by Council.
 - The Director of Finance confirmed this was the case.
- In respect of action 44(d) 25/26, regarding financial report training for staff, members asked whether this was now fully embedded.
 - The Director of Finance stated that the training had taken place and that the risk register had been updated accordingly.

AGREED:

That the responses to actions be noted.

52. INDICATIVE EXTERNAL AUDIT PLAN AND STRATEGY FOR THE YEAR END ENDED 31 MARCH 2026

Consideration was given to the report of KPMG which provided members with the indicative External Audit Plan and Strategy for the year ended 31 March 2026.

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The Audit Manager (KPMG) introduced the report with the following key points:

- Materiality: which for the financial statements had been set at £1.95 million for the group, equivalent to 2.5% of forecasted group expenditure. Performance materiality was set at £1.46 million, with an audit posting threshold of £97,500, above which all statements—corrected or uncorrected—would be reported to the Committee;
- Significant risks: included valuation of land and buildings noting changes arising from the revised CIPFA Code requiring valuations on a five-year rolling basis rather than annually; and management override of controls however no significant risk had been identified;
- Other audit risks: included the valuation of post-employment benefit obligations.
- The value-for-money risk assessment had not identified any major concerns; and
- The plan was indicative at this stage and that the finalised version would be circulated to members, with any changes clearly highlighted.

Members considered the report and made the following comments:

- Members queried why internal valuers were used for general fund assets while external valuers were used for council dwellings.
 - The Head of Finance Delivery – Technical and Corporate (PSPS) advised that external valuers were engaged for the Housing Revenue Account due to the specialist nature of those assets and their expertise in the housing market.
- Members raised concerns about the limited detail within the efficiency plan referenced in Cabinet papers and asked whether upcoming audit work was on track.
 - The Director of Finance responded that:
 - Savings for 2025–26 were being delivered, a surplus was expected for the financial year, and savings for 2026–27 had already been identified with no in-year efficiency requirement; and
 - An audit of savings monitoring was nearing completion, with an improvement anticipated, though further work would be required to demonstrate full assurance.
 - The Internal Audit Manager (LCC) confirmed that

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the audit covering monitoring of savings was on track. Whilst the upcoming draft audit report would acknowledge that policies, procedures and controls were in place, a limited assurance could only be provided until the outcome of such measures were known.

- Members sought clarification regarding the management override of controls risk and whether sufficient safeguards were in place.
 - The Director of Finance stated that no significant concerns had been identified and that controls were kept under continual review to ensure their adequacy.
- Members asked whether Internal Audit engaged in ongoing dialogue with External Audit beyond mandatory annual enquiries.
 - The Audit Manager (KPMG) confirmed that regular discussions took place throughout the year and that any significant findings would be promptly shared.
- Members questioned the reduced risk rating relating to post-retirement benefit obligations, given global instability affecting pension markets.
 - The Audit Manager (KPMG) advised that the assessment was based on the latest triennial valuation and actuarial assumptions reviewed by specialists, and that the risk rating would be revisited if new information emerged during the audit.
- Members queried how property valuations were updated following improvements to council dwellings.
 - The Head of Finance Delivery – Technical and Corporate (PSPS) confirmed that valuers had access to expenditure information as part of the HRA business planning process and that this was incorporated into valuation updates.
- Members requested information regarding responsibilities around the selection of valuation indices under the revised CIPFA methodology and whether recent changes reflected errors or legislative updates.
 - The Audit Manager (KPMG) explained that the methodology change was due to updates in the CIPFA Code, with internal valuers responsible for selecting appropriate indices.

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- Members referred to the low-level recommendation made to management in previous years regarding the inclusion of Group figures and queried why the risk had been tolerated rather than addressed.
 - The Audit Manager (KPMG) stated that the stance taken depended on management judgement and materiality, noting that the subsidiaries were not financially significant enough to require separate reporting.

- Members referred to page 21 of the report, regarding the lack of 'formal programme in place to effectively identify, RAG rate and/monitor savings' and queried whether the commentary was common across partnership authorities due to the same services being outsourced across the three councils.
 - The External Audit Manager (KPMG) stated that similar findings had been identified across all partnership councils.

- Members expressed concern that equality and human rights considerations within reports could be treated as a formality rather than substantive analysis.
 - The Director of Finance responded that report drafting involved a rigorous review process and that members were encouraged to challenge any omissions.

- Members noted that the Value for Money assessment had not highlighted any significant risks and asked whether any issues had been identified
 - The Audit Manager (KPMG) stated that any risks identified under the criteria of governance, financial sustainability, and efficiency would be reported to the Committee.

- Members queried the timescale of the independent review of the finance service delivery arrangements provided by PSPS and whether any changes were expected.
 - The Director of Finance advised that PSPS had implemented most actions arising from previous findings and that significant additional changes were not anticipated.

○
AGREED:

That the Indicative External Audit Plan and Strategy for the

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year end ended 31 March 2026 be noted.

53. ACCOUNTING POLICIES 2025/26

Consideration was given to the report of the Director of Finance (Section 151 Officer) which asked members to review and agree the Accounting Policies for inclusion in the Financial Statements 2025/26.

The Head of Finance Delivery – Technical and Corporate (PSPS) introduced the report and highlighted the following main points:

- The policies set out the rules and practices followed in the preparation of the financial statements in accordance with accounting standards and which would be set out within Note 1 of the 2025/26 Statement of Accounts;
- One substantive change for 2025/26 related to the valuation of Property, Plant and Equipment at point 19 (highlighted in red) which had arisen from amendments to the CIPFA Code of Practice. The Council would move to a five-year rolling valuation programme, with 20 per cent of applicable assets valued each year and the remaining 80 per cent indexed using appropriate indices. Council dwellings would continue to be valued annually;
- All other accounting policies remained unchanged from the previous financial year; and
- Any further minor changes identified during the year-end or audit process would be discussed with the Section 151 Officer and reflected where appropriate.

Members considered the report and made the following comments:

- Members queried why council dwellings were excluded from the five-year rolling valuation cycle applicable to other land and buildings, and whether the annual valuation process remained sufficiently resourced and independently reviewed.
 - The Head of Finance Delivery – Technical and Corporate (PSPS) explained that council dwellings represented a significant balance sheet value and were permitted under the Code to continue to be revalued annually. Assurance was given that the valuation process was adequately resourced, with regular engagement with the internal valuer, ongoing monitoring of progress, and internal review built into the process.

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- Members referred to the Termination Benefits at point 7 of Note 1 – Accounting Policies, and asked for clarification on the accounting treatment of pension benefits, specifically the distinction between the amounts charged to the accounts and those calculated under accounting standards.
 - The Head of Finance Delivery – Technical and Corporate (PSPS) explained that the General Fund and Housing Revenue Account reflected cash contributions paid to the pension fund, whereas the full accounting entries took account of benefits earned, future obligations and actuarial assumptions, which could fluctuate.

AGREED:

That following consideration by the Governance and Audit Committee, the Accounting Policies for 2025/26 at appendix 1 be agreed.

54. Q3 TREASURY REPORT 2025/26

Consideration was given to the report of the Director of Finance (Section 151 Officer) which provided members with an update on Treasury Management performance and activity to ensure best practice is maintained.

The Treasury and Investments Manager (PSPS) summarised the Treasury Management Update (at Appendix 1) which included the following main areas:

- Economic Update with commentary provided by MUFG Corporate Markets - it was noted that the Monetary Policy Committee (MPC) had met earlier on the day of current meeting, which had resulted in no changes to interest rates;
- Interest rate forecasts - the ongoing situation in the Middle East was expected to affect future interest rate forecasts which would be reflected in the Q4 Treasury Report 2025/26;
- Annual Investment Strategy – the Council's investments had increased to £39m due to receipt of grant funding of around £17m;
- Borrowing;
- Debt Rescheduling – the Director of Finance (Section 151 Officer) provided a verbal update on this aspect at the end of this item;
- Net Treasury Position; and
- Compliance with Treasury and Prudential Indicators (with indicators shown in tables at Appendix 1A)

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Members considered the report and made the following comments:

- Members referred to point 5 and asked whether the Council's fixed-rate borrowing shown as maturing in March 2062 was repayable in instalments or as a single sum.
 - The Treasury and Investments Manager (PSPS) responded that the Public Works Loan Board loan was taken out on a 50-year term and that the full balance was repayable at the maturity date.
- Members referred to point 7 and queried what actions had been taken to safeguard the combined favourable net treasury position from volatility in the final quarter of the financial year.
 - The Treasury and Investments Manager (PSPS) advised that forecasts were based on projected cash balances and prevailing interest rates, and that both cash flows and market conditions were monitored continually to ensure forecasts remained robust.
- Members queried potential implications for the Council should interest rates remain higher than had been forecast, or increase further.
 - The Treasury and Investments Manager (PSPS) responded that, as a result of situation in the Middle East, the anticipated MPC reduction in the interest rate to 3.5% had not taken place and short term interest rates had risen considerably. Whilst many councils were looking to borrow funds at this period, SHDC was in a relatively advantageous position as a net lender, with fixed-rate borrowing protecting it from increases, while higher interest rates would potentially increase investment income as investments matured.
- Members queried the continued holding of a negligible balance with a Swedish bank shown in the investment portfolio, noting the lower return.
 - The Treasury and Investments Manager (PSPS) advised that the majority of funds had been withdrawn due to the low interest rate. A small balance had been retained to keep the account open in case rates improved, thereby avoiding the need for a lengthy re-onboarding process.

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- Members requested that the issue dates for Welland Homes loans be included within future reports.
 - The Treasury and Investments Manager (PSPS) agreed to this inclusion in future reports.
- Members referred to point 5 of the report and asked whether the Council still required the budgeted £10m HRA new borrowing previously identified within the capital programme.
 - The Treasury and Investments Manager (PSPS) explained that while additional borrowing had been budgeted to finance the Capital Programme and would be considered in the future, this had been delayed while cash balances remained high following the receipt of grant funding, in order to avoid unnecessary interest costs.

The Director of Finance (Section 151 Officer) provided the following 'live' update on debt rescheduling activity being undertaken during Q4 2025/26:

- Volatile market conditions had created an opportunity to redeem approximately £67.5m of existing debt at a discount of £18.3m, reducing the repayment cost to just over £49m. The discount would be released to the revenue account over a ten-year period;
- To facilitate the repayment, new borrowing of £50m had been undertaken in five tranches of £10m, with staggered repayment dates commencing in just over two years' time. This approach intended to provide flexibility for both the Council and any future unitary authority. Although the new loans carried a higher interest rate, the reduced borrowing level would result in an annual saving of approximately £84,000 in interest costs; and
- The transaction was being progressed under delegated authority in accordance with the Constitution and the Treasury Management Strategy, with involvement of relevant senior key officers. Further details would be reported through the next quarterly update and to Cabinet.
 - Members welcomed the update and thanked the Director of Finance for the approach taken.

AGREED:

That the Q3 Treasury Report 2025/26 at appendix 1 be noted

55. QUARTER 3 RISK REPORT 2025/26

Consideration was given to the report of the Assistant Director –

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Governance which provided an update on risk as at the end of December 2025.

The Director of Finance (Section 151 Officer) introduced the report on behalf of the Business Intelligence and Change Manager who had sent his apologies. The following main points were highlighted:

- The strategic risk profile remained largely stable, with most risks being managed at or near their target levels; and
- A new risk relating to artificial intelligence (AI) governance and oversight had been added to the register as a medium risk, with the expectation that this would continue to evolve as the organisation's understanding and use of AI developed further.

The Assistant Director – Regulatory provided members with the following update in respect of the Health and Safety risk SHDC23:

- The risk position reflected the status at the end of Quarter 3.
- An assurance review received at the end of December 2025 had assessed the arrangements as adequate, with a small number of recommendations outstanding at that time; and
- Significant progress had been made during Quarter 4 and that, based on the work undertaken since the report was compiled, the Health and Safety risk was expected to return to its target level by the end of the financial year.

Members considered the report and made the following comments:

- Members queried the steps being taken to accelerate readiness for food waste collection requirements, given delays in vehicle procurement associated with Environment Act implementation. Additionally, could a new food waste collection service have been added to the existing service rather than implementing a new system.
 - The Director of Finance explained that work was ongoing with suppliers to mitigate delays, acknowledging national supply pressures, and that flexibility had been built into the service rollout to support residents while implementation progressed. Food waste collection could not be introduced as a simple add-on, as it formed part of a wider set of statutory changes.
- Members asked whether current route modelling sufficiently accounted for rapid housing growth areas and

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whether additional route optimisation software might be required.

- The Director of Finance responded that modelling reflected assumed growth but acknowledged uncertainties, particularly around consistent take-up rates for food waste services. While in-house modelling capability could be beneficial, the cost and timing—particularly in the context of Local Government Reorganisation—meant that use of external expertise was currently considered appropriate.
- Members raised concerns about communication with residents regarding new waste and recycling arrangements, particularly for those without internet access.
 - The Director of Finance acknowledged the importance of clear and accessible communication and confirmed that learning from other authorities had informed South Holland’s approach.
- Members sought clarification on meaning of the ‘direction of travel’ risk trend arrows within the risk register, such as for ‘SELCP-02: Trust’ and queried whether a downward arrow represented a reduction in risk severity rather than the subject matter itself.
 - The Director of Finance would ask the report author to respond to this query after the meeting.
- Members requested whether additional assurance could be provided regarding cyber security risks - while at their target score, were such risks being robustly managed.
 - The Director of Finance responded that cyber risk was inherently dynamic with a degree of risk tolerated, however controls were continually reviewed and strengthened based on expert advice, with mitigation actions being implemented proactively where vulnerabilities were identified.
- Members referred to risks SELCP-07 ‘Local Government Funding’ and SELCP-08 ‘Staff Retention and Resilience’ which were both rated high, and queried whether partnership risks rated as high and not on target affected South Holland District Council specifically or reflected issues across the wider partnership.
 - The Director of Finance explained that these risks applied across all partner councils, noting that the funding risk would be reviewed following the

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provisional financial settlement and the setting of a balanced budget.

- Members asked whether international instability was expected to impact risk factors going forward.
 - The Director of Finance advised that potential impacts included cyber security threats, inflationary pressures, utilities costs and wider economic challenges, all of which continued to be monitored.
- Members queried whether prolonged uncertainty relating to Local Government Reorganisation was impacting partnership delivery.
 - The Director of Finance advised that some impact was being experienced, though it was not considered material at this stage.
- Members referred to SHDCRA16 'Emergency Repairs Service (staffing)' risk which was not at its target level and asked whether revised contract terms and other mitigations had reduced the risk and which KPIs would demonstrate improved resilience in the service.
 - The Director of Finance advised that further information would be provided following the meeting.
- Members suggested that additional narrative within mitigation and action plan sections of the risk register would improve clarity, particularly where risks were being formally tolerated.
 - The Director of Finance agreed that incorporating standard explanatory wording as appropriate, such as 'risk is being tolerated', would remove any doubt to the current status of the risk.
- Members referred to risk SHDC10 'Introduction of Extended Producer Responsibility' (EPR) and asked whether the £1.2m notification of funding from government was considered sufficient and whether it represented new funding.
 - The Director of Finance explained that EPR funding was intended to offset existing waste service costs rather than fund new statutory burdens for which no additional financial support had been offered. Concerns regarding funding adequacy had been raised with government but remained unresolved.
- Members referred to risk SHDC23 'Health and Safety' and

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requested an update on health and safety Service Level Agreements with PSPS.

- The Assistant Director - Regulatory confirmed that revised agreements were progressing well and were on track to be signed and implemented for the next financial year.
- Members referred to risk F-04 'Procurement Contracts' and asked for a status update regarding the Anti-Fraud and Corruption Strategy and Whistleblowing Policy which were due to be reviewed by March 2026.
 - The Director of Finance confirmed that the Anti-Fraud and Corruption Strategy and Whistleblowing Policy had been approved earlier in the year and that actions were being refreshed to reflect the Council's current position.

AGREED:

That the Quarter 3 Risk Report 2025/26 be noted.

56. REGULATION OF INVESTIGATORY POWERS ACT (RIPA) 2000 – ANNUAL UPDATE

Consideration was given to the report of the Assistant Director – Regulatory and Senior Responsible Officer (SIRO) for RIPA which advised members of any RIPA regulatory activity in the last 12 months and any work needed to ensure arrangements across the Partnership remain compliant and provide assurance that our legal obligations are effectively managed.

The report was introduced by the Assistant Director – Regulatory, SIRO for RIPA, and the following main points were highlighted:

- RIPA provided the statutory framework governing the use of directed surveillance by local authorities. This was a highly regulated area intended to ensure compliance with the Human Rights Act and the European Convention on Human Rights;
- RIPA covered directed surveillance activities undertaken without an individual's knowledge, the potential use of covert human intelligence sources, and access to certain limited communications data;
- Use of such powers must be lawful, necessary, proportionate and non-discriminatory, and that directed surveillance required formal authorisation by a Magistrate;
- The Partnership RIPA Policy approved in 2024 remained current and did not require revision at this time, with the next full review scheduled for 2027.

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- The last inspection by the Investigatory Powers Commissioner's Office (IPCO) had taken place in 2024, resulting in a satisfactory outcome, and that an annual return submitted for the most recent period had been a nil return;
- Policy developments during the year included the approval of a partnership body-worn video policy and plans to bring forward a further policy covering the use of CCTV cameras within Council-owned buildings and assets, as distinct from public realm CCTV already covered elsewhere; and
- Officers continued to receive mandatory training to ensure compliance with RIPA requirements, despite the infrequent use of such powers.

Members considered the report and made the following comments:

- Members asked how the use of body-worn video was monitored to ensure it did not inadvertently move into covert surveillance requiring RIPA authorisation.
 - The Assistant Director explained that this was addressed through mandatory training for authorised enforcement officers, which covered appropriate deployment, interaction with the public, and the avoidance of capturing unrelated data known as 'collateral intrusion'. In addition, footage was encrypted, stored securely, automatically deleted after 30 days unless required for evidential purposes, and retained only where necessary in accordance with defined procedures.
- Members queried whether individuals, including councillors or members of the public, who installed their own cameras to monitor issues such as fly-tipping would be subject to the same regulatory requirements as the Council.
 - The Assistant Director advised that while individuals were not bound by RIPA in the same way as a public authority, they remained subject to the Human Rights Act and the European Convention on Human Rights. Complaints could be made to the IPCO where individuals believed their civil liberties had been infringed, and such complaints would be investigated accordingly.

AGREED:

That the report be noted.

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57. INTERNAL AUDIT ANNUAL PLAN 2026/27

Consideration was given to the report of the Head of Internal Audit (Lincolnshire County Council) which asked members to consider and approve the annual plan of internal activity for 2026/27.

The Internal Audit Manager (LCC) introduced the report and the following main points were highlighted:

- The plan had been designed to provide sufficient audit coverage to enable the Head of Internal Audit to deliver the annual opinion;
- The proposed programme reflected key areas discussed earlier in the meeting, including audit work scheduled in Quarter 3 relating to savings delivery and financial accountability.
- An audit focusing on waste management change management and implementation was scheduled for Quarter 4, which was intended to support consideration of best value and identify learning arising from the delivery of the service changes; and
- In response to feedback received at earlier meetings, all Internal Audit reports produced during 2026/27 would be bespoke to South Holland District Council, rather than combined partnership reporting.

Members considered the report and made the following comments:

- Members queried how delivery of the Internal Audit Plan would work in practice given that PSPS operated as a key delivery partner for a number of services.
 - The Internal Audit Manager (LCC) advised that internal audit had worked closely with PSPS during the preceding audit cycles without issue, and that effective working relationships were in place, supported where appropriate by the Section 151 Officer.
- Members asked whether the Internal Audit Service was adequately resourced to deliver the full audit plan without deferrals, particularly in light of increasingly complex audit areas such as artificial intelligence, cyber security and waste reform.
 - The Internal Audit Manager (LCC) confirmed that the service was fully resourced to deliver the plan, outlining the composition of the audit team and confirming that capacity was sufficient.

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- Members asked when the next iteration of the Combined Assurance Map would be presented to the Committee and how partner risks would be incorporated.
 - The Internal Audit Manager advised that the work was nearing completion, subject to receipt of remaining narrative from officers, and that the updated Combined Assurance Map was expected to be presented to the Committee at its first meeting of the next financial year.

AGREED:

That the annual plan of internal activity for 2026/27 be approved.

58. INTERNAL AUDIT PROGRESS REPORT - MARCH 2026

Consideration was given to the report of the Head of Internal Audit (Lincolnshire County Council) which provided the committee with a summary of internal audit activity as at March 2026.

The Internal Audit Manager (LCC) introduced the report which set out progress against the current audit plan, including the status of completed audits, work in progress and outstanding actions. It was noted that the report reflected the position at the point of preparation and that progress would continue to be monitored through the remainder of Quarter 4.

- Members queried a report highlighted within the progress update that had been subject to delay due to the involvement of a third-party provider.
 - The Internal Audit Manager (LCC) explained that the delay had arisen from the application of the Internal Audit Service's own quality assurance processes to ensure reports met expected standards, and that the issue had since been resolved, with third-party providers now aware of internal requirements.
- Members asked when the data included within the action tracking section of the report had been extracted and whether any of the open actions had since been closed.
 - The Internal Audit Manager (LCC) advised that the report had been prepared in early March and submitted to Democratic Services shortly thereafter, meaning that it represented a snapshot in time. It was acknowledged that some actions may have progressed since publication, although Quarter 4 activity had not yet concluded.

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AGREED:

That the Internal Audit Progress Report - March 2026 be noted.

59. GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

Consideration was given to the report of the Democratic Services Manager which set out the Work Programme of the Governance and Audit Committee.

The Democratic Services Officer introduced the report and highlighted the following points:

- This was the final meeting of the current municipal year and that indicative items for the forthcoming year had been included within the report;
- Meeting dates for the new municipal year had not yet been confirmed, as these were subject to alignment across the wider Partnership. Provisional dates would be shared once available and would be formally approved at the Annual General Meeting, enabling Members to diarise meetings in advance.
- A minor point within the November entry of the Work Programme would be corrected, where the external audit year should read 2025/26 rather than 2026/27; and
- The Governance and Audit Committee Personal Skills Audit was being scheduled to be reported to members at the September 2026 meeting.

Members considered the update and made the following comments:

- Members asked when meeting dates for the forthcoming municipal year were expected to be confirmed, noting the proximity to the start of the new year.
 - The Democratic Services Officer advised that some provisional dates had been developed but that finalisation was dependent on agreement across all Partnership authorities. It was confirmed that work was ongoing and that members would be advised as soon as provisional dates had been endorsed by the relevant Leaders.
- Members queried whether the twice-yearly frequency of Internal Audit progress reporting was sufficient, or whether quarterly monitoring should be reinstated for high-risk areas such as procurement, waste services and digital

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systems.

- The Director of Finance acknowledged the point and advised that a balance needed to be struck between the frequency of reporting and ensuring that information was meaningful and actionable. It was suggested that the current approach could continue initially, with flexibility to increase monitoring frequency if required.
- Independent Members commented on the scheduling of Governance and Audit Committee meetings across the Boston and South Holland, noting that spacing meetings helped to avoid an excessive volume of reports being considered over a short period.
 - The Director of Finance confirmed that efforts were made to be mindful of members' workloads and competing commitments, whilst recognising that statutory deadlines, particularly for accounts and audit matters, could limit flexibility in some instances.

AGREED:

That the Governance and Audit Work Programme be noted.

60. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT.

There were none.

(The meeting ended at 8.18 pm)

(End of minutes)

ACTIONS

<u>Actions from the 19 March 2026</u>			
<u>Governance And Audit Committee Meeting</u>			
Minute		Item	Responsible Officer
55. 25/26		<u>Quarter 3 Risk Report 2025/26</u>	
✓	(a)	<p>Members sought clarification on meaning of the ‘direction of travel’ risk trend arrows within the risk register, such as for ‘SELCP-02: Trust’ and queried whether a downward arrow represented a reduction in risk severity rather than the subject matter itself.</p> <p>UPDATE: The downward arrow represents the risk reducing in impact/likelihood since the previous quarter, this can reflect mitigations listed in the register or wider factors of influence outside of our control.</p>	Corey Gooch
✓	(b)	<p>Members referred to SHDCRA16 ‘Emergency Repairs Service (staffing)’ risk which was not at its target level and asked whether revised contract terms and other mitigations had reduced the risk and which KPIs would demonstrate improved resilience in the service.</p> <p>UPDATE: The key mitigations for this risk will be ensuring staffing levels are sufficient for the emergency repairs team, ensuring recruitment is effective and retention is strong, whilst there are no direct KPIs for this, data on staffing levels and recruitment can be provided if the committee wishes.</p>	Corey Gooch
✓	(c)	<p>Members suggested that additional narrative within mitigation and action plan sections of the risk register would improve clarity, particularly where risks were being formally tolerated.</p> <p>UPDATE: The risk register incorporates the “4 Ts” (Tolerate, Treat, Transfer, Terminate) details of which can be found in each cover report, for each risk on the register we have the relevant “T” listed which indicates where we are tolerating a risk, when we are tolerating a risk its likely the future mitigation column will be blank, as there are no future mitigations being planned and focus is shifted to ensuring current mitigations maintain the risk level we are comfortable with.</p>	Corey Gooch

ACTIONS

<u>Tracking Of Outstanding Actions</u>			
Minute		Item	Responsible Officer
		No outstanding actions.	



Report To: Governance and Audit Committee

Date: 2nd July 2026

Subject: Quarter 4 Risk Report 25/26

Purpose: To provide an update on risk as at the end of March 2026

Key Decision: No

Portfolio Holder: Councillor Jim Astill, Portfolio Holder for Corporate, Governance, Communications and Environmental Services

Report Of: John Medler, Service Director – Legal and Governance

Report Author: Richard Baldwin, Strategic Performance Analyst

Ward(s) Affected: All

Exempt Report: No

Summary

This is the quarterly report covering risk monitoring information for Quarter 4 of 2025/26 (as at the end of March 2026).

Recommendations

That the Committee considers and notes the quarterly risk monitoring information for Q4 of 2025/26.

Reasons for Recommendations

The Governance & Audit Committee is responsible for overseeing the effectiveness of the Council's risk management arrangements.

Other Options Considered

Alternative reporting arrangements.

1. Risk management

- 1.1 The Governance & Audit Committee is responsible for monitoring the effective development and operation of risk management in the Council according to its terms of reference.
- 1.2 A shared approach to risk management has been agreed across the Partnership with common formatting but not content. The revised Risk Management Framework has been agreed by all three Councils.

In response to recommendations from the recent Internal Audit review of risk management practices, enhancements have been made to this report to improve clarity and focus on key areas of concern





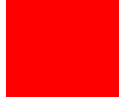
2. Risk management (Appendices A, B and C)

- 2.1 The strategic risk register has been reviewed for Q4, as at the end of March 2026.
- 2.2 A summary of the risks and scores are set out in the table below, with full details in Appendices A, B and C.
- 2.3 Each strategic risk includes a target status to indicate whether it is currently being managed at its target level. Where action needs to be taken to move the risk to its target level, planned action is set out and tracked with a RAG (Red, Amber, Green) rating to indicate if it is on track or overdue. This provides assurance that actions are progressing as expected and helps identify where further attention may be needed.
- 2.4 The Action RAG column in the table indicates that no planned action is required to move the target level (N/A) or a date for the planned action to be undertaken with a RAG rating of red if overdue.
- 2.5 Where risks have been removed/retired, the remaining reference numbers stay the same, to retain an audit trail. So, the missing numbers in the sequence in the tables below are for closed risks.

South Holland Strategic Risks	Risk score	Direction of travel	Action RAG
1: General Fund Assets	L (4)	↔	N/A
3: Retention of staff.	-	-	-
Q4 update: risk removed as this is covered under Capacity (15) below			
4: Service Delivery	-	-	-
Q4 update: risk moved to partnership risk register			
5: Technology infrastructure failure	H (10)	↔	N/A
7: Cyber Incident	H (15)	↔	N/A
8: Failure to deliver the capital programme	M (6)	↔	N/A
9: Economic Growth	M (9)	↔	N/A
10: Extended Producer Responsibility (EPR)	L (4)	↔	N/A
Q4 update: wording and planned action reviewed and updated. SHDC has received first payments for Year 1 of EPR, and notification of Year 2.			
11: Implementation of the Environment Act	H (16)	↔	30/06/2026
Q4 update: wording and planned action reviewed and updated			
12: Waste Collection Round Pressures	M (6)	↓	N/A

South Holland Strategic Risks	Risk score	Direction of travel	Action RAG
Q4 update: risk score reduced from high to medium as decision on future delivery model has been made. Project to implement and delivery is now underway with its own risk register.			
13: Local Plan	H (12)	↑	31/12/2026
Q4 update: wording and scoring updated to reflect new Plan Making Regulations published in March 2026. Impact increased from 2 to 4. Overall risk from medium to high			
14: Budget	H (16)	↔	N/A
15: Capacity	M (9)	↔	N/A
Q4 update: wording reviewed and updated; Capacity, Change Readiness and Workforce Resilience			
16: Third Party Service Delivery	M (9)	↔	N/A
17: Net Zero target	L (4)	↔	N/A
Q4 update: wording reviewed and updated			
18: Civil contingency risks	M (8)	↔	N/A
Q4 update: wording updated; no change to scoring			
19: Information	M (8)	↔	N/A
20: Capital Programme	-	-	-
Q4 update: risk removed as this is covered under failure to deliver the capital (8) above			
22: Local Government Reform (LGR)	-	-	-
Q4 update: in both Council and Partnership registers so removed from here to avoid duplication.			
23: Health and Safety	M (6)	↓	N/A
Q4 update: wording reviewed and updated; all planned actions complete; overall risk score reduced from 9 to 6 (reduced likelihood); treatment reverts back to tolerate			
24: AI Governance and Oversight	M (9)	N/A	30/09/2026
Q4 update: wording and planned action reviewed and updated			

Risk Scoring Matrix						
Impact	Critical		5	7		
	High	1	18; 19	13	11; 14	
	Medium		12; 23	9; 15; 16; 24		
	Low		10; 17	8		
	Minimal					
		Rare	Unlikely	Possible	Likely	Almost certain
		Likelihood				

Risk Score	Colour
Minimal Risk	
Low Risk	
Medium Risk	
High Risk	
Critical Risk	

2.6 As set out in the risk policy, we use the 4Ts of risk control:

- Terminate – rarely, we may be able to stop doing the activity altogether and thereby remove the risk altogether
- Tolerate – accept the risk and live with it because it is within our risk appetite and the cost of mitigating action would outweigh the benefits
- Transfer – move all or part of the risk to a third party or through insurance; however, sometimes accountability remains, particularly with a Council, so caution is advised
- Treat - take action to control the likelihood and/or impact and set a target to move the risk to within the risk appetite once the action has been implemented


2.7 The strategic risks for the Partnership have also been reviewed for Quarter 4, as at the end of March 2026.


2.8 A summary of the Partnership risks and scores are set out in the table below, with full details in Appendix C.


SELCP Partnership Risks	Risk score	Direction of travel	Action RAG
SELCP-01: Vision	M (8)	↔	N/A
SELCP-02: Trust	M (9)	↔	N/A
SELCP-03: Sovereignty	M (9)	↔	N/A
SELCP-05: Culture	M (6)	↔	N/A
SELCP-06: LGR	H (12)	↔	N/A
Q4 update: wording reviewed and updated.			
SELCP-07: Funding	H (16)	↔	30/06/2026
Q4 update: Wording and planned action reviewed and updated.			
SELCP-08: Staffing	H (12)	↔	30/06/2026
Q4 update: Wording and planned actions reviewed and updated.			
SELCP-09: PSPS	M (6)	↔	N/A
SELCP-10: Service Delivery	M (6)	↔	N/A
Q4 update: Risk moved from Council risk register to avoid duplication.			


Risk Scoring Matrix						
Impact	Critical					
	High		1		7	
	Medium		5; 9; 10	2; 3	6; 8	
	Low					
	Minimal					
		Rare	Unlikely	Possible	Likely	Almost certain


Risk Score Colour

Minimal Risk 

Low Risk 

Medium Risk 

High Risk 






Critical Risk 

2.9 The fraud risks have also been reviewed for Q4, as at the end of March 2026.

2.10 A summary of the fraud risks and scores are set out in the table below, with full details in Appendix D.

Fraud Risks	Risk score	Direction of travel	Action RAG
1: Asset - Equipment	Min (1)	↔	N/A
3: Assets – Land and Property	Min (1)	↔	N/A
4: Procurement – Contracts	Med (8)	↔	N/A
5: Procurement – Contract Payments	Med (8)	↔	N/A
6: Council Tax – Credit Refund and Income Fraud	Med (6)	↔	N/A
7: Council Tax Fraud	Low (4)	↔	N/A
8: Council Tax Support Scheme	Low (4)	↔	N/A
9: National Non-Domestic Rate (NNDR) Fraud	Med (9)	↔	N/A
10: Housing Benefit Fraud	Low (4)	↔	N/A






Risk Scoring Matrix					
Critical					
High		4; 5			
Medium		6	9		
Low		7; 8; 10			
Minimal	1; 3				
	Rare	Unlikely	Possible	Likely	Almost certain
	Likelihood				

Risk Score	Colour
Minimal Risk	
Low Risk	
Medium Risk	
High Risk	
Critical Risk	

2.11 A summary of the HRA risks and scores are set out in the table below, with full details in Appendix E.

South Holland HRA Risks	Risk score	Direction of travel	Action RAG
1: Business continuity	M (9)	↔	N/A
2: Health and Safety	M (6)	↔	N/A
3: Risk oversight	M (6)	↔	N/A
4: Management of health and safety	M (8)	↔	N/A
5: Management of health and safety of DLO	M (5)	↔	N/A
6: Data	L (3)	↔	N/A
7: Listening to tenants	L (4)	↔	N/A
8: Tenant engagement resource	M (9)	↔	N/A
9: Qualification requirements	L (4)	↔	N/A
10: HRA business plan	Min (1)	↔	N/A
11: Regulatory Consumer Standards	L (4)	↔	N/A
12: Failure to self-refer to the regulator	L (3)	↔	N/A
13: Impact of Awaab's law	M (6)	↔	N/A
Q4 update: target risk score amended to reflect treatment is tolerate			
14: Minimum Energy Efficiency Standards	M (9)	↔	30/06/2026
15: HRA business plan (Additional)	M (9)	↔	30/06/2026
16: Emergency repairs service (staffing)	H (12)	↔	30/06/2026

Risk Scoring Matrix					
Critical	5				
High		4	16		
Medium	6; 12	2; 3	1; 8; 14; 15		
Low		7; 9; 11	13		
Minimal	10				
	Rare	Unlikely	Possible	Likely	Almost certain
	Likelihood				

Risk Score	Colour
Minimal Risk	
Low Risk	
Medium Risk	
High Risk	
Critical Risk	

Exception reporting of operational and project risks, in line with our Risk Framework:

- High operational/project risks – being closely managed by lead officers and reviewed by Service Directors:
 - Recruitment and Retention: Waste
 - Planning Software retiring 2027
 - Affordable housing
 - Identification and Suitability of future Depot Accommodation
 - Information Governance - impact of new Code of Complaints
 - Parkwood Leisure Provision

- New operational risks have been added in the last year following audits, relating to the Council’s relationship with PSPS, grant administration and AI.All are medium risks and are being managed in line with our Risk Framework.

3 Conclusion

3.1 The performance and governance reporting and review arrangements support the Council to manage its services in an effective and efficient manner.

Implications

South and East Lincolnshire Councils Partnership

A Partnership approach has been agreed for 2025/26.

Corporate Priorities

All strategic risks are linked to delivery of corporate priorities

Staffing

No implications specific to this report. Risks relating to staffing are included in the report.

Workforce Capacity Implications

No implications specific to this report. Risks relating to workforce capacity are included in the report.

Constitutional and Legal Implications

No implications specific to this report

Data Protection

No implications specific to this report

Financial

No implications specific to this report

Risk Management

Whole report

Stakeholder / Consultation / Timescales

Consultation with SLT

Reputation

No implications specific to this report. Potential reputational risks are included in the report.

Contracts

No implications specific to this report. Risks relating to contracts and procurement are included in the report.

Crime and Disorder

No implications specific to this report.

Equality and Diversity / Human Rights / Safeguarding

No implications specific to this report.

Health and Wellbeing

No implications specific to this report.

Climate Change and Environmental Implications

No implications specific to this report.

Acronyms

- AD: Assistant Director
- DCX: Deputy Chief Executive
- 2Y: 2 year rolling period
- A&G: Audit & Governance Committee
- AI: Artificial Intelligence
- B&B: Bed & Breakfast accommodation
- BAU: Business As Usual
- CC: Customer Contact
- DD: Direct Debit
- EAP: Employee Assistance Programme
- KPIs: Key Performance Indicators
- LGR: Local Government Reorganisation
- OFLOG: Office for Local Government
- Q: Quarterly (Q1: April to June; Q2: July to September; Q3: October to December; Q4: January to March)
- NDR: Non-domestic rates (business rates)
- R&B: Revenues & Benefits
- SLA: Service Level Agreement
- SLT: Senior Leadership Team
- YE: Year End (April to March)

Appendices

Appendices are listed below and attached to the back of the report:

<i>Appendix A</i>	<i>SHDC Strategic Risk Register</i>
<i>Appendix B</i>	<i>Partnership Risk Register</i>
<i>Appendix C</i>	<i>Fraud Risk Register</i>
<i>Appendix D</i>	<i>HRA Risk Register</i>

Background Papers

No background papers as defined in Section 100D of the Local Government Act 1972 were used in the production of this report.

Chronological History of this Report

A report on this item has not been previously considered by a Council body.

Report Approval

Report author: Richard Baldwin, Strategic Performance Analyst
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Signed off by: John Medler, Service Director – Legal and Governance,
john.medler@e-lindsey.gov.uk

Approved for publication: Councillor Jim Astill, Portfolio Holder for Corporate,
Governance, Communications and Environmental Services

Ref	Risk name	Risk description	Lead	Cause/s	Potential impact/consequences	Existing control measures in place	Current risk likelihood	Current risk impact	Current risk score	Treatment (4Ts)	Planned action / future mitigation	Action RAG	Target risk likelihood	Target risk impact	Target risk score
SHDC01	Failure to meet statutory requirements in regard to general fund assets	This risk identifies the need for the council to adhere to all prevailing statutory codes as they relate to council assets and functions	ED-PD	Poor risk management Poor financial planning/management Communication breakdown between council/suppliers/partners Failure to monitor and adhere to current legislation and guidelines Failure to consider health and safety requirements	Failure to deliver services to residents. Lack of empowerment for communities and local businesses. Economic downturn. Reduction in co-location, partnership working and sharing of knowledge. Failure to generate efficiency gains, capital receipts and income streams. Reduction in quality of place/public spaces	All assets either have compliance contracts in place or local contractors with the jobs in hand. Database updated and restructure in place, with clear roles and responsibilities. Training takes place on a required basis.	1	4	Low (4)	Tolerate	Continued implementation of asset management strategy	N/A	1	4	Low (4)
SHDC05	Technology infrastructure failure	The loss of ICT impacting upon the organisation to operate effectively and deliver services to residents. The Council relies heavily on the ICT infrastructure for normal business operation. Whilst resilience is built into the environment, the loss of a service is always possible. Depending on the service lost, the impact could be severe	SD-CS	Human error Power failure Security Hardware Link failure	The Council relies heavily on the ICT infrastructure for normal business operation. Whilst resilience is built into the environment, the loss of a service is always possible. Depending on the service lost, the impact could be severe	The Council has a series of resilience arrangements in place through its service provider, PSPS. Work is continuous to ensure these are fit for purpose across a range of areas. As part of business continuity planning, services are considering in detail how they would continue to operate should an ICT outage occur	2	5	High (10)	Tolerate	Regular review of resilience arrangements	N/A	2	5	High (10)
SHDC07	Cyber Incident	The risk of the council's ICT infrastructure being severely impacted as the result of a cyber incident, both in terms of downtime of systems and loss of data/information. The threat landscape across the UK is continuously increasing and appears on the national risk assessment. The Council need to constantly adapt in its security mitigation and training to ensure they are both prepared from a technical and from a people aspect	SD-CS	The threat landscape across the UK is continuously increasing and appears on the national risk assessment. The Council need to constantly adapt in its security mitigation and training to ensure they are both prepared from a technical and from a people aspect	Theft of corporate information theft of financial information (eg bank details or payment card details) theft of money disruption to service provision loss of business or contract loss of trust in customers/residents and partners	Defence in depth in the form of firewalls, Mimecast and antivirus is deployed both at the perimeter and the internal Local Area Network. The ICT team play an active part in the East Midlands WARP (Warning, Advice and Reporting Point) which allow us to have early sight of issues being experienced across neighbouring Authorities and Agencies. ICT is also a member of the CISP formed by the National Cyber Security Centre, this allows us early awareness from the central agency responsible for cyber threats across the UK as well as allowing them to monitor our environment to a degree. These mitigations afford ICT awareness of emerging threats. These mitigations afford ICT awareness of emerging threats. We have also recently enabled and implemented further cyber security controls within Mimecast which will ensure further mitigation in this area is in place.	3	5	High (15)	Tolerate	Continued robust cyber security and training	N/A	3	5	High (15)
SHDC08	Failure to deliver the capital programme	There are several million pounds worth of proposed capital projects that are ongoing over the next 3-5 years, these include new schemes and renovations and repairs to existing assets, key factors such as capacity to deliver both internally and externally need to be monitored and managed as well as financial constraints and pressures.	ED-PD	Escalating costs Onsite issues Grant funding withdrawal Non-compliance of grant funding obligations Insufficient Pre-project planning and specs (Brief-Creep) Partners withdrawal	Reputational Damage Financial impact Failure to deliver council objectives Reduced ability to secure future funding	Robust programme and project management Regular and structured reporting mechanisms Robust and effective governance (financial and project) Effective working with partners and 3rd Party delivery Risk transference and mitigation Requesting extra funding prior to project commencement where required	3	2	Medium (6)	Tolerate		N/A	3	2	Medium (6)
SHDC09	Economic Growth	The risk of the economy of South Holland as a whole experiencing a downturn, resulting in both employment and business closures, and having a consequential impact on a range of resident wellbeing.	ED-ED	Increasing costs Fuel costs Lack of transport Lack of jobs/growth Infrastructure/Access	Struggling/failing local businesses; Stagnating local economy; Lack of inward investment; Low skills and aspirations; Low visitor numbers; Future sustainability of the Town Centre - retail, evening economy, housing, heritage, culture, leisure, events, car parking; Community perceptions.	The council regularly monitors the impact of the local economy through regular engagement with businesses and partners. Engagement with business and the council remains high. A large proportion of the economy of South Holland is structured around the agriculture, food production and distribution, and horticultural sector which continues to be largely resilient to the effects of the pandemic on the wider economy from a demand-side perspective but continues to grapple with supply-side constraints relating to access to labour, logistics capacity, carbon reduction and supply-chain challenges that impede growth. The council's longer term economic strategy of supporting innovation and productivity in the core agri-food sector to overcome some of these challenges is intended to further support this resilience, therefore supporting the wider supply chain and business cluster within the district.	3	3	Medium (9)	Tolerate	Continue to implement the Growth and Prosperity Plan	N/A	3	3	Medium (9)
SHDC10	Introduction of Extended Producer Responsibility	The UK is undergoing a major overhaul of packaging producer responsibility legislation, which will transform the way local authorities receive funding for household waste collections. This risk covers the changes this legislation will bring which will be positive but also important to ensure we as an organisation are prepared for these changes.	SD-N	Reforms seek to introduce principles of extended producer responsibility (EPR) to the UK's packaging waste management sector and will, primarily, see the cost burden of collecting householders' packaging waste shift from local taxpayers to the producers of packaged products	Funding Gaps Negative Press Budget implications	Officers closely follow all policy and practice changes being implemented by the Government and has responded to relevant consultations. This is also being monitored through the countywide Strategic Officer Working Group. Officers are attending Defra webinars on a regular basis, and taking part in research where relevant. The SELCP Waste Improvement Programme Board is made aware of any updates from Defra.	2	2	Low (4)	Tolerate	Pending Government guidance. Risk has been reviewed and score reduced in Q2. The government budget has provided a significant measure to reduce the risk around the introduction of the Extended Producer Responsibility (EPR) scheme by guaranteeing £1.1 billion in funding for local authorities. This assurance helps local councils plan their budgets effectively. SHDC has received notification of payment for 2025/26 - £1,231,000	N/A	2	2	Low (4)
SHDC11	Implementation of the Environment Act 2021	The legislation will have an impact on the way that waste services are delivered, and will require operational changes. Changing service delivery requires financial support, and although some New Burdens has been made available information is not provided on the ongoing New Burdens revenue funding to meet the additional cost of service delivery.	SD-N	The Environment Act 2021 allows the UK to enshrine better environmental protection into law. It provides the Government with powers to set new binding targets, including for air quality, water, biodiversity, and waste reduction. This will change and impact the way environmental services are currently delivered	Failure to comply with legislation Negative effect on climate both locally and globally	A SELCP Waste Improvement Programme Board (WIPB) is established and comprises lead members from Neighbourhoods and PSPS services. The WIPB meets monthly for progress updates. A Waste Transformation Steering Group is established, chaired by the Portfolio Holder, and supported by a Waste Delivery Group. Both groups monitor financial impact. A Programme Manager has been recruited to support the WIPB. Additionally the authorities comprising the Lincolnshire Waste Partnership work together to identify the impact of the Environment Act across the county, and make preparations for changes to service delivery.	4	4	High (16)	Treat	Steering Group and WIPB reports to SLT and Cabinet. Project plan in place. Attending regular Defra Webinars. Review and update every quarter.	30/06/2026	3	3	Medium (9)
SHDC12	Waste Collection Round Pressures	Increased housing growth has led to an increase in the amount of waste presented for collection each week, putting pressure on the service and preventing the collections from being fully completed each week.	SD-N	Housing growth Unlimited waste presented for collection	Increase in missed collections Reputational Damage	Additional resources being used to meet the extra demand and capacity pressure placed on the collection rounds	2	3	Medium (6)	Tolerate	Decision made on the future delivery model for waste service. Policies focused on containing waste and waste minimisation, and round review will ensure collection rounds can accommodate waste presented.	N/A	2	3	Medium (6)
SHDC13	Local Plan being considered out of date	The South East Lincolnshire Local Plan (2019) seeks to support proposals which assist in the delivery of economic prosperity and some 13,800 jobs in South Holland a Risk relates to failure to deliver an updated version of the local plan.	SD-PSI	Inability to pass through the 3 gateways in Government's new plan making requirements due to out of date evidence base, lack of specialist staff resources, inability to update evidence base, taking unsound approach to plan and policy preparation, poor project governance, ineffective co-operation and engagement. Unable to progress in accordance with demanding 30 month programme, inability to implement Digital First requirements	Failure to meet requirements of the new Local Plan-making System (as set out by new Regulations March 2026) Potential Govt intervention and loss of local control. Lack of economic growth and inward investment. Lack of new jobs and opportunity. Failure to attract residents from outside of the district	Monitoring of the Plan policies. Taking of decision on planning applications. Review of the Local Plan where necessary.	3	4	High (12)	Treat	Timeline now established for new plan - commencement by end of 2026	31/12/2026	3	2	Medium (6)
SHDC14	Budget	Risk around the long term balancing of the budget with economic and funding uncertainty	ED-F	Reduction of government funding; Reduction in income; Capital expenditure; Impact of Internal Drainage Board (IDB) levy; Inflation; Fuel shortages; Ukraine conflict	Lack of money and lack of certainty going forward; Failure to balance budget in future years	Medium Term Financial Strategy; Budgetary process; Sound level of reserves; Continued close monitoring; Continued lobbying regarding the IDB pressure. Savings and Efficiency Plan developed to support the MTF5	4	4	High (16)	Tolerate	Continued controls, monitoring and reporting	N/A	4	4	High (16)
SHDC15	Capacity, Change Readiness and Workforce Resilience	The risk that insufficient workforce capacity, resilience and change readiness limit the organisation's ability to deliver the work programme, transformation activity and Local Government Reorganisation in parallel.	SD-CS	The workload increasing to a point where it becomes unmanageable within existing staff resources.	Delivery of work programme slipping. Staff wellbeing concerns. Disruption to services. Reputation reduced with partners. Change fatigue and disengagement. Increased sickness absence and turnover. Reduced leadership capacity and visibility	Alignment and Delivery Plan in place to help manage the work programme. Services when bringing forward new initiatives to consider the capacity required and the need to bid for capacity if it can't be accommodated within existing resources. Council report templates have a specific section on capacity. Services have been informed they can bid into the transformation reserve for short term capacity if they have a suitable proposal. Resourcing is tracked via the Service Director quarterly survey so concerns regarding capacity can be escalated to Leadership Team. Recent audit which linked to Capacity, Aims and Priorities gave 'Adequate Assurance'. Explicit OD support and change prioritisation. Workforce scenario and impact assessments aligned to LGR	3	3	Medium (9)	Tolerate	Encourage Services to consider the transformation/capacity reserve for short term support where existing service capacity isn't sufficient.	N/A	3	3	Medium (9)

Ref	Risk name	Risk description	Lead	Cause/s	Potential impact/consequences	Existing control measures in place	Current risk likelihood	Current risk impact	Current risk score	Treatment (4Ts)	Planned action / future mitigation	Action RAG	Target risk likelihood	Target risk impact	Target risk score
SHDC16	Third Party Service Delivery	Risk around resilience and quality of service delivery arrangements with third parties	SD-CS	This risk relates to the potential for the failure of a major supplier of Council services or partners with whom the Council co-delivers/enables provision of services and operations	In the event of a failure, either in resilience or quality, there are likely to be a mix of financial, service delivery and reputational impacts to the Council.	Assessment of business plans for key partnerships. Regular performance reports and monitoring meetings with third parties. Some key partnerships based on open book approach to financial monitoring. Regular contract meetings in place to manage risk. SELCP approach to some contracts provides resilience.	3	3	Medium (9)	Tolerate	Continued monitoring and reporting	N/A	3	3	Medium (9)
SHDC17	Net Zero Target	Risk of failure to meet agreed corporate ambition of Net Zero by 2040	SD-R	Impact on Net Zero target (i.e. carbon emissions) not fully evaluated at outset of all projects, decisions and developments and through service delivery objectives. Financial resourcing required to decarbonise some areas may not be available.	Decisions taken which increase carbon emissions leading to failure to meet Net Zero ambition. Potential reputational risk to authority. Failure to invest in a targeted and effective way.	Carbon Reduction Action Plan, Partnership Environment Policy and Climate Change Strategy approved. Green Home Grants and Energy Advice Demonstrator in delivery. Reporting and Monitoring of progress through Scrutiny Committee. Monitoring delivery of projects through Sustainable Warmth Project Management Board.	2	2	Low (4)	Tolerate	Energy advice demonstrator funding ends in March 27, action in annual delivery plan to bid for additional funding. There is also planned actions (via ADP) to improve the governance arrangements around reporting progress towards Net Zero and refreshing our carbon footprint through scrutiny committee.	N/A	2	2	Low (4)
SHDC18	Civil contingency risks	Community risks shared across Lincolnshire, managed in partnership with the Lincolnshire Resilience Forum (LRF) and through S&ELCP	SD-R	Any incident/emergency that requires a response from the council as a category 1 responder under the civil contingencies act	Failure in service delivery; Impact on local people; Reputational damage; Detrimental economic impact on business; inability to support partners during an incident through LRF structures	Community Risk Register monitored by the Lincolnshire Resilience Forum (LRF). Work with partners to assess, monitor, train, plan and exercise to enable effective response to and recovery from an incident. Strategic and Tactical Out of Hours duty rota in place. S&ELCP providing resilience for response and recovery from emergencies/incidents affecting a single council. Established Business Continuity Steering Group in place. Partnership Emergency Plan in place for the Sub-region. Business Continuity Plans in place for all critical services across the S&ELCP. Partnership resilience manager appointed. Maintenance of service support, plans, procedures and polices across the S&ELCP to aid resilience and share learning. PPS have also aligned BC Plans to S&ELCP. Draft policy agreed and coming forward for approval in 26/27.	2	4	Medium (8)	Tolerate		N/A	2	4	Medium (8)
SHDC19	Information	Risk of failure to comply with Information Governance and Management requirements	SD-LG	Increased understanding of the public's right to information means that we have to be fully aware of our legal duties. The increase in data also means we have to be able to manage information more effectively, including reducing the amount of unnecessary data held.	Data protection breaches which can result in significant fines from the Information Commissioner's Office.	All employees receive annual online training in data protection. Arrangements are in place to ensure that the organisation is compliant with the new General Data Protection Regulation (GDPR) requirement, including lead staff attending training. PPS also have a lead officer overseeing compliance. An experienced Data Protection Officer is in place who monitors training, compliance and development of policy; also, full assessment of any breaches, providing recommendations for continual improvement. There is now additional resilience with two qualified DPOs in place across the Partnership which allows for cover.	2	4	Medium (8)	Tolerate	Continued monitoring, reporting and training	N/A	2	4	Medium (8)
SHDC23	Health and Safety	Risk of failure to comply with Health and Safety requirements	SD-R	The Council has a clear responsibility to both staff and recipients of services under Health and Safety legislation and needs to effectively manage its responsibilities.	There can be consequences to the organisation's finances and reputation relating to non-compliance of health and safety requirements. There is also the risk of harm to individuals.	Partnership Health and Safety Working Group in place and reporting up to the LT – Governance monthly meetings, including updated policies and procedures. Outstanding audit actions have been completed. Adequate assurance from the latest internal audit report. Working through the recommendations in line with agreed action plan. All recommendations due to date have been implemented.	2	3	Medium (6)	Tolerate		N/A	2	3	Medium (6)
SHDC24	AI Governance and Oversight	The rapid adoption of AI across council services may outpace governance, leading to unmanaged risks in data privacy, compliance, service quality, and public trust.	SD-CS	Poor data, unclear problems, poor governance, or unrealistic expectations, leading to unreliable or biased outputs, wasted investment, loss of trust, and increased legal, reputational, and operational risk rather than improved decision-making.	The impact of AI failure is that organisations can make poor or unsafe decisions, waste time and money, damage public trust and reputation, face legal or regulatory challenge, and ultimately increase risk and inequality rather than improving services and outcomes.	AI Working Group, risk register, legal review, staff training and comms, regular monitoring by IT and Information Governance teams.	3	3	Medium (9)	Treat	Implementation of recommendations from internal audit ongoing in 26/27.	30/9/2026	2	3	Medium (6)

Risk Scoring Matrix						
Impact	Critical	5	10	15	20	25
	High	4	8	12	16	20
	Medium	3	6	9	12	15
	Low	2	4	6	6	10
	Minimal	1	2	3	4	5
		Rare	Unlikely	Possible	Likely	Almost certain
		Likelihood				

Final Risk scoring Colour

- Minimal Risk
- Low Risk
- Medium Risk
- High Risk
- Critical Risk



Likelihood score	1	2	3	4	5
Definition	Rare	Unlikely	Possible	Likely	Almost certain
Description	This risk would occur only in rare / particular circumstances	The risk is technically possible, but an occurrence is not foreseeable in the medium-long term	The risk is a real possibility but the likelihood of an occurrence in the short-medium term is small	The risk is probably going to occur at some point in the medium term-- , possibly sooner	The risk is expected to occur imminently / regularly
Timeframe	Will occur at some point in the next 10 or more years	Will occur at some point in the next 3-10 years	Will occur at some point in the next 1-3 years	Will occur at some point within the year	Will occur at some point in the next few months
Probability	10% or less	Between 10-30%	Between 30-50%	Between 50-85%	85% or more

Impact score	1	2	3	4	5
Title	Minimal	Low	Medium	High	Critical
Reputation risk	Individual complaint raised	Multiple complaints	Negative local press coverage for one day, increased complaints for more than one week	Negative national press coverage for one day, ongoing negative local coverage	Negative national press coverage over several days. Public criticism from MP, LGA, County Council or national service body
Financial risk	Up to £10,000	£10,000-£50,000	£50,000-£250,000	£250,000-£500,000	Over £500,000
Service Delivery / Operations risk	Individual members of staff having work disrupted	Multiple members of staff unable to work	Total service outage for one day or less	Total service outage for several days	Total service outage for more than a week
Environmental risk	Immediately remedied damage in an isolated area	Easily remedied damage in an isolated area	Short term damage in an isolated area requiring partners assistance	Damage requiring special budget provision to rectify	Major or widespread damage requiring central government assistance
Health and Safety risk	People engaging in hazardous activities without awareness	Individual receives minor injuries	Multiple people receive minor injuries	Individual serious injury	Multiple people seriously injured, individual loss of life

Treatment (4Ts)

Terminate – rarely, we may be able to stop doing the activity altogether and thereby remove the risk altogether

Tolerate – accept the risk and live with it because it is within our risk appetite and the cost of mitigating action would outweigh the benefits

Transfer – move all or part of the risk to a third party or through insurance; however, sometimes accountability still remains, particularly with a Council, so caution is advised

Treat - take action to control the likelihood and/or impact and set a target to move the risk to within the risk appetite once the action has been implemented

Risk leads

Title

CX	Chief Executive
ED-C	Executive Director - Communities
ED-ED	Executive Director - Economic Development
ED-F	Executive Director - Finance (S151 Officer)
ED-PD	Executive Director - Programme Delivery
SD-CHS	Service Director - Communities and Housing Services
SD-CR	Service Director - Culture & Regeneration
SD-CS	Service Director - Corporate Services
SD-H	Service Director - Housing
SD-LG	Service Director - Legal & Governance (Monitoring Officer)
SD-LLS	Service Director - Leisure & Local Services
SD-N	Service Director - Neighbourhoods
SD-PSI	Service Director - Planning and Strategic Infrastructure
SD-R	Service Director - Regulatory
SD-SGD	Service Director - Strategic Growth and Development
SD-SP	Service Director - Strategic Projects

Ref	Risk name	Risk description	Lead	Existing control measures in place	Current risk likelihood	Current risk impact	Current risk score	Treatment (4Ts)	Planned action / future mitigation	Action RAG	Target risk likelihood	Target risk impact	Target risk score
SELCP-01	Vision	A lack of clear and shared vision; the reasons for shared management and sharing of joint services	SD-CS	The partnership exploration phase developed this understanding. Engagement with members to ensure the objectives of the business case were clearly understood, through the proposal recommendations, scrutiny process and final Council decisions. Adoption of a Sub-regional Strategy across the Partnership to embed shared vision, objectives and priorities. Quarterly stakeholder board meetings are underway which focus on ensuring the vision of the partnership is clear and aligned. A significant number of services have now aligned workforce through service reviews.	2	4	Medium (8)	Tolerate		N/A	2	4	Medium (8)
SELCP-02	Trust	A poor relationship or lack of trust between members, leaders or senior staff	CX	Openness, transparency and accessibility for all groups. Building on the existing positive relationships between Members and Officers	3	3	Medium (9)	Tolerate		N/A	3	3	Medium (9)
SELCP-03	Sovereignty	Concerns around the loss of sovereignty of a council	SD-LG	Each Council continues to be governed by its own Constitution which is a key principle of the Memorandum of Agreement between the three Councils.	3	3	Medium (9)	Tolerate		N/A	3	3	Medium (9)
SELCP-05	Culture	A fundamental difference in the organisational culture of the councils	SD-CS	A shared set of values and behaviours are in place across the Partnership and a significant number of services reviews have now taken place creating single teams serving the three Councils in many areas. A job evaluation and pay structure has also been introduced for shared officers	2	3	Medium (6)	Tolerate	Future work taking place around workforce terms and conditions	N/A	2	3	Medium (6)
SELCP-06	LGR	Local Government Reorganisation (LGR)	CX	Local Government Reorganisation will create a prolonged period of uncertainty impacting organisational culture, workforce stability, leadership capacity and change readiness, as well as service delivery and community confidence. LGR workforce and OD readiness planning. Consistent manager toolkits and staff engagement. Cultural integration principles. Proposal for LGR model has been submitted and we're now awaiting the outcome	4	3	High (12)	Tolerate	Continue to work with other Councils to ensure our Councils and Greater Lincolnshire are well positioned for LGR, regardless of proposal to be implemented.	N/A	4	3	High (12)
SELCP-07	Funding	Local Government Funding	ED-F	Local Government funding challenges are inevitable and evidenced by each partner's funding gaps. The business case assumes a shared opportunity for efficient services and shared commercial opportunities and provides a significant opportunity to respond to this on-going challenge.	4	4	High (16)	Treat	Delivering on the opportunities identified in the Partnership business case and realising the planned savings; savings tracker monitored by Transformation Board; review quarterly.	30/06/2026	3	3	Medium (9)
SELCP-08	Staffing	Staff retention and resilience	SD-CS	<p>The workforce strategy is aligned across the 3 Councils. A training programme is in place to assist with both personal and professional development and to further develop the talents of individual employees. This programme sits alongside a package of personal support for staff. Managers are encouraged to have regular 'one to ones' with staff to ensure that they are fully supported in their roles. Appraisal process in place. We have launched our own recruitment academy which seeks to recruit and develop apprentices specifically in those services where it is harder to recruit. The new managers development programme has launched, with the first cohort inducted. We also continue to have in place our Future Leaders' Programme to support colleagues in their career development. Corporate Management Team invest time in mentoring colleagues within the organisation through both of these development programmes.</p> <p>Alignment and Delivery Plan in place to help manage the work programme. Services when bringing forward new initiatives to consider the capacity required and the need to bid for capacity if it can't be accommodated within existing resources. This matter was discussed at a recent internal conference for senior managers, email appears to be the biggest pressure and services are considering how they best manage this. Services have been informed they can bid into the transformation reserve for short term capacity if they have a suitable proposal. Seek to improve the employee benefits package Continue to promote opportunities to work in the sector through the SELCP Academy.</p>	4	3	High (12)	Treat	<p>Encourage Services to consider the transformation/ capacity reserve for short term support where existing service capacity isn't sufficient. Review quarterly.</p> <p>A refresh of the Workforce Development Strategy action plan will take place this year, in light of LGR, to help ensure colleagues have the skills and confidence required to continue to want to work in Local Government post re-organisation</p>	30/06/2026	3	3	Medium (9)

Ref	Risk name	Risk description	Lead	Existing control measures in place	Current risk likelihood	Current risk impact	Current risk score	Treatment (4Ts)	Planned action / future mitigation	Action RAG	Target risk likelihood	Target risk impact	Target risk score
SELCP-09	PSPS	Relationship with PSPS	SD-CS	The Partnership's relationship with PSPS could become strained due to demands being placed on the company to support organisational change. This is mitigated via SLAs being in place setting out the work programme, regular client liaison meetings, PSPS Stakeholder Board being in place to direct the company strategically and a process for Additional Work Requests that manages additional work required by the company.	2	3	Medium (6)	Tolerate	Continued monitoring and liaison	N/A	2	3	Medium (6)
SELCP-10	Service Delivery	The risk to service delivery, impacting residents and partners we work with.	SD-CS	Staff resources maximised under the Partnership. Working with external partners to deliver shared priorities. HR support on recruitment and retention. Training plans. Values & behaviours work; Annual Delivery Plan, Workforce Development, policies, and procedures.	2	3	Medium (6)	Tolerate		N/A	2	3	Medium (6)

Ref	Risk name	Risk description	Lead	Existing control measures in place	Current risk likelihood	Current risk impact	Current risk score	Treatment (4Ts)	Planned action / future mitigation	Action RAG	Target risk likelihood	Target risk impact	Target risk score
F-01	Assets - Equipment	Selling asset for less than market value; Collusion between staff and purchaser; Disposal of assets no longer required by the council	ED-PD	Asset Disposal policy -within constitution; Asset register; Financial Regulations; Anti-Fraud & Corruption Strategy; Staff counter-fraud training; Segregation of duties - includes systems administration,raising and authorising of financial procurements; Internal Audit reviews; Whistleblowing Policy; Register of Gifts& Hospitality & Register of Interests; Counter-fraud page on website detailing how public can report fraud; Counter Fraud section on intranet; Financial Regulations training for all appropriate staff	1	1	Minimal (1)	Tolerate	N/A	N/A	1	1	Minimal (1)
F-02	Assets- land and Property SHDC	Selling asset for less than market value; Collusion between staff and purchaser - may include provision of insider knowledge (e.g. planning, leases& covenants)	ED-PD	Asset Management Plan; Asset register; Segregation of duties; Independent valuation or auction; Financial Regulations; Anti-Fraud & Corruption Strategy; Staff counter-fraud training; Internal Audit reviews; Whistleblowing Policy; Register of Gifts & Hospitality/Register of Interests; Credit checks on potential purchasers; Counter-fraud page on website detailing how public can report fraud; Counter Fraud section on intranet	2	2	Low (4)	Tolerate	N/A	N/A	2	2	Low (4)
F-03	Assets- land and Property ELDC and BBC	Selling asset for less than market value; Collusion between staff and purchaser - may include provision of insider knowledge (e.g. planning, leases & covenants)	ED-PD	Asset Management Plan; Constitutional Guidance for Asset Disposal; Legal Framework; Scheme of delegation for officers; Asset register; Segregation of duties; Independent valuation or auction; Financial Regulations; Anti-Fraud & Corruption Strategy; Staff counter-fraud training; Internal Audit reviews; Whistleblowing Policy; Register of Gifts& Hospitality/Register of Interests; Credit checks on potential purchasers; Counter-fraud page on website detailing how public can report fraud; Counter Fraud section on intranet	1	1	Minimal (1)	Tolerate	N/A	N/A	1	1	Minimal (1)
F-04	Procurement - Contracts	Credit/procurement cards; manipulation of accounts; false invoices & claims; BACS fraud - fraudulent change of bank details; mandate fraud; fake details for internet payments	PSPS - Finance	Financial Regulations; Anti-Fraud & Corruption Strategy- last reviewed March 2021, due this March for a review; Whistleblowing Policy Confidential Reporting Code -due in March; Segregation of duties for reconciliation; Reconciliation; Escalation of highvalue invoices; System team audited and logged; PCards- No cash withdrawals and card limits. Following P Card Review updated training issued. Process re-evaluated for checking transactions and receipts; Minor petty cash; Counter fraud training for the staff; Transparency reporting; Financial reporting training for all staff to be rolled out 2024; Segregation of duties within AP; confirmation with company regarding change of bank details; reconciliation; staff training	2	4	Medium (8)	Tolerate	Actions from P card audit - follow up audit will re-assess	N/A	2	4	Medium (8)
F-05	Procurement - Contract Payments	Bribery of officers or Members involved in contract award; Collusion between officers and contractors involved in tendering; Violation of procedures; Manipulation of accounts; Asset Misappropriation; Fictitious requirement; Bid rigging & cartels; Failure to supply; Failure to supply to contractual standard; Inflating performance information to attract greater payments; Bid suppression; Price fixing; Bid rotation; Fictitious vendor	PSPS - Procurement	NAFN & fraud alerts; Contract procedure rules; Financial Regulations; Contract management; Contract Terms & Conditions; Code of Conduct; Whistleblowing policy; Register of Gifts & Hospitality/Register of Interests; Anti-Fraud & Corruption Strategy; Staff counter-fraud training; Internal Audit reviews; Separation of duties; Etender system - single login provides an audit trail; Contract management training; Transparency Code 2014 and Transparency agenda; CIPFA guidance - Managing the Risk of Procurement Fraud; Minimum quote dependant on value; Valuation methodology; Breach of contract clauses; Instant terminations; Self certified questionnaires	2	4	Medium (8)	Tolerate	Ongoing training and support provided by the procurement team to service areas	N/A	2	4	Medium (8)

Ref	Risk name	Risk description	Lead	Existing control measures in place	Current risk likelihood	Current risk impact	Current risk score	Treatment (4Ts)	Planned action / future mitigation	Action RAG	Target risk likelihood	Target risk impact	Target risk score
F-06	Council Tax - Credit Refund and Income Fraud	Council tax/NNDR/Rents; Suppression of notification of debt to be raised; Improper write-off; Failing to institute recovery proceedings; Switching or transferring arrears; manipulation of credit balances; Payment using false/ fraudulent instrument then re-claim of refund; Employee based; false payment then request for refund	PSPS - Revs/Bens	Up to date Council Financial Regulations; Up to date Council Anti-Fraud & Corruption Strategy; Debit/credit card payments monitoring - checking against pay.net system; Review of unusual activity; Refund to original card/bank account where appropriate; Authorisation procedures& levels; Checking against other accounts (Council Tax etc.) to ensure no other money owed to SELCP; Staff counter-fraud training; Audit trail/personal logins; Reconciliations; Budgetary controls; Write off policy; Debt recovery procedures; Supervisory controls; Review of credit balances and suspense items; Internal Audit reviews; Whistleblowing Policy; Counter-fraud page on website detailing how public can report fraud; Counter Fraud details on intranet; Financial Regulations training for all appropriate staff; Follow up payment sources	2	3	Medium (6)	Tolerate	Ongoing checks and balances	N/A	2	3	Medium (6)
F-07	Council Tax Fraud	False applications; failure to notify change in circumstances	PSPS - Revs/Bens	Council Financial Regulations; Council Anti-Fraud & Corruption Strategy; National Fraud Initiative - data matching; Monitoring of council tax base; Application checks; Check electoral register; Information from planning re Developments where full planning not required; Checks on documentary evidence for exemptions; Visual inspection; Internal Audit reviews; Whistleblowing Policy; Separation of duties; Counter-fraud page on website detailing how public can report fraud; Single Person Discount review; Field officers available for investigations; Annual review of long-term empty properties	2	2	Low (4)	Tolerate	N/A	N/A	2	2	Low (4)
F-08	Council Tax Support Scheme	False applications; failure to notify change in circumstances	PSPS - Revs/Bens	Most controls are the same as Housing Benefits; Council Anti-Fraud & Corruption Strategy; Council Tax Support policy; Counter-fraud page on website detailing how public can report fraud; Council Financial Regulations; Whistleblowing Policy; Inclusion in National Fraud Initiative (data matching) from October 2016; Closer working - Council Tax and Housing share intelligence and identify potential fraud opportunities (sharing intelligence - informal arrangement); Fraud hotline; Dedicated team for fraud hotline; DWP verification	2	2	Low (4)	Tolerate	N/A	N/A	2	2	Low (4)
F-09	National Non-Domestic Fraud	Failure to declare occupation; Payment using false bank details; Companies going into liquidation then setting up as new companies; Avoidance of liability through fraudulent claim for discount or exemption; Empty rate avoidance	PSPS - Revs/Bens	Up to date Council Financial Regulations; Up to date Council Anti-Fraud & Corruption Strategy; Ensure liable person identified for each assessment on the list; Information sharing with other Business Units; Inspections of occupied properties; Checking empty properties; Information from Landlords or letting agents; Public complaints- reports to valuation office; Internal Audit reviews; Whistleblowing Policy; Separation of duties; Register of Gifts & Hospitality/Register of Interests; Supporting evidence requested; Counter-fraud page on website detailing how public can report fraud; Use of Analyse Local to monitor threats; Field officers; Undertaking reviews; NFI Matching	3	3	Medium (9)	Tolerate	Ongoing checks and balances; small business rate relief review	N/A	3	3	Medium (9)

Ref	Risk name	Risk description	Lead	Existing control measures in place	Current risk likelihood	Current risk impact	Current risk score	Treatment (4Ts)	Planned action / future mitigation	Action RAG	Target risk likelihood	Target risk impact	Target risk score
F-10	Housing Benefit Fraud	False applications; False documents; Failing to notify change	PSPS - Revs/Bens	Housing Benefit Anti-Fraud Strategy; Annual participation in National Fraud Initiative; NFI coordinator; HBMS - Government housing benefit matching scheme; Use prosecution, caution & admin penalties; Key controls in the housing benefit application process - prevention & detection; Authorised officer powers- access to employers, landlords, banks & building societies; Council Financial Regulations; Experienced and trained benefits staff; Mandatory benefit counter fraud training; Combined database with revenues; Only accept original documents in support of claims; Subscription to National Anti-Fraud Network; Housing Benefit review; Communications & publicity; Internal Audit reviews; Whistleblowing Policy; Counter-fraud page on website detailing how public can report fraud; Council Tax and Housing teams sharing intelligence to identify potential fraud; Counter Fraud Hotline; Dedicated Team for Counter Fraud; Data matching from DWP; Full case reviews; Customer contact team thoroughly trained; Dedicated intranet page	2	2	Low (4)	Tolerate	N/A	N/A	2	2	Low (4)

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Ref number	Risk name	Risk description	Lead risk owner	Cause/s	Potential impact/consequences	Existing control measures in place	Current risk likelihood	Current risk impact	Current risk score	Treatment (4Ts)	Planned action / future mitigation	Target risk likelihood	Target risk impact	Target risk score
SHDCHRA01	Business continuity	Risk around business continuity and recovery in the event of a major incident or event	SD: Regulatory	The Council has a central role to play in the response to a major incident or event in the community and the subsequent recovery phase. The risk of flooding, both coastal and inland is increasingly recognised as one of the most significant and 'likely' events that the Council will need to help with recovery. There are also internal incident and events which could impact on the Council's operations directly (e.g. cyber-attack, IT infrastructure failure, building fire).	In the immediate response phase to an emergency in the District, the "Blue Light" services will take the lead with the Council taking the lead role in the subsequent recovery phase. There could be significant impact on service delivery and potentially Council finances.	The establishment of the S&ELCP has increased the resilience and capability of the 3 partner councils. Resources can be more easily shared across the sub-regions and procedures and policies are being joined up to make our response to and recovery from an incident more efficient and effective. A strategic group meets regularly, including representation from PSPS, with minutes and actions reported to LT Governance for awareness. Staff across the S&ELCP are regularly trained at both Silver and Gold command in order to take a full part in a Lincolnshire-wide emergency response and support our partners in the sub region. All three councils are members of the Lincolnshire Resilience Forum, enabling access to expertise held by LCC whilst retaining staff, resources and expertise in each sovereign council within an EP&BC structure across the Partnership. Senior staff within the Councils are involved in training exercises delivered by the LRF. Regular 'live' training exercises are coordinated at County level to maximise preparedness in each council and across the sub region. Each authority has an Emergency Plan & Business Continuity Plan in place in order that service delivery can be prioritised and maintained at such times. A joint emergency and business continuity plan was approved in 2021 for ELDC and BBC to improve resilience and capability with plans for a more joined up approach across the sub region with the advent of the S&ELCP. Public Sector Partnership Services (PSPS) and Magna Vitae have Business Continuity Plans in place.	3	3	Medium (9)	Tolerate	Continued partnership working with the Lincolnshire Resilience Forum (LRF)	3	3	Medium (9)
SHDCHRA02	Health and Safety	Risk of failure to comply with Health and Safety requirements	SD: Regulatory	The Council has a clear responsibility to both staff and recipients of services under Health and Safety legislation and needs to effectively manage its responsibilities.	There can be consequences to the organisation's finances and reputation relating to non-compliance of health and safety requirements. There is also the risk of harm to individuals.	Partnership Health and Safety Working Group in place and reporting up to the LT – Governance monthly meetings, including updated policies and procedures. Outstanding audit actions have been completed. Adequate assurance from the latest internal audit report. Working through the recommendations in line with agreed action plan. All recommendations due to date have been implemented.	2	3	Medium (6)	Tolerate	Continued monitoring and reporting	2	3	Medium (6)
SHDCHRA03	Risk oversight	Risk oversight reduced as part of the South and East Lincolnshire Councils partnership. Overseeing the risks including a regular review of the profile and acceptance of the mitigations of the service may be reduced due to a shared SLT	SD: Housing	Shared SLT	Risk not monitored appropriately as expected by the Regulator	Work with PFH and Section 151 taking place to mitigate. Transformation programme established to fully review landlord operations, oversee by a Transformation Board made up of representatives from across the partnership. The Board is chaired by the PFH for Strategic and Operational Housing and sponsored by Director for Communities. Near misses from a health and safety and compliance with the consumer standards perspective reported to Deputy Chief Exec. HRA Governance Arrangements adopted by Cabinet.	2	3	Medium (6)	Tolerate	Continued monitoring and reporting	2	3	Medium (6)
SHDCHRA04	Management of health and safety	Insufficient arrangements in place to monitor and manage compliance.	SD: Housing	Compliance function does not have arrangements in place for effective planning, organisation, control, monitoring and review of measures to protect people	Death or injury to staff, tenants or contractors; reputation; litigation and charges of corporate manslaughter	Service specific H&S procedures. Training for staff in key areas; standing items on team meeting agendas. Programme in place for gas, electric, asbestos, legionella, and fire safety. Decent Homes programme in place. Programme for stock condition surveys. Dedicated resource in place to manage compliance from Jan 24. Random audit checks to delivered. Housing Repairs and Compliance Manager formally appointed as Health & Safety Lead for the HRA. Summers Immen appointed as Principal Designer. Monthly updates provided to RSH	2	4	(Medium) 8	Tolerate	Continued monitoring and reporting	2	4	(Medium) 8
SHDCHRA05	Management of health and safety of DLO	Inadequate arrangements in place to meet the HSE requirements as a DLO employer	SD: Housing	Service does not have arrangements in place for effective planning, organisation, control, monitoring and review of measures to protect people	Death or injury to staff, tenants or contractors; reputation; litigation and charges of corporate manslaughter	Service specific H&S procedures; Qualified and certified employees; adequate insurance; programme for insuring training remains valid; self-audits. Programmed inspections of equipment and daily use inspections carried out by operators, which highlight any equipment deficiencies or damage, supply chain in place to replace equipment as necessary, larger items are hired to avoid replacement and service costs RA's, COSHH and SSOW in place and updated in line with H&S best practice, digital copies held in office and hard copies held by each tradesman. Regular training and tool box talks held in reference to H&S issues, compliance and the use of equipment.	1	5	Medium (5)	Tolerate	Continued monitoring and reporting	1	5	Medium (5)
SHDCHRA06	Data	Inaccurate or incomplete data	SD: Housing	Data integrity issues; staff competency issues	Can lead to erroneous conclusions and subsequently misguided decisions.	NEC Training for officers provided, IT skills audit. Data validation for TSM perception surveys carried out by external consultant and methodology explained. Sewerage Treatment Works stock condition data verified externally. Statutory testing such as gas and electricity goes through quality assurance process before data is agreed. Annual training programme of all staff reviewed to ensure understand obligations. Management checks on data. Updates to HLB. Data Strategy and KPI suite established setting out data collection and reporting process. Stock condition programme in place to ensure data on components surveyed and updated into NEC on a regular basis (minimum 5 yearly)	1	3	Low (3)	Tolerate	Continued monitoring and reporting	1	3	Low (3)
SHDCHRA07	Listening to tenants	Failure to listen and respond to the tenant voice	SD: Housing	Lack of training and awareness on the requirements and benefits to listen to tenants; culture that does not appreciate tenants; Not delivering/listening to the expectations of the tenants; Not learning from complaints; appreciation that it may take time to build relationships with tenants.	Failure to meet the consumer regulations; Failure to meet tenant expectations; No tenant engagement board; Increase in complaints; Reputational damage; Complaint Handling Failure Order (from Housing Ombudsman)	The Housing Transformation Programme action plans includes tenant engagement and involvement as a key priority. Member and officer briefings around Consumer Standards and risk of not meeting these. Transformation Programme established and tenant voice theme in Mandate and Strategy, adopted by Members. Member and staff training, work with HRA to review the manner and culture towards tenants. Tenant engagement Lead Officer appointed and Tenant Engagement Strategy adopted by Cabinet. Tenant Forum launched. 26/27 budget includes two additional engagement posts. Constitution updated to recognise Tenant Panel. Tenants form Aids and Adaptations Panel. Tenant panel recruited to Feb 26.	2	2	Low (4)	Tolerate	Tenant panel recruited to, first meeting May 26	2	2	Low (4)

SHDCHRA08	Tenant engagement resource	Lack of appropriate resources in place to facilitate tenant engagement	SD: Housing	Lack of budget for tenant engagement including resource, no designated lead for engagement; lack of planning for engagement; tenants stop engaging; unable to assist tenants that wish to implement tenant-led activities to influence and scrutinise the service	Failure to meet the consumer regulations; Failure to meet tenant expectations; No tenant engagement board; Increase in complaints; Reputational damage	The Housing Transformation Programme action plans includes tenant engagement and involvement as a key priority. Member and officer briefings around Consumer Standards and risk of not meeting these. Transformation Programme established and tenant voice theme in Mandate and Strategy, adopted by Members. Tenant Engagement Lead on establishment as a permanent role. 26/27 budget includes two additional engagement posts. Constitution updated to recognise Tenant Panel.	3	3	Medium (9)	Tolerate	N/A	2	3	Medium (6)
SHDCHRA09	Qualification requirements	Management Team not qualified to the prescribed standards of the Regulator	SD: Housing	Lack of budget to fund training, availability of time invest in training, new requirement with detail still to be revealed. Reluctance to complete qualifications	Failure to meet the consumer standards; reputational damage; impact on the service as time focused studying; impact on retention of managers	SD-Housing, Repairs and Compliance Manager, Head of Housing Investment and Director Communities all have qualifications.	2	2	Low (4)	Tolerate	Housing Services Manager to enroll for studies during 2026. (Deadline is 2029)	2	2	Low (4)
SHDCHRA10	HRA business plan	HRA not having an agreed strategy on how to implement all of the matters identified for improvement, growth, BAU and transformation	SD: Housing	Lack of HRA business plan narrative - Significant and unknown variances in the assumptions that underpin the HRA Business Plan	Change in areas of focused expenditure	Monthly budget meetings and forecasts reviewed. Designated Finance Business Partner. Regular reporting in place with S151 and Members. Stock condition surveys programme. Savills awarded contract to draft business plan and work well underway with latest stock data and budget being used as part of modelling. Programme of works approved by s151. Business Plan and Asset Management Strategy adopted Jan 26 by Council.	1	1	Minimal (1)	Tolerate	N/A	1	1	Minimal (1)
SHDCHRA11	Failure to meet Regulatory Consumer Standards	Failure to adapt the service to meet the new regulatory standards	SD: Housing	Lack of tenant engagement options; lack of governance arrangements; decisions not informed by data; poor record keeping; poor complaint handling; Lack of staff support; lack of Member and Senior Leadership oversight and/or understanding; service not resourced enough to deliver requirements; unplanned inspection	Fail inspection by the regulator; reputational damage; financial penalties	Housing Transformation Programme established, Member and officer briefings, performance data published to Portfolio Holder on a monthly basis. Action plan logging requirements and transformation board established to track progress. Senior Leaders briefed on changes and risk. Continued service improvement is being tracked by the Housing Transformation Board which will support a decreasing risk level. C2 grading issued by RSH July 25, monthly meetings held, working towards C1	2	2	Low (4)	Tolerate	Working towards C1, anticipated summer 2026	2	2	Low (4)
SHDCHRA12	Failure to self-refer to the regulator	Failure to self-refer to the regulator when a breach has been identified	SD: Housing	A breach in the consumer standards being identified or raised	Contacted by ministers; reputational damage; financial penalties	Housing Transformation Programme covers actions to reduce the greatest risks, PFH regularly updated, members on board, Transformation Board to monitor progress. HRA HLB ToR agreed and updated to include referrals to the responsible person for reporting regulatory breaches. Updated procedure in place to deal with reporting issues to the RSH. Self referrals discussed on a six weekly basis by Housing Landlord Board.	1	3	Low (3)	Tolerate	N/A	1	3	Low (3)
SHDCHRA13	Impact of Awaab's law	Unable to deliver strict operating procedures set within legislation.	SD-Housing	Lack of appropriate resources in place to deliver operating procedures proposed. Service not designed around delivering these expectations.	Failure to deliver the new legislation of which may link an increase in successful legal challenge as part of disrepair claims. Potential for non-	Phase 1 met - additional resources recruited to, policy updated and transformation project complete. Phase 2 and 3 details unknown - yet to be published by MHCLG.	3	2	Medium (6)	Tolerate	Ongoing review of phases as MHCLG announces detail	3	2	Medium (6)
SHDCRA14	Minimum Energy Efficiency Standards	Unable to meet Minimum Energy Efficiency Standards set within MHCLG consultation/MHCLG target for fuel poverty				Business plan models finances delivering EPC C by 2030. Contracts for work awarded to deliver works until 2028. Approx 1000 properties to be contracted for works for completion by 2030. Programme to meet phase 2 by 2039 not currently planned or modelled, will be updated as part of annual business plan modelling (q3 26). MEES finalised by MHCLG Feb 26	3	3	Medium (9)	Treat	Apply for all available government funding and monitor MHCLG announcements - ongoing	2	2	Low (4)
SHDCHRA15	HRA business plan (additional)	Failure to maintain the golden thread between the understanding of stock condition and investment need and what can be financed within the HRA Business Plan.	SD: Housing	Lack of HRA business plan narrative - Significant and unknown variances in the assumptions that underpin the HRA Business Plan	Change in areas of focused expenditure	Monthly budget meetings and forecasts reviewed. Designated Finance Business Partner. Regular reporting in place with S151 and Members. Stock condition surveys programme, data used to model Capital Programme accurately. Savills drafted business plan and will continue to provide support with annual refresh and modelling. Business Plan adopted. MTFS modelled based on 85% of stock data aged less than 18 months old	3	3	Medium (9)	Treat	Update following budget adoption. Update to model government changes including DH2	1	3	Low (3)
SHDCRA16	Emergency repairs service (staffing)	Insufficient numbers of repairs operatives on the out-of-hours emergency repairs rota result in emergency repairs not attended within set timescales outside of working hours. Resulting in a breach of Awaabs law. Unable to deliver critical service to tenants.	SD: Housing	Reduction in volunteers willing to be on call (not part of terms and conditions)	Breach of Awaabs law, damage to property due to non-attendance within call-out window, increase in complaints, breach of Safety and Quality standard resulting in non-compliance with RSH standards. Financial penalties, legal action, reputational damage.	Voluntary arrangements with repairs operatives covering the service. SERCO triaging repairs calls. Emergency heating and sewage calls outsourced to contractors. 5 operatives currently on the rota, with 2 required at all times.	3	4	High (12)	Treat	Council adopted proposals in Feb 26 with consultation on terms and conditions to follow Q1 26/27 writing this into contracts	1	1	Low (1)



Report To: Governance and Audit Committee

Date: 2 July 2026

Subject: Combined Assurance Status Report 2025/26

Purpose: To review the Combined Assurance Status Report 2025/26

Key Decision: N/A

Portfolio Holder: N/A

Report Of: Senior Leadership Team

Report Author: John Medler, Service Director - Legal & Governance & Monitoring Officer

Ward(s) Affected: None

Exempt Report: No

Summary

The Combined Assurance Status Report provides a record of assurance against the Council's critical services and key projects. It supports the Council's commitment to achieving good corporate governance.

Recommendations

That the Committee reviews the Combined Assurance Status Report 2025/26 (attached at **Appendix 1**) and seeks to assure itself that the findings illustrate that the assurance framework is operating effectively as part of the Council's corporate governance arrangements.

Reasons for Recommendations

To support corporate governance arrangements within the Council.

Other Options Considered

None

1. Background

- 1.1 The purpose of the Combined Assurance Status Report (**Appendix 1**) is to produce a record of assurance against the Council's critical services and key projects.

2. Report

- 2.1 This report provides an overview of assurance across the Council making it possible to identify where assurances are present, their source and where there are potential 'unknowns or gaps.' It offers a triangulated view of assurance with opinion provided by management, corporate and/or third-party assurance and Internal Audit. The Combined Assurance Report is produced annually, and this report covers the year 2025/26.
- 2.2 The report details the methodology that was used, and the levels of assurance identified. The assurance assessment, as explained in the report, is based on the 'three levels of assurance' model. By conducting this work, the Council is in a position to be able to identify where it needs to obtain further assurance and at what levels.

3. Conclusion

- 3.1. The report confirms that all key areas have been subject to assurance procedures. Overall, there continues to be a good level of assurance across the authority.
- 3.2. The findings are used to focus on areas of improvement, and they have helped to inform the Internal Audit workplan 2026/27 and the Council's Annual Governance Statement for 2025/26.

Implications

South and East Lincolnshire Councils Partnership

Effective governance arrangements support the work of the Partnership.

Corporate Priorities

Effective governance arrangements are an essential element of the delivery of all corporate priorities.

Staffing

None

Workforce Capacity Implications

None

Constitutional and Legal Implications

None

Data Protection

None

Financial

Effective corporate governance arrangements ensure that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively.

Risk Management

None

Stakeholder / Consultation / Timescales

None

Reputation

None

Contracts

None

Crime and Disorder

None

Equality and Diversity / Human Rights / Safeguarding

None

Health and Wellbeing

None

Climate Change and Environmental Implications

none

Acronyms

none

Appendices

Appendices are listed below and attached to the back of the report:

Appendix 1

Combined Assurance Status Report 2025/26

Background Papers

No background papers as defined in Section 100D of the Local Government Act 1972 were used in the production of this report.

Chronological History of this Report

A report on this item has not been previously considered by a Council body.

Report Approval

Report author:	John Medler, Service Director – Legal and Governance & Monitoring Officer
Signed off by:	John Medler, Service Director – Legal and Governance & Monitoring Officer
Approved for publication:	Senior Leadership Team

Combined Assurance Status Report 2025/26



**South Holland District Council
March 2026**

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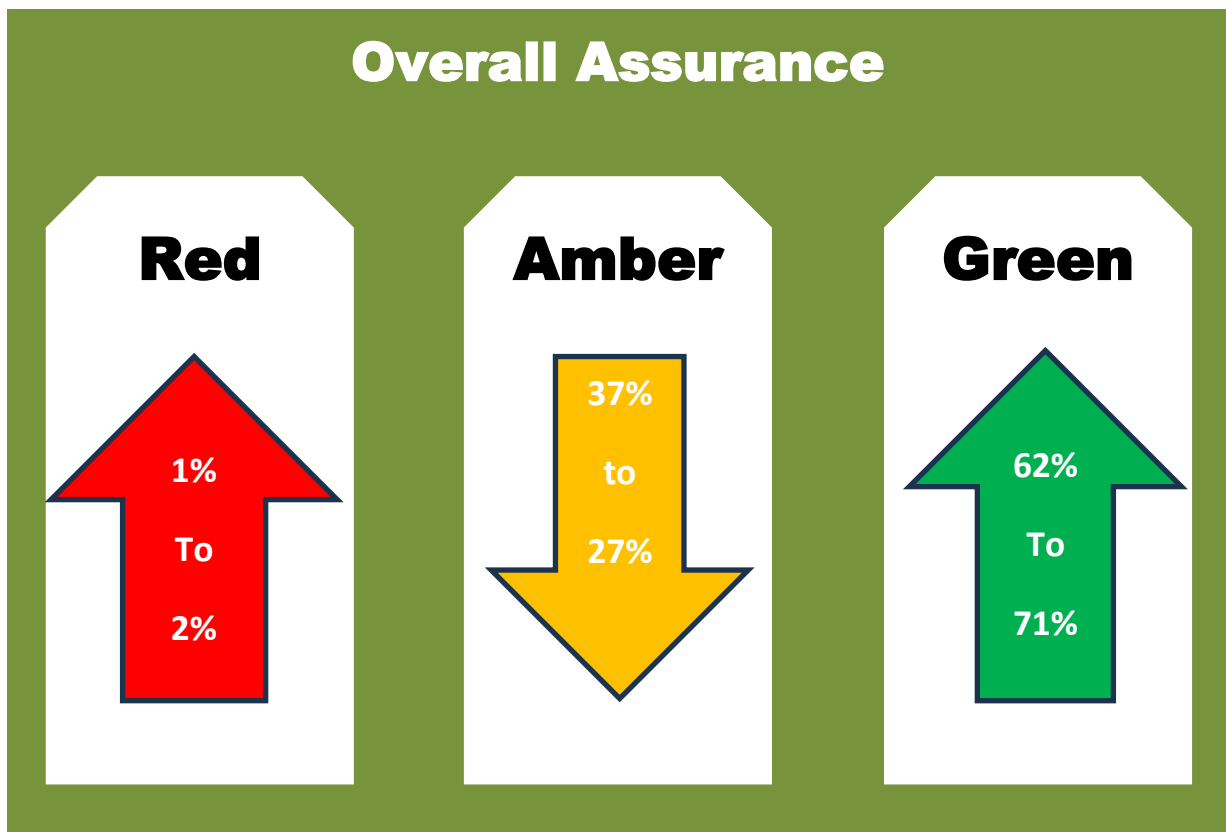
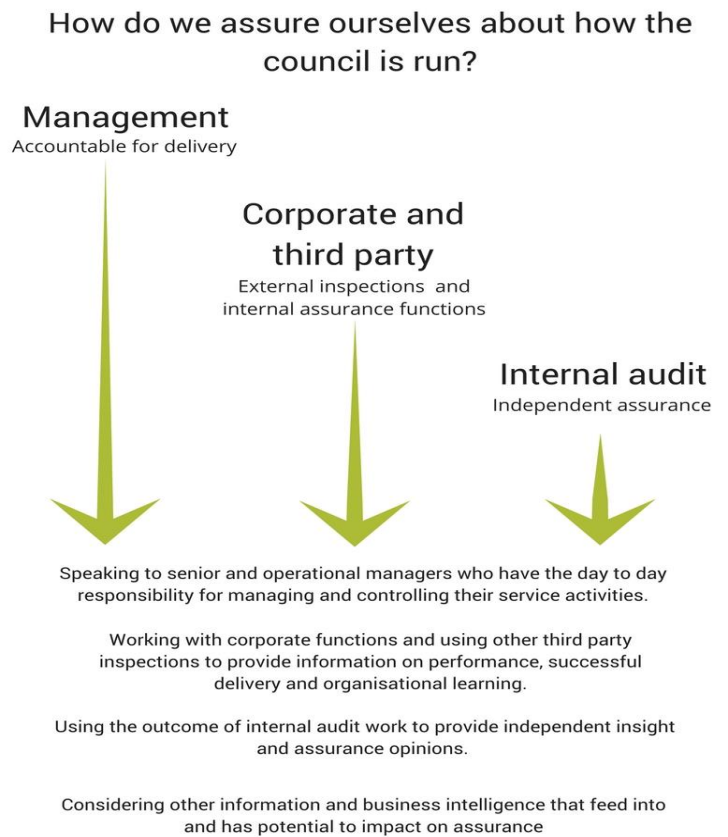
Key	Risk
Red - Very High /High	High impact on resources, significant costs likely, high impact on service delivery
Amber - High/Medium	Medium or short-term impact on resources, cost covered within existing financial plans, low impact on service delivery
Green - Medium/Low	Monitor and be aware, activity to mitigate the risk within existing service delivery plans / management arrangements

Overview of Assurance

Combined assurance is a structured means of identifying and mapping the main sources and types of assurance in the council and coordinating them to best effect.

It enhances risk management by providing an effective and efficient framework of sufficient, regular and reliable evidence of assurance on organisational stewardship and management of major risks to the Council's success.

We do this using the 3 lines of defence model.



Chief Executive's Summary

The Council's exposure to its strategic risks is mitigated through the established partnership structure.

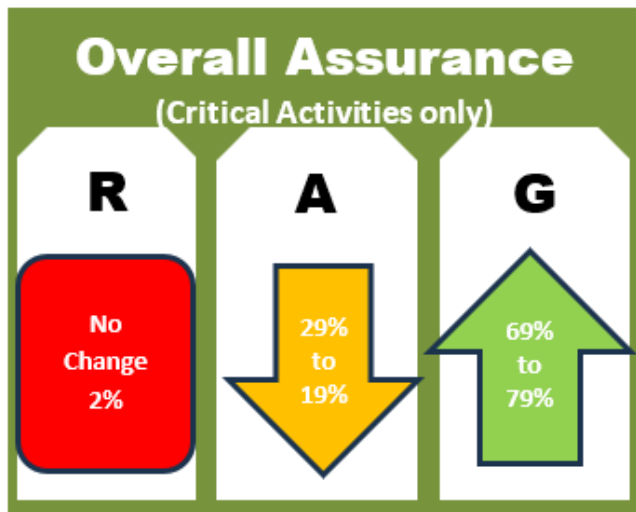
The Partnership has this year reached the milestone of identifying the 10-year savings and efficiency target of £42m – 5 years early. This is a huge achievement. In addition, over £278m of external funding has now been secured. The Partnership is in the process of reviewing its Memorandum of Agreement to ensure it remains fit for purpose now the partnership is mature.

Service performance remains high and the Council has been able to set a balanced budget for 2026/27 despite growing pressures. The governance framework remains strong, and the combined assurance work presents a stable and helpful foundation for the coming years programme of work. The Leadership team place high value in the combined assurance reports.

Key Messages

Communities Directorate

Health and Safety, Ground Maintenance, Play Areas, Tree Risk Assessment, Public Conveniences Internal, Green Waste, Depot, Food Waste, Refuse and Recycling, HGV Fleet Management, Street Scene, Safeguarding, Service Performance KPIs, Wellbeing, Staff Resilience, Homelessness, Housing Standards, Rough Sleeping, Housing Advice Triage, Housing Register, Temporary Accommodation, Housing Assistance (DFG and other grants), Community Safety, CCTV and ASB, Age Friendly Work, Community and Voluntary Sector, Community lottery, Licensing, Emergency Planning/Business Continuity, Land Charges, Environmental Health – Protection, Environmental Health - Food Safety, Corporate Health and Safety, Enviro-crime enforcement, Building Control, Home Energy Advice and Retrofit Team, Carbon Reduction, Climate Change and Environment, Parkwood, Markets, Recruitment and Retention, Monkhouse Lane (Spalding) and SELCP Combined Leisure and Culture Tender.



Critical Activities	
Red	Amber
Tree Risk Assessment	Play Areas
	Green Waste
	Refuse and Recycling
	HGV Fleet Management
	Homelessness

Critical Activities
Housing Advice Triage
Temporary Accommodation
Corporate Health & Safety

The Communities Directorate continues to deliver a wide range of essential frontline and regulatory services, with overall assurance remaining stable for 2025/26. The majority of critical activities sit within green or amber, showing strong operational performance despite sustained demand and workforce pressures.

Key strengths include refuse and recycling, green waste, homelessness prevention, temporary accommodation, community safety, safeguarding and corporate health & safety. These areas continue to perform well, maintain compliance and respond effectively to resident need.

One activity remains red rated: Tree Risk Assessment. This reflects historic backlogs and specialist capacity issues. An improvement plan is being developed to strengthen compliance and reduce organisational risk.

Amber rated services such as play areas, HGV fleet management, homelessness, temporary accommodation and environmental health continue to experience pressure due to rising demand, recruitment challenges and increased statutory duties. Workforce resilience remains a theme across several teams. Investment in training, development and partnership support is helping to stabilise the position.

National policy change is a significant driver of future pressure. The Environment Act, waste reform (including food waste collections), damp and mould requirements and wider climate change duties all present new responsibilities and financial implications.

Key Messages

Looking ahead, priorities include addressing the remaining red assurance area, building resilience in high-pressure services, implementing new legislative duties and continuing to develop the workforce to support our communities.

Key Messages

Corporate Development Directorate

Income Management, Rent Control, Tenancy and Estate Management, Tenancy Statement, Right to Buy Scheme, Business Support, Management of NEC Housing System (Northgate), Decent Homes Capital Investment Programme, Landlord Compliance, In house Repairs Team, Aids and Adaptations, Tenant Engagement & influence, Delivery, Training Plans and Budgets, Workforce Strategy & Culture, Media Communications, General Communications, Transformation Support, Website Accessibility, Corporate Plan Delivery Monitoring, Performance, Legal Services, Community Governance Reviews, Code of Conduct Matters, Complaints, Data Protection & Corporate Compliance, FOIs, Member Expenses, Designated Councillor budgets, Electoral Registration, Elections, Member Training, Committee Services, Risk Management, Scrutiny Function, Finance Skills and Knowledge, Corporate Governance, Peer review/Action Plan Partnership, Towns Fund Long Term Funds, Levelling Up Funds (Spalding), New Homes Capital Programme, SIRO, Service reviews, Savings, Financial Resilience, Procurement and Contract Management, Constitution Alignment.

Media Communications
Transformational Support
Website Accessibility
Complaints
Data Protection & Corporate Compliance
Financial Skills and Knowledge
Levelling Up Funds (Spalding)

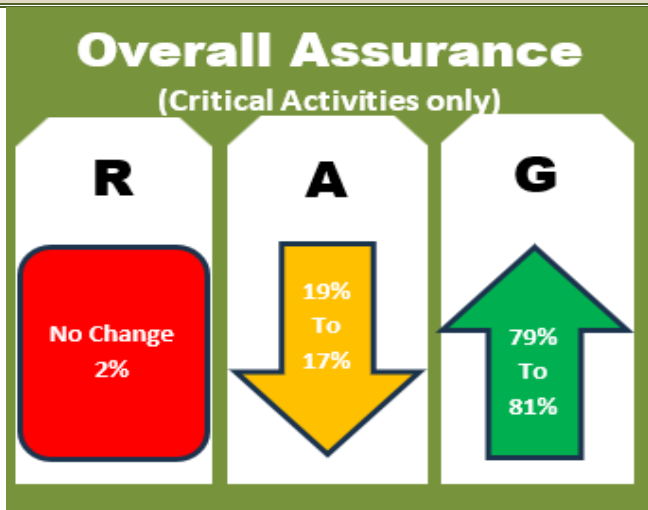
[The Council has set a balanced budget without the need for an efficiency target, which is a positive position for the Council to be in, albeit future years remain financially challenging for the Council.

Continued efforts and lobbying around the challenges of IDB funding have continued and £5m of sector funding support has been renewed by Government.

The Council is actively engaged in Greater Lincolnshire discussions around Local Government Re-organisation and the associated work programme, with an expected outcome on the future model of governance for Greater Lincolnshire expected in July 2026. The Council submitted its own proposal for a two Council model in November 2025. The Council has a focus on workforce resilience and planning through its Workforce Development activity as we approach LGR; and capacity in regard to LGR preparation is under continuous review.

The Council has robust arrangements in place via a specific Leadership Team Governance meeting each month to monitor key areas of the Council’s business (including performance and risk) and to seek assurance as necessary.

The past year has seen the vast majority of outstanding service reviews concluded across the Partnership with HR support. A key project for all three Councils is the implementation of Uniform – corporate ICT system and this remains ongoing.

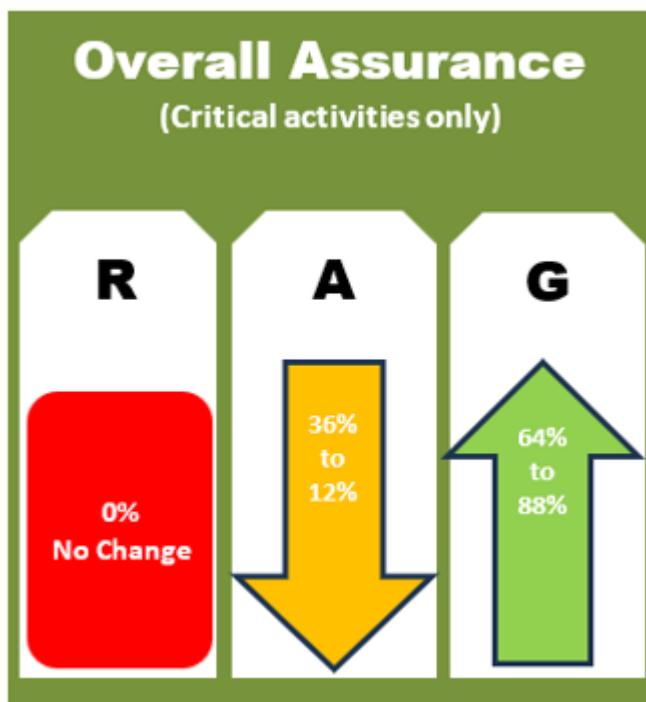


Critical Activities	
Red	Amber
Financial Resilience	Tenant Engagement & Influence

Key Messages

Programme Delivery & SIRO Directorate

Cleaning and Caretaking HRA assets, SHDC Maintenance HRA Assets, Cleaning and Caretaking general fund assets, Commercial Rents, Repairs and Maintenance, Car Parking, Annual Asset Valuations and Spalding Cemetery.



Critical Activities

Red	Amber
Nil	Spalding Cemetery.

2025/26 saw significant change for the Programme Delivery Team; firstly, the team was joined by Leisure and Local Services colleagues, who brought new and varied work streams and projects onboard, strengthening the links between project delivery and service contracting, especially for the Council's new or remodelled leisure assets; better aligning teams in this way enabled greater strategic oversight, strengthening risk identification, risk

management and governance; and importantly, all service reviews were fully implemented in accordance with the decisions and controls required.

During the year all major projects monitored and managed through the Major Projects Board governance model continued to progress through their planning phases and into delivery. The Major Project Board continued to provide officer level strategic oversight, control and scrutiny of all schemes, externally managed as well as internally managed schemes, through its robust and consistent monitoring, evaluation and instruction to project sponsors., focussing on financial risk, delivery risk and reputational risk; the Board had particular focus on the Spalding Leisure Scheme and the asset disposal strategy in hand to support financial sustainability. The oversight of the Board continued to feed into the Senior Leadership Team's monthly Governance meetings and onward into the political governance machinery embedded within the organisation and clearly defined within its constitution.

Whilst cost pressures, time delays and occupation challenges came up within the year in relation to Council's key delivery project; the robust governance and assurance processes in place meant all issues were able to be duly considered, challenged, addressed or mitigated systematically to ensure full transparency and accountability.

Functional service delivery, risk management, financial control and performance management continued across General Fund Assets, Major Projects and Leisure and Local Services in accordance with the Council's governance framework with no critical service issues being experienced during the year.

A key achievement in year was signing a new Leisure Contract with Parkwood, following a detailed and robust procurement process, who have been contracted by all three Councils in the Partnership to manage key leisure assets for

Key Messages

the next decade, saving the taxpayer millions of pounds over the life of the contract.

One significant SIRO incident occurred during the year in relation to a Partnership wide IT security that saw a swift, effective response and decision making by the SIRO to immediately close down a cyber threat to which the Partnership had been exposed by a third party software provider; the response was thorough, fully documented and decisive; being quickly communicated across our three organisations in consultation with the Data Protection Officer and Senior Leadership Team.

Across all Programme Delivery functions, all internal and external audit recommendations had either been addressed in year or were in the process of being proportionately mitigated

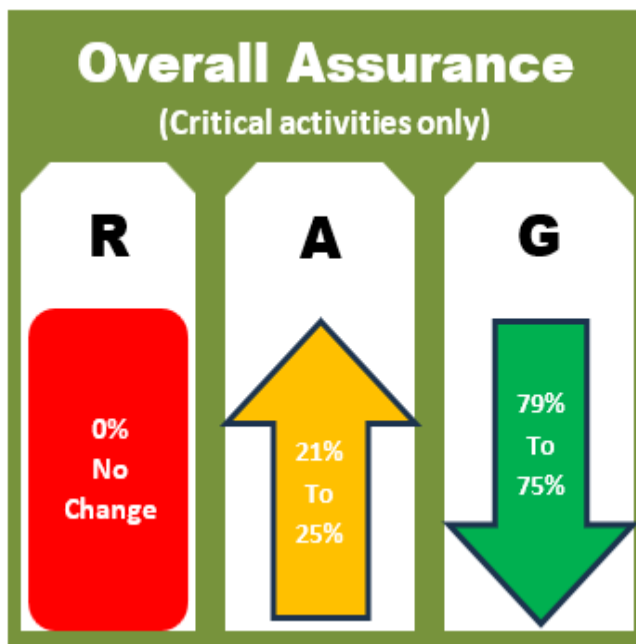
Key Messages

Growth Directorate

Towns Fund #1 - External Governance with Central Government Strategic contracts, Towns Fund #2 - Internal Governance, Towns Fund #3 - LA as Accountable Body, Towns Fund - Inception to stage 4 delivery, Local Regeneration Fund, Pride in Place, Delivery of South Holland Health & Wellbeing Hub, Delivery of Food Enterprise Zone, Holbeach, UK Shared Prosperity Fund and Rural England Prosperity Fund, Advice 4 Growth and Grants 4 Growth, Growth and Prosperity Fund, NPO Funding, S106, Planning Policy (Local Plan), Heritage, Planning Enforcement and Development Management Control (processing planning applications, pre applications and appeals).

During 2025-26, the Growth Directorate delivered a wide-ranging activities to enhance and develop Spalding as a place to live, work, visit and invest in. The Health and Well Being Hub, delivered through Levelling Up Fund has progressed well. The Culture & Regeneration team has facilitated the Spalding Town Board in preparing the Pride in Place Plan for Spalding Town Centre and submission to the Government. Positive liaison with the Government has continued to the receipt of £20m funding to deliver the priorities that emerged strongly through the consultation and engagement with residents, businesses, stakeholders and community partners. Sector prioritisation framework, workforce skills deep dive study and retail, hospitality, leisure and agri-food sector reviews have been completed to create evidence base for future funding bids.

A 'town of culture' bid is submitted for Spalding. Delivery of activities through the Arts Council funded National Portfolio Organisation programme has picked up pace over the year. The Business Improvement District (BID) for Spalding is firmly established and working alongside the Council and its partners to support the businesses in town centre area. Destination Management Plan, SELCP design guide and conservation area appraisals Spalding heritage strategy have been prepared for consultation. Sector prioritisation framework, workforce skills deep dive study and retail, hospitality, leisure and agri-food sector reviews have been completed to create evidence base for future funding bids. Service reviews for Culture & Regeneration and Strategic Growth teams are now approved and being implemented. Implementation of the phase 2 service review for Planning service is underway. Evidence base for Local Plan review are being prepared in order to meet the new guidance and legislation for National Planning Policy Framework.



Critical Activities	
Red	Amber
Nil	NPO Funding
	Planning Policy (Local Plan)
	Planning Enforcement
	Development Management Control

Key Messages

Strategic Partnership Working (PSPS Delivered Services)

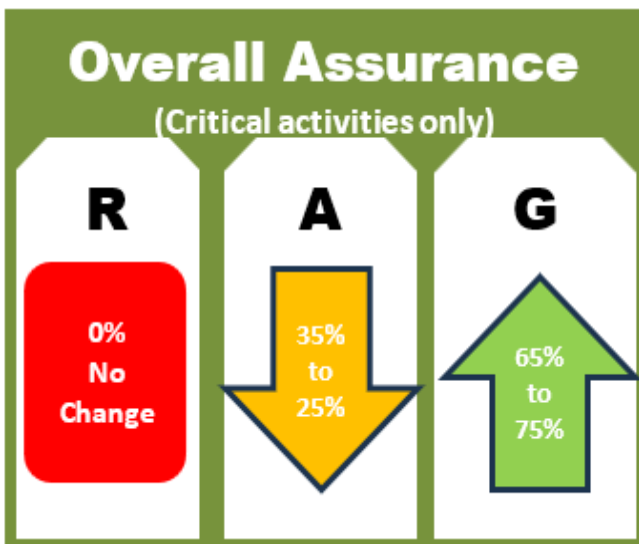
Health & Safety, General Procurement, Spend Analysis, Procurement Strategy, Contract Register, Contract Management, Social Value, HR strategy, Expenses, Recruitment, Payroll, Equality & Diversity, Employee Relations, Systems & Reporting, Pension Scheme, Customer Services, Service Projects, Complaints Legislation, Digital Transformation Projects, CRM, Onsite Incidents, Income, Accounts Receivable, Accounts Payable, General Ledger, VAT, Procurement Cards, Treasury Management, Insurance, Budget Management, Budget Preparation, Control Account Reconciliations, Finance Staff Resilience, Close Down of Accounts, Working with External Audit, Grant Management, Council Tax, Recovery, Housing Benefits, Council Tax Support, CTS Fraud, Single Person Discount, Business Rates, ICT Governance, ICT Organisational, ICT Physical, ICT Technological, ICT People, ICT Projects, ICT Applications, ICT Compliance.

Critical Activities	
Red	Amber
Nil	Health & Safety
	HR Strategy
	Digital Transformation Projects
	Onsite Incidents
	Council Tax
	Recovery
	Housing Benefits
	Council Tax Support
	Business Rates
	ICT Technological
	ICT Projects
	ICT Applications
	ICT Compliance

The relationship with PSPS continues to be strong with all 3 Councils having signed up to a new iteration of the company Transformation and Efficiency Programme.

From a HR perspective the service continues to see high levels of activity across all services and this is closely monitored via Leadership Team.

ICT continues to be a key area of focus and in particular ensuring robust cyber security arrangements.



Key Messages

Key Projects

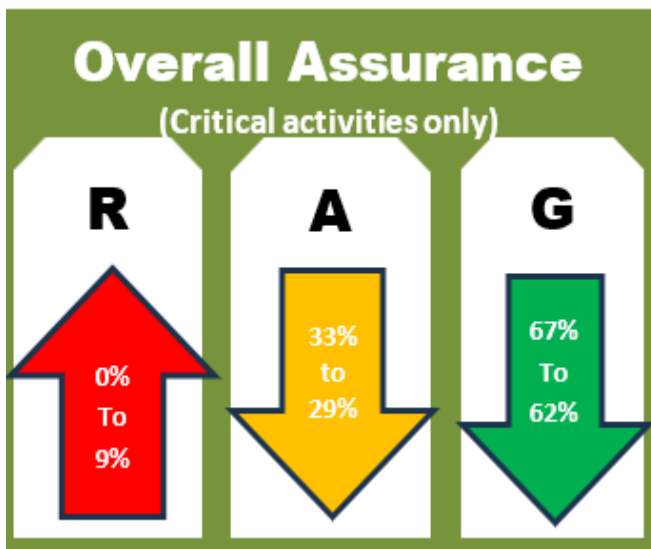
Commissioning of Volunteers, Service Review and Restructure, Rough Sleepers Initiative Programme, Sport England Place Partnership, Household Support Fund, Leisure Provision, Arts Council England National, Spalding Pride in Place, Constitutional Alignment, Programme Management (Generally), HMLR, Implementation of Uniform 2023, Upgrade/Replace 2008 Servers, Call Secure, Waste Improvement, Payment Card Industry Data Security Standard PCI DSS, PSN Compliance, AP Invoice automation, Finance Optimisation of Unit 4, Delivery of Uniform System, Shared Officer Pay Structure, Terms & Conditions of Employment, Requirements of Environment Act 2021, Alignment of the Three Councils, Transformation, Transformation – Service Reviews, Management Strategy, Social Housing De-Carbonisation Fund Projects, Housing Transformation & Service Improvement Programme, Establishing a Tenant Influence Panel, Local Plan Review, Applications/Development Projects, Amendments to Contract Procedures, Information Governance Policies, Service Review of Democratic Services and Democratic Services Alignment.

Key Projects	
Red	Amber
Implementation of Uniform 2023	Arts Council England National
Upgrade/Replacement of 2008 Servers	Waste Improvement
	Payment Card Industry Data Security Standard PCI DSS
	AP Invoice Automation
	Finance Optimisation of Unit 4
	Delivery of Uniform System
	Terms & Conditions of Employment
	Transformation
	Local Plan Review
	Amendments to Contract Procedures

During 2025/26, project governance at all levels matured even further across the Partnership. Our Partnership wide Project Management Framework provides detailed guidance and a comprehensive suite of templates to ensure a consistent approach to projects at all levels and provides us a golden project management thread irrespective of the nature, scale, value and complexity of projects.

Sitting at the top of the non-political governance arrangements in place is our Major Projects Board; the Board comprises the full Senior Leadership Team and provides executive officer oversight and instruction in respect of all 'major projects', the Board sits monthly as part of the Leadership Teams programmed schedule of meetings.

'Major projects' include all large, internally and externally managed capital schemes and other externally funded programmes for which Partner Councils are the responsible body; for example Levelling Up Schemes, Pride in Place funding allocation and Towns Fund Schemes, as well as driving forward critical activity projects such as



Key Messages

the production of our Local Plans, the roll out of food waste collection at each Partner Council and significant IT projects that impact multiple teams and corporate business.

Where the nature, scale and complexity of projects, such as the roll out of food waste collection and the transformation of other waste collection dictates; our approach is to set up a similar 'Board' model, such as the Waste Improvement Programme Board, to coordinate, oversee and steer the detail with the leading Executive Director feeding strategic matters into the Major Projects Board.

The Board focuses on strategic risk, delivery, monitoring and programme wide impact and holds oversight of any significant internally funded projects such as the East Lindsey Investment Fund.

The Senior Leadership Team are responsible and accountable for ensuring all project matters; finance, delivery, risk and outcomes feed seamlessly into the political machinery of scrutiny, Cabinet/Executive and Council, ensuring full project and programme transparency and accurate and timely reporting to politicians.

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Internal Audit

Annual Report and Opinion 2025/26

Executive summary

The Head of Internal Audit is responsible for delivering an annual opinion and report to inform the Annual Governance Statement, concluding on the adequacy and effectiveness of the Council's governance, risk and control environment:

- Role of Internal Audit
- Internal Audit Approach
- Internal Audit Coverage
- Internal Audit Opinion
- Governance, Risk & Control overview and observations
- Additional Observations
- Quality Assurance, Conformance & Performance
- Appendix 1 – Summary of Audit Reviews Completed 25-26

Page 7 – Internal Audit Opinion. The HIA states that in their opinion the frameworks of governance, risk and internal controls are adequate, and audit testing has demonstrated controls to be working in practice. Improvements in control design and application will reduce the reliance on employees' diligence and application. Where weaknesses have been identified through internal audit review, the audit team worked with management to agree corrective actions within an appropriate timescale.

Page 8 – Key Observations on Governance, Risk & Control. 100% of the plan has been completed, breakdown of assurance opinions for the year. Commentary on Governance, Risk Management, the Control environment and additional observations.

Page 13 – Quality Assurance, Conformance & Performance. The Global Internal Audit Standards require the Head of the Internal Audit to develop and maintain a Quality Assurance and Improvement Programme (QAIP) to enable the internal audit service to be assessed against the Global Internal Audit Standards, 2024 and the Application Note: Global Internal Audit Standards in the UK Public Sector, 2025.

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Internal Audit Annual Report & Opinion – 2025/2026

The Head of Internal Audit is responsible for delivering an annual opinion and report to inform the Annual Governance Statement, concluding on the adequacy and effectiveness of the Council's governance, risk and control environment.

May 2026

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- Appendix 1 – Summary of Audit Reviews Completed 25-2616

Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.'

The standards relevant for the financial year 2025/26 related to proper practices laid down in the Global Internal Audit Standards, 2024 and the Application Note: Global Internal Audit Standards in the UK Public Sector, 2025.

The role of internal audit is best summarised through the purpose statement contained within the Standards, which states:

"Internal audit strengthens the organisation's ability to create, protect, and sustain value by providing the board and management within independent, risk-based and objective assurance, advice, insight and foresight.

Internal auditing enhances the organisation with:

- *Successful achievement of its objectives.*
- *Governance, risk management and control processes.*
- *Decision-making and oversight.*
- *Reputation and credibility with their stakeholders.*
- *Ability to serve the public interest.*

Internal audit is most effective when:

- It is performed by competent professionals in conformance to the GIIA Standards, which are set in the public interest.
- The internal audit function is independently positioned with accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments.

South Holland District Council (SHDC) is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising SHDC that these arrangements are in place and operating effectively.

LCC's audit service is delivered by competent auditors who receive targeted support and regular training throughout the year. Behaviours, conduct and competency expectations are made clear and when auditor actions fall below expected and communicated standards, action was taken through LCC's HR processes.

SHDC's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

There have been no instances of interference with audit judgments or outcomes from the Senior Leadership Team. The Senior Leadership team call upon the audit team for advisory work and additional assignments supporting the value added by the team and utilising the objectivity and independence of the service.

Internal Audit Approach

To enable effective outcomes, internal audit delivered a combination of assurance and advisory activities. Assurance work involved assessing how well the systems and processes were designed and delivered, with advisory activities available to help to improve those systems and processes where necessary. The assessment for effectiveness of fraud controls was also considered when reviewing overall adequacy. A full range of internal audit and counter fraud services were provided in forming the annual opinion.

As the Head of Internal Audit, I reviewed the approach to each audit, considering the following key points:

- Level of assurance required.
- Significance of the objectives under review to the organisation's success.
- Risks inherent in the achievement of objectives.
- Level of confidence required that controls are well designed and operating as intended.

Each internal audit assignment resulted in a published report. The primary purpose of the audit report was to provide an independent and objective opinion to the Council's senior management on the framework of internal control, risk management and governance in operation and to support continual improvement. The audit work delivered to inform the opinion was assessed against defined risk assessment criteria with evidence based conclusions assessed against defined categories, which were communicated across the organisation. This approach increased the reliability and validity of the annual opinion.

The internal audit team maintain an agile approach to auditing, seeking to maximise efficiencies and effectiveness in balancing the time and resource commitments with the necessity to provide comprehensive, compliant and value adding assurance. High level scoping was discussed with the Director/Head of Service sharing the areas assurance would be provided upon and any significant impactors which may influence the audit review.



Internal Audit Coverage

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council's activities and to support the preparation of the Annual Governance Statement. The plan was developed and executed to obtain sufficiently reliable evidence to support conclusions and provide reasonable assurance over the effectiveness and application of the internal control system.

The Governance and Audit Committee considered and approved the indicative 2025-2026 internal audit plan in March 2025 and periodically throughout the year to complement the service's approach to flexible planning. It was informed by internal audit's own assessment of risk and materiality in addition to consultation with the corporate leadership, external auditors and to ensure it aligned to key risk areas facing the organisation.

The audit plan remained flexible throughout the year to support the maintenance of effective focus and ensure that it continues to provide assurance, as required, over new or emerging challenges and risks that management may need to consider, manage, and mitigate. All internal audit reviews included in appendix one culminated in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review.

Where advisory reviews have taken place throughout the year, the intention was to provide independently obtained evidence to inform further developments and/or improvements to procedural efficiencies and processes. Each advisory assignment culminates in a written report, shared with senior management and appropriate officers, which details findings, identified root causes and, if appropriate, propose recommendations.

Advisory work is considered when forming my opinion, and any action taken consequently is revisited when the assurance programme is considered in its entirety.

The audit programme included follow up work to determine whether the risks identified during assurance assignments have sufficient evidence of management action being taken to mitigate the risks and address control deficiencies. This process results in an additional independent assessment of the impact and resultant risk after management action has been taken. For 2025/2026 the follow up programme was designed to inform the residual risk profile alongside informing the HIA on the attitude of management towards monitoring and completing agreed actions.

Internal Audit Opinion

As Head of Internal Audit, I am responsible for the delivery of the internal audit plan and the annual audit opinion used by the Council to inform their Annual Governance Statement. The annual opinion concludes with an independent opinion broken into three key areas, governance, risk management and control environment.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be provided, I have used the following to aid my opinion:

- ✓ Written reports on all internal audit work completed during the year (assurance and advisory).
- ✓ Results of any follow up work undertaken in respects of previous years' internal audit work.
- ✓ The results of work other review bodies where appropriate.
- ✓ The extent of the resources available to deliver the internal audit work.
- ✓ The quality and performance of the internal audit service and the extend of compliance with the Standards, and
- ✓ The proportion of the Council's audit need that has been covered within the period.

The assurance opinions are defined as follows:

Substantial Assurance
<p>There is a sound framework of control operating effectively to mitigate key risks, which contributed to the achievement of business objectives.</p> <ul style="list-style-type: none"> • No individual audit engagement classed as limited or no assurance. • Occasional medium rated risks identified in individual audit engagements although mainly low weaknesses. • Internal audit has confidence in management's attitude to resolving identified issues.
Adequate Assurance
<p>The control framework is adequate and controls to mitigate key risks operate effectively, although some controls need to improve to ensure business objectives are met.</p> <ul style="list-style-type: none"> • Medium risk rated weaknesses identified in individual audit assignments. • Isolated high rated risks identified for isolated issues. • No critical rated risks identified through the audit programme. • Internal audit is broadly satisfied with management's approach to resolving identified issues.
Limited Assurance
<p>The control framework is not operating effectively to mitigate key risks. Several key controls are absent and/or are not being applied to meet business objectives.</p>

- A significant number of medium and/or high rated risks identified in individual audit assignments.
- Isolated critical and/or high rated risks identified that are not systemic.
- Internal audits have concerns about management’s approach to resolving identified issues.

Low Assurance

A control framework is not in place to mitigate key risks. The Council is exposed to abuse, significant errors, loss and/or misappropriation. Objectives are unlikely to be met.

- Serious systemic control weaknesses identified through aggregation of individual audit engagements.
- Significant number of high and/or critical rated risks identified for isolated issues.
- Internal audit has serious concerns about management’s approach to resolving identified issues.

No Assurance

Insufficient internal audit work has taken place during the period to substantiate an independent opinion. The rationale for this will be fully explained in the report.

Please Note

Results and observations of internal audit advisory work form an important part of the opinion. Where they have material weighting this will be fully explained in the report.

Internal audit may downgrade an opinion based on the work of internal audit where it is aware of material findings by another trusted assurance party. This will be fully explained in the report.

Circumstances may arise where internal audit is aware of specific issues within the control environment that negate the use of the framework. The rationale for such deviation will be fully explained in the report.

Audit Opinion 2025/2026

I am satisfied that sufficient assurance work has been completed to allow me to form a conclusion on the adequacy and effectiveness of the internal control environment.

In my opinion the frameworks of governance, risk and internal controls are **limited**, and audit testing has demonstrated that the control framework is not operating effectively to mitigate key risks. Several key controls are absent and/or are not being applied to meet business objectives. Improvements in control design and application will reduce the reliance on employee’s diligence and application.

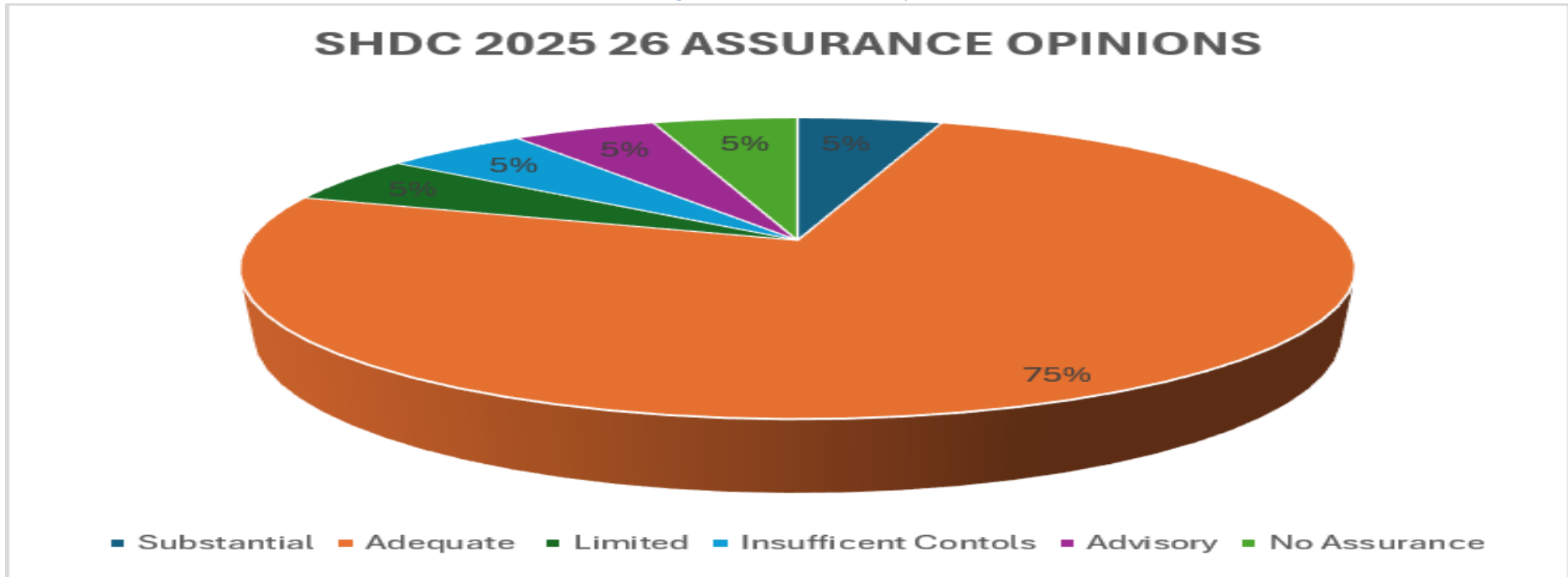
Where weaknesses have been identified through internal audit review, the audit team worked with management to agree corrective actions within an appropriate timescale.

Key Observations on Governance, Risk & Control

Assurance Opinion From 2025-26 Reviews

Audit assurances awarded along with finding summaries from both assurance and advisory reviews were reported to the Governance and Audit Committee throughout the year. The graph below shows the percentage of awards for each assurance category for South Holland District Council.

Figure 1 – Assurance Summary



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There was one no assurance award provided during the year, and one advisory assignment. Advisory assignments were designed to offer improvements to efficiency, process and procedural delivery and concluded in written report sharing findings and root causes.

Governance

Every assurance assignment contained a review of governance aspects. Governance arrangements were considered during the planning and scoping for each review and in most cases, the scope of work includes an overview of:

- The governance structure in place, including respective roles, responsibilities, and reporting arrangements.
- Relevant policies and procedures to determine whether they are in line with requirements, regularly reviewed, approved, and appropriately communicated and accessible.

Evidenced from audit reviews completed during the year and observations from attendance at a range of management and governance meetings, elements of the Council's governance framework are established and subject to reporting through the Governance & Audit Committee. Internal Audit has identified inconsistencies in how governance arrangements are applied in practice. In particular, the findings from the UKSPF grant review highlight a lack of consistently applied governance in certain areas, resulting in weak controls, unclear responsibilities, and insufficient oversight. This indicates that, although the overall sound framework was in place, it was not applied effectively or consistently across all activities. Improvements are required to strengthen application, accountability, and assurance.

The Governance & Audit Committee plays a key role in promoting good governance, this year a self-assessment was completed, highlighting training needs. Training plans are being developed for 2026/27 to further support members to be an effective committee. Where insufficient control review or limited assurance reviews were reported, the committee took a proactive role in understanding the key risks. There were multiple occasions when relevant officers were not in attendance at the Governance & Audit Committee to respond to member's questions seeking additional assurance on appropriate matters. Whilst an improvement has been seen, this is an area for sustained improvement to enable members to assess the adequacy of governance practices and hold officers to account for the delivery of their governance arrangements. The approach demonstrated by committee members supported their important role in providing a robust response, in line with the committees' terms of reference and good governance principles.

In some instances, officers were unable to provide a full response to member queries at the time of the meeting. This limited the committee's ability to undertake immediate and effective scrutiny, including probing issues further, seeking assurance, and pursuing additional lines of enquiry informed by officer responses. While responses may subsequently be provided outside of the meeting, this removes the effectiveness of real-time challenge and the overall depth of discussion within the committee setting.

Risk Management

A consistent framework is in place at South Holland District Council, defining risk management across strategic, operational, and programme/project levels, with documented roles and responsibilities.

Audit reviews found that key elements of risk management were underdeveloped, including the absence of a formally defined and operational risk appetite. Risk reporting was inconsistent, with varying quality across registers. The overall framework was not fully aligned to governance requirements, and unclear escalation processes and roles further weakened effective oversight.

Training and awareness arrangements would benefit from greater formality and structure, with a defined programme, monitoring, and evaluation. Actions agreed following the 2025 internal audit remained incomplete and not embedded, despite past implementation dates, which limited assurance that key control gaps have been addressed.

In accordance with the Constitution, the Governance & Audit Committee continues to play a key role in overseeing and monitoring the effectiveness of risk management arrangements. This has been supported through the committee's regular consideration of both the risk management strategy and the strategic risk register, which have remained standing agenda items throughout the year. Internal Audit has observed consistent quarterly reporting, with member scrutiny prompting discussion, challenge, and the identification of improvement actions where required.

Whilst the overall framework is considered fit for purpose, improvement is required to strengthen risk management practices to allow the Governance & Audit Committee to place full reliance on the work.

It is my opinion that the Council's risk management framework is in place and subject to regular review. However, current arrangements do not provide confidence that risks are managed consistently and effectively; the proposed improvements will help to further strengthen its maturity and consistency.

Control

Internal audit work undertaken during 2025/26 continued to demonstrate that there was a control environment in place across many review areas, with controls generally designed appropriately and operating to support the delivery of corporate objectives. However, audit work has identified one review where controls were insufficient, one limited assurance review and one no assurance review. This highlighted that there remained areas where the control framework was either not adequately designed or not operating in application.

Whilst still draft, in the no assurance review the control environment was considered severely weak, with governance and core controls not being consistently applied. Monitoring, risk management, and documentation processes were inadequate, with reliance on informal practices and incomplete audit trails. The environment lacked control, transparency, and accountability, which created a high-risk position.

The other lower assurance assignments identified weaknesses in defined roles and responsibilities, performance monitoring, and oversight arrangements. This reinforces the theme identified in previous years that, in some key areas of joint working between the Council and PSPS,

there was a lack of clarity and consistency in how services are governed and controlled. Audit work undertaken during 2025/26 identified that this remained a key risk area requiring continued management focus.

Management have responded positively to the risks raised and internal audit reporting throughout the year has highlighted that the timely implementation of agreed actions remains an area for improvement, with progress reports continuing to track overdue management actions and follow-up activity. This indicated that whilst controls were being strengthened, improvements were not always embedded at an adequate pace, limiting the overall effectiveness of the control environment.

The Council must continue to address the root causes for recurrent risks. Incorporation of identified improvements into the Annual Governance Statement and action plan, alongside regular reporting to the Governance & Audit Committee, will support improved oversight and deliver effective monitored across all improvements to governance, risk and control environments.

Follow-up work remained a key component of the internal audit approach during 2025/26, providing ongoing assurance that management action was being taken to address identified risks. The continued emphasis on follow-up activity demonstrated a maturing approach to assurance, although the presence of overdue actions highlights the need for greater consistency in implementation and completion.

Across Council services, audit work continues to find that officers are aware of the importance of effective control frameworks and are receptive to audit recommendations. Management actions provided were subject to monitoring and reporting, including escalation to the Governance & Audit Committee where appropriate. Internal audit progress reports throughout the year have provided regular updates on control weaknesses, improvement activity, and outstanding actions, supporting transparency and member oversight of the control environment.

The key areas of challenge identified or confirmed through audit work are outlined below:

Identification and monitoring of savings Q1

The audit was unable to establish sufficient first or second-line controls to test for adequacy and fulfil the agreed assignment scope to provide a reliable assurance rating. Seven key findings were reported with five root causes identified. The recommendations included for management to take immediate action to implement effective, formal and management led controls to provide a foundation level for the control environment and that an assurance driven audit is rearranged to provide an update on systems and processes implemented. A repeat audit was agreed to be undertaken once sufficient controls had been implemented.

Identification and Monitoring of Savings Q4

Audit testing found that since the completion of the previous audit in quarter 1 of 2025/26, a governance process had been implemented to deliver monitoring and oversight of the required savings in 2026/27. Members of the Senior Leadership Team (SLT) and the Section 151 Officer were actively involved. As 2026/27 will be the first year of the new process, there is currently limited assurance over the effectiveness and consistent embedding of the new methodology, and a residual financial risk remains over delivery of savings until it is fully tested. Testing of the 2026/27 budget setting process for the council found that no efficiency targets were required within the balanced budgets for the forthcoming year. Internal work had been completed to reduce potential deficits that were presented for scrutiny in two of the councils in January 2026. The audit also identified that although processes are in place to monitor savings, there is no formally documented escalation process for any savings proposals that are not on schedule to be delivered within the year.

UKSPF Grant Review Q4

An additional audit had been undertaken, which is at draft report stage, the audit review has identified failures within the control environment and the application of safeguards and oversight.

Overall, the findings reflect an unclear and inadequate governance framework, leading to weak controls, poor accountability, and insufficient oversight across the grant lifecycle, resulting in a 'No Assurance' rating being anticipated.

Additional Observations

Management Actions Follow Up Monitoring

Where our work identified risks considered to fall outside the parameters acceptable to the Council, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers. Progress is reported to the Governance & Audit Committee throughout the year through the internal audit progress reports, with high focus on areas receiving negative assurance ratings.

Anti-fraud and Anti-corruption

SHDC is committed to the highest possible standards of openness, probity and accountability and recognises that the electorate need to have confidence in those that are responsible for the delivery of services. A fraudulent or corrupt act can impact on public confidence in the Council and damage both its reputation and image. During the 2025/26-year internal audit provided support and advice to the council on updating its whistleblowing and anti-fraud and corruption policies.

The Council maintains a suite of strategies and policies to support the effective management of the prevention, detection and investigation of possible fraud and corruption.

Senior Leadership Team - Governance Meetings

Every month the senior leadership team meet to review key governance issues. With a set agenda covering governance, finance, performance, risks, and the control environment. A representative from internal audit attends every meeting and has a standing item on the agenda. The meetings support management to maintain an effective oversight on governance issues and facilitates direct access to the senior leadership team for internal audit, a key element of an effective audit function.

National Fraud Initiative (NFI) - The NFI is a statutory exercise facilitated by the Cabinet Office that matches electronic data within and between public and private sector bodies to prevent and detect fraud.

South Holland District Council actively participates in the National Fraud Initiative as a statutory requirement, using it as a core data-matching tool to identify fraud, error, and control weaknesses across a wide range of systems (housing, council tax, payroll and benefits).

While participation and processes are clearly embedded, there is limited reporting on the outcomes, impact, and control improvements arising from NFI matches, to the Governance and Audit Committee, meaning its effectiveness must largely be inferred from the Council's broader counter-fraud and audit framework.

Quality Assurance, Conformance & Performance

The Global Internal Audit Standards require the Head of the Internal Audit to develop and maintain a Quality Assurance and Improvement Programme (QAIP) to enable the internal audit service to be assessed against the Global Internal Audit Standards, 2024 and the Application Note: Global Internal Audit Standards in the UK Public Sector, 2025.

The QAIP must include provision for both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

An External Quality Assessment of Lincolnshire County Council's Internal Audit Service was undertaken by CIPFA in 2022. In considering all sources of evidence the external assessment team concluded: *'It is our opinion that the Assurance Lincolnshire Partnership's (now known as LCC Internal Audit Service,) self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.'* The next assessment is due in 2027.

Disclosure of Non-Conformance

There are no disclosures of non-conformance to report. In accordance with Global Internal Audit Standards (Domain 5, Standard 15.2) I can confirm that Lincolnshire County Council conforms to the definition of Internal Auditing; the Code of Ethics and the Standards. Since the release of the Global Internal Audit Standards, 2024 and the Application Note: Global Internal Audit Standards in the UK Public Sector, 2025, multiple self-assessments have been undertaken to identify and address any conformance gaps, arising from the revised Standards. Since implementation no concerns were identified with the current delivery model or staffing structure.

Quality Control

The Internal Audit Service continues to provide a function responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2025-2026 through the following internal processes:

- Implementation and delivery of specific training needs for all internal auditors.
- Reviewed and updated internal systems and processes covering all aspects of delivery and quality assurance.
- Development, roll out and embedding of an overarching quality assurance framework to inform training and support needs.
- Data analysis of delivery processes and target support where improvements can be realised.
- Development and delivery of a HIA mentor programme targeted specific development needs of selected senior auditors.

Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

South Holland District Council – Performance Measures	
Audit Management	Performance Measure
Annual Plan presented to Audit Committee by 31 st March.	Yes
Annual Internal Audit Report presented to Audit Committee by 30 th June.	Yes
Completion of Annual Audit Plan	100%
Individual Assurance Assignments	
Timescales	
<ul style="list-style-type: none"> Draft report issued within 10 working days of completing audit. 	100%
<ul style="list-style-type: none"> Final report issued within 10 working days of closure meeting/receipt of management responses. 	75%
<ul style="list-style-type: none"> Individual audit assignment in timescales delivered as agreed in the latest internal audit plan. 	69%
Percentage of recommendations agreed.	100%
Client feedback on Audit (average) <i>Target Good</i>	Excellent/Very Good

Acknowledgement

I would like to take this opportunity to give my genuine thanks to all those staff and officers throughout the Council with whom internal audit have made contact in the year. Our relationships have been mostly positive, and senior management responsive to the formal reports and informal feedback provided.

Appendix 1: Summary of assurance reviews throughout 2025/2026

South Holland District Council	
Substantial Assurance: A reliable system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	
<ul style="list-style-type: none"> • Leisure Services Procurement 	
Adequate Assurance: There is a generally reliable system of governance, risk management and control in place. Some issues of non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	
<ul style="list-style-type: none"> • Risk Register Review • ICT Cyber Security • Capital Budget Monitoring • PSPS Contract Management • Section 106 • Administration of Grants • Health and Safety Actions • Planning • ICT AI Governance • Disability Facilities Grants • Finance Resilience including Skills Capacity and Management Code Compliance • Welland Homes 	
Limited Assurance: Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	
<ul style="list-style-type: none"> • Identification and Monitoring of Savings 	
No Assurance: Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control are inadequate to effectively manage risks in the achievement of the objectives for the area audited.	
<ul style="list-style-type: none"> • UKSPF Grant. 	



Report To:	Governance & Committee
Date:	2 nd July 2026
Subject:	Draft Annual Governance Statement (AGS) 2025/26
Purpose:	To review the draft Annual Governance Statement 2025/26
Key Decision:	No
Portfolio Holder:	Cllr Jim Astill, Portfolio Holder for Corporate, Governance & Communications
Report Of:	Russell Stone, Executive Director - Finance and s151 Officer and John Medler, Service Director – Legal & Governance and Monitoring Officer
Report Author:	Rebecca James, Scrutiny and Policy Officer
Ward(s) Affected:	All
Exempt Report:	No

Summary

This report presents the authority's draft Annual Governance Statement (AGS) 2025/26 to the Committee for review. The Statement reviews the effectiveness of the Council's governance arrangements for the 2025/26 period. It also includes a proposed Action Plan to update/improve the arrangements for the next financial year (2026/27).

Recommendations

It is recommended that the Committee reviews and comments on the draft Annual Governance Statement 2025/26.

Reasons for Recommendations

To meet corporate governance best practice and statutory requirements.

Other Options Considered

None – There is a requirement for the Committee to review and approve an Annual Governance Statement for 25/26.

1. Annual Governance Statement 2025/26

- 1.1 Regulation 6 of the Accounts and Audit Regulations 2015 requires the Authority to prepare and approve an Annual Governance Statement in advance of the Statement of Accounts being approved.
- 1.2 The Committee is requested to review and comment the draft Annual Governance Statement 2025/26 at **Appendix 1**. The document explains the purpose of the governance framework, sets out its key elements, details the review of its effectiveness and highlights any significant governance issues. In undertaking this governance review the Council has evaluated itself against the key principles identified in the CIPFA / SOLACE *Delivering Good Governance in Local Government: Framework*

2. Conclusion

- 2.1. The draft Annual Governance Statement 2025/26 is being presented to the Committee for review and comments, prior to it being finalised and brought back for approval at the following meeting of the Committee.

Implications

South and East Lincolnshire Councils Partnership

No implications specific to this report.

Corporate Priorities

The AGS sits under the priority of 'Efficiency and Effectiveness.'

Staffing

No implications specific to this report.

Workforce Capacity Implications

No implications specific to this report.

Constitutional and Legal Implications

The Accounts and Audit Regulations 2015 and the Accounts and Audit (Amendments) Regulation 2024 define the arrangements relating to Annual Governance Statements.

Data Protection

No implications specific to this report.

Financial

No implications specific to this report.

Chronological History of this Report

A report on this item has not been previously considered by a Council body.

Report Approval

Report author: Rebecca James, Scrutiny and Policy Officer
Rebecca.james@e-lindsey.gov.uk

Signed off by: John Medler, Service Director – Legal & Governance and
Monitoring Officer john.medler@e-lindsey.gov.uk

Approved for publication: Jim Astill, Portfolio Holder for Corporate, Governance,
Communications and Environmental Services

SOUTH HOLLAND DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT 25/26

1. Executive Summary

- 1.1 South Holland District Council (SHDC) has a legal responsibility for conducting, at least annually, a review of the effectiveness of its governance framework. The review is informed by several sources including the work of the Senior Leadership Team, the Internal Audit annual report, the External Auditors and Audit & Governance Committee. 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 \(sholland.gov.uk\)](#)

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The Purpose of the Governance Framework

- 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 2026 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 Alignment and Delivery Plan (ADP) for the Partnership sets out the projects/activities that will be taken forward to deliver on corporate priorities. The Council is pro-active in reporting activity and outcomes to the public through the local press and online. Most Council business is undertaken in public meetings 	<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 as required. The Leadership Team receive quarterly reports to check the position on each indicator. Quarterly governance clinics (covering performance and risk) are also in place. The Strategic Risk Register and Internal Audit Plan support the achievement of the Council's priorities The Medium-Term Financial Strategy which is reported at the March Council meeting not only sets the scene financially, but 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 Portfolio Holders and Senior Managers to consider the service priorities and the associated targets set in the performance framework. Council approves the performance framework, following discussion at Joint Strategy Board. 	<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 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 Alignment and Delivery Plan identifies activity that helps to deliver the priorities The Medium-Term Financial Strategy identifies risks and opportunities to achieving the delivery of the priorities The Risk Strategy and Risk Registers support the delivery of priorities. 	<ul style="list-style-type: none"> The Alignment and Delivery Plan sets out the deliverables in the year-ahead. Service performance is monitored via Performance Framework which reports into Cabinet and PMP quarterly. MTFS recommended by the Cabinet and agreed by Council
Measuring the quality of service for users, ensuring they are delivered in accordance with the Authority's objectives and for ensuring that they represent the best use of resources and value for money	<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. Individual Services carry out their own customer satisfaction surveys which feed into service improvement Corporate Peer Challenge by the LGA in July 2023 	<ul style="list-style-type: none"> Performance Management Framework quarterly report, reported through Cabinet and PMP. Feedback from service level surveys Portfolio Holder meetings held as required. Action plan from Peer Challenge and follow up visit in 2024. Second highest level of assurance (C2) received from Housing Regulator High level of compliance confirmed by BSR

Key Elements	Description of Governance Mechanisms	Assurance Received
	<ul style="list-style-type: none"> Review by the Housing Regulator July 2025 Building Safety Regulator (BSR) inspection July – October 2025 	
<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 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 arrangements, decision making in partnerships</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 Service Level Agreements with partners are in place and monitored carefully (financial and performance), with named officers and Portfolio responsibilities set out Memoranda of Understanding documents are produced/signed up to where appropriate. 	<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. Contractual arrangements or partnering arrangements are subject to GDPR reviews on an ongoing basis, particularly where there are any changes.

Key Elements	Description of Governance Mechanisms	Assurance Received
and robustness of data quality		
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 and Fraud Risk Register are in place and monitored by the Insights and Transformation Team and Leadership Team. • Operational staff able to escalate risks reporting to Management Team. • Risk Strategy aligned across the Partnership Councils and agreed at Full Council on 18th February 2024. 	<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 Register in 2025 provided adequate assurance and identified improvements to enhance the authority's risk management arrangements. Further work is required in 2026/27 to implement these improvements. • 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 Counter Fraud Policy for the Partnership was approved and implemented in Q3 25/26 • Service Managers complete an on-line training programme on fraud • The Council actively takes part in the National Fraud Initiative • A counter fraud e-learning package is provided for all staff • The Council is a member of the Lincolnshire Counter Fraud Partnership which provides access to best practice, guidance and support. 	<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 created the fraud risk register which is now part of the quarterly reporting alongside strategic and operational risks.
Ensuring effective management of change and transformation	<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 in 24/25 • A Corporate Staff Development programme is in place • Workforce Strategy in place to ensure appropriate levels of support and training are in place to enable staff to manage change • Workforce Strategy Action plan in place and being delivered. • Strong internal communication to keep staff and members informed • 6-monthly staff survey to help monitor impact of change • Project Management Framework in place 	<ul style="list-style-type: none"> • Leadership Team decisions • Portfolio/Cabinet reports and decisions • Cabinet reports considered by Scrutiny Committees prior to decision making • Client/Contractor management meetings are held regularly to discuss planned changes to service delivery and priorities • The Client Officer and members of management team were engaged with PSPS in the development of their Transformation Programme in 25/26 • A Workforce Strategy is in place.

Key Elements	Description of Governance Mechanisms	Assurance Received
	<ul style="list-style-type: none"> • Members of Corporate Management Team have corporate responsibility for projects that deliver change • Improved working relationship with PSPS that enables joint working on change programmes within back-office services. • An Organisational Development function and transformation resource is in place to support change arrangements across the council – providing additional support to managers; • There is a shared management team in place to support the development of the Partnership between BBC, ELDC and SHDC. • Below management team, there are a range of other shared positions that support the bringing together of the Partnership. 	
<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 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"> • Full compliance with the CIPFA guidance: <ul style="list-style-type: none"> – The Section 151 Officer has responsibilities set out in the Constitution; key member of Senior Leadership Team (SLT) and Corporate Management Team (CMT); professionally qualified accountant with direct access to the Chief Executive, Leader, Cabinet, Governance & Audit Committee & the appointed auditors – The Finance team is fit for purpose and has been reviewed by CIPFA for adequacy. <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>	<ul style="list-style-type: none"> • Adequacy of financial arrangements are overseen by the S151 Officer, Portfolio Holder for Finance, Cabinet, Governance & Audit Committee and Full Council.
<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 	<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.

Key Elements	Description of Governance Mechanisms	Assurance Received
	<ul style="list-style-type: none"> – 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>	
Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function	<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
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 • Annual Self-Assessment exercise undertaken and Annual Report submitted to Council
Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful	<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 Internal Audit reporting) • External Audit Plan • Annual Assurance Report to Senior Management Team and Governance & Audit Committee following the creation of the Assurance Framework
Whistleblowing and for receiving and	<ul style="list-style-type: none"> • A Whistleblowing policy for the Partnership was approved and implemented in Q4 25/26 • A clear Feedback Policy and procedure is in place (including complaints) 	<ul style="list-style-type: none"> • Senior Leadership Team Governance Meeting • Corporate Feedback Policy reviewed and aligned with Ombudsman guidance

Key Elements	Description of Governance Mechanisms	Assurance Received
investigating complaints from the public	<ul style="list-style-type: none"> • A dedicated team delivers the complaints process and also trains and advises staff. • CMT receives a regular report setting out the number and type of complaints. 	Feedback levels included in the Quarterly Performance Report
Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training	<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, with further development / training delivered through rolling programmes thereafter • Training for named Committees is mandatory as set out in the Constitution • Training and development opportunities are circulated to members on a regular basis alongside internal training provision • Groups are encouraged to identify development priorities through local and national networks • Annual staff appraisals with interim check-ins mid-year. • An annual corporate training programme is developed and implemented annually, linked to service requirements and development needs 	<ul style="list-style-type: none"> • A corporate training system has been developed and rolled out to staff. This enables both individual staff and the organisation to more easily monitor completed training, especially where it is a requirement, and/or is linked to professional standards. • The Corporate Training Programme budget continues to be protected to ensure staff are able to access mandatory and discretionary training and development. • Corporate and Group training opportunities can be supported.
Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation	<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
Enhancing the accountability for service delivery and effectiveness of other public service providers	<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. • Partnership scrutiny framework in place.

Key Elements	Description of Governance Mechanisms	Assurance Received
<p>Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the Authority's overall governance arrangements</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 management Agreement and Service Level Agreements are in place; with regular client/PSPS meetings held - one senior manager is client lead across all 3 Councils for consistency PSPS provide briefing sessions to members on a regular basis. Joint working arrangements are subject to written agreements approved by Leadership Team and portfolio holders Memoranda of Understanding documents are developed and signed up to where appropriate. 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. 	<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 been submitted to Full Council setting out new contractual and governance arrangements. Client/Partner meetings held regularly The Memorandum of Agreement for the Partnership was updated and came into effect Q1 of 26/27
<p>Information Governance</p>	<ul style="list-style-type: none"> All staff and Members have access to Data Protection Act (DPA) training. Specific and tailored training has been requested and delivered to key teams. Further training will be designed to incorporate changes in Data (Use and Access) Act 2025. The Data Protection Officer is experienced and qualified to provide advice and shared across the Partnership. 	<ul style="list-style-type: none"> Governance & Audit Committee Leadership Team Portfolio Holder Performance Report Data Protection Officer (DPO) Data Sharing Agreements and contractual arrangements are reviewed by the DPO on an ongoing basis to ensure compliance with the UK GDPR. All new DSAs are assessed by the DPO before being signed and challenged where necessary.

4 Review of Effectiveness

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

The Council:	<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.
Governance & Audit 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, • Annually self-assess themselves against best practice guidance to check their effectiveness,

	<ul style="list-style-type: none"> • 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	Assurance Lincolnshire provides Internal Audit. Regular reports are provided to the Governance & Audit Committee, and the lead auditor attends monthly LT meetings focused on Governance Issues.

5 Update to Significant Governance Issues 2025/26

Action	Lead	Status
Monitoring of 'Identification and Monitoring of savings' (due to limited assurance rating in Q1)	SLT / S151	Revised approach implemented and now being embedded. Ongoing for 26/27
Monitoring of 'Financial Resilience including skills capacity and Management Code compliance'	S151	Reviews undertaken and actions being embedded through 26/27.

6 Combined Assurance Report and Internal Audit Report 2025/26

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, the governance framework remains strong, and the combined assurance work presents a stable and helpful foundation for the coming years' programme of work.

- Red Assurance – **2%**
- Amber Assurance – **27%**
- Green Assurance – **71%**

6.2 The Internal Audit Annual Report 2025/26 includes an opinion on the overall adequacy of and effectiveness of the Council’s governance, risk, and control framework and therefore the extent to which the Council can rely on it. It is the auditor’s opinion that *“the frameworks of governance, risk and internal controls are limited, and audit testing has demonstrated that the control framework is not operating effectively to mitigate key risks.”*

7 Conclusion

7.1 Having reviewed governance arrangements, the Council believes that its processes and arrangements effectively deliver the key elements of the governance framework and continue to be regarded as largely fit for purpose whilst recognising the areas of improvement identified by Internal Audit. 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
Strengthen and formalise the risk management framework to ensure risks are identified, assessed, and managed consistently across the organization.	Monitoring Officer	March 2027
Improve the timeliness and effectiveness of implementing agreed audit actions by strengthening monitoring and accountability arrangements.	CMT	March 2027
Continue to work towards Local Government Reorganisation with a proactive yet proportionate approach.	SLT	April 26 – March 27
Through the budget process, continue to develop the approach to ensuring long term financial sustainability.	ED Finance	March 27
Address areas of improvement identified in the Head of Internal Audit Annual Opinion Report	SLT	March 27

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Rob Barlow, Chief Executive

Cllr Nick Worth, Leader of the Council

DATE:

DATE:

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Report To:	Governance and Audit Committee
Date:	Thursday, 2 July 2026
Subject:	Rescheduling of Public Works Loan Board Housing Revenue Account Borrowing.
Purpose:	To provide Members with a written update on the S151 Officer's decision under delegation to reschedule the Housing Revenue Account (HRA) Public Works Loan Board (PWLB) borrowing.
Key Decision:	No
Portfolio Holder:	Councillor Redgate, Portfolio Holder for Finance.
Report Of:	Russell Stone – Executive Director of Finance/S151 Officer.
Report Author:	Sean Howsam, Treasury & Investments Manager (PSPSL).
Ward(s) Affected:	None directly.
Exempt Report:	No.

Summary

The Council has had £67.456m of PWLB borrowing since 2012. This borrowing is kept under constant review with the aim of taking advantage of rescheduling opportunities when they are financially beneficial to the Council.

Following the commencement of the war in Iran in March 2026 rates rose sharply in the market and were extremely volatile. This presented the Council with the opportunity of rescheduling its existing £67.56m of borrowing at a significant discount and replace that borrowing with £50m of new loans from the PWLB.

A verbal update was provided by the S151 Officer at the last Governance and Audit Committee meeting on 19 March 2026. This report provides details of the opportunity that was available to the Council and the actions taken by the S151 Officer prior to the decisions taken under delegation.

This rescheduling of borrowing will result in an annual saving on interest payments of £83,469.

In addition to this, the actual discount received of £18.372m will provide a credit to the HRA revenue account of £1.837m in each of the next 10 financial years commencing in 2025/26.

Recommendations

It is recommended that Members of the Governance and Audit Committee note the following S151 Officers decisions made under delegation:

- a) to prematurely repay the £67.456m of HRA PWLB borrowing at a discount of £18.372m resulting in a payment of £49.084m plus accrued interest being made on 20 March 2026.
- b) to borrow £50m from the PWLB on a maturity basis at the HRA concessionary rate on 20 March 2026, this new borrowing being split in five tranches of £10m maturing in 2.5, 3, 3.5, 4 and 4.5 years.

Reasons for Recommendations

The S151 Officer has delegated authority to prudently manage the Council's borrowings and investments.

The Governance and Audit Committee have delegated responsibility for scrutiny of the Treasury Management function and therefore receive all Treasury Management reports.

This report informs Members of the Governance and Audit Committee of the decisions taken by the S151 Officer under delegation and the financial implications of those decisions.

Other Options Considered

As this is an update report there are no other further options for consideration.

1. Background

- 1.1 In March 2012 the Government introduced HRA Self-Financing which allowed Councils to retain all rental income to manage their own housing stock. This change required the Council to pay £67.456m to Central Government to buy itself out of the old pooling arrangements which existed at the time.
- 1.2 On 28 March 2012 the Council borrowed £67.456m from the PWLB on a maturity basis for 50 years at a fixed rate of 3.48% and this was used to pay Central Government.
- 1.3 PWLB loans can be repaid at any time before their maturity date. If new market loan rates are higher than the rate on the original loan a discount can be received. If new market loan rates are lower than the rate on the original loan a premium will be payable.
- 1.4 Where a discount is received by the Council, accounting regulations stipulate that the discount is allocated to revenue over the remaining life of the loan or 10 years, whichever is the shorter. For South Holland DC this would therefore be over a 10 year period.

2. Report

- 2.1** Officers within the Treasury Management team keep borrowing rates under constant review with the aim of achieving savings where market rates have moved in the Councils favour. In March 2026 PWLB loan rates rose sharply following the start of the Iran war and rates were extremely volatile. This increase in rates created an opportunity for the Council to repay the £67.456m at an increased discount.
- 2.2** The amount of discount the Council would receive depended on the PWLB market redemption rates which are reviewed twice daily. It was therefore important for the S151 Officer to take into consideration the volatility of market rates at the time.
- 2.3** The S151 Officer consulted with the Chief Executive, Leader, Finance Portfolio Holder and Housing Portfolio Holder about the opportunity that had arisen around debt redemption prior to making the delegated decision.
- 2.4** On 12 March 2026 a meeting took place between MUFU (external treasury advisors to the Council), Russell Stone (S151 Officer), Ramesh Prashar (Finance Consultant) and Sean Howsam (Treasury and Investments Manager PSPSL) on debt rescheduling. During the meeting discussions took place around the likely levels of discount available, current market rates for new borrowing, the global environment, local government reorganisation and financial sensitivity analysis.
- 2.5** On 13 March 2026 the S151 Officer made the delegated decision to:
- borrow £50m from the PWLB at the HRA concessionary rate in five tranches of £10m each in the 2.5, 3, 3.5, 4 and 4.5 year periods with maturity dates in June and December. The main reasons for this approach were to enable the Council to reborrow on maturity at a cheaper rate based on current market expectations and also to allow the new Council (following Local Government Reorganisation) to review borrowing requirements at those times. This borrowing was agreed on 13 March 2026 with the PWLB and payable to the Council on 20 March 2026.
 - Redeem the existing loans totalling £67.456m at a discount of £18.372m on 18 March 2026 with repayment to PWLB being on 20 March 2026.
- 2.6** The following information summarises the annual interest payment savings to the HRA resulting from these decisions:

Loan	Amount (£)	Rate (%)	Annual Interest Payable (£)
Interest on Old PWLB HRA Self Financing Loan	- 67,456,000	3.48	- 2,347,468.80
New PWLB Loan Maturing 30/06/28	10,000,000	4.44	444,000.00
New PWLB Loan Maturing 20/12/28	10,000,000	4.48	448,000.00
New PWLB Loan Maturing 29/06/29	10,000,000	4.53	453,000.00
New PWLB Loan Maturing 20/12/29	10,000,000	4.57	457,000.00
New PWLB Loan Maturing 28/06/30	10,000,000	4.62	462,000.00
Annual Saving on Interest Payments			- 83,468.80

In addition to the above, the HRA revenue account will be credited with £1.837m of the discount received in each of the next 10 financial years commencing in 2025/26.

3. Conclusion

- 3.1** This report informs the Governance and Audit Committee of the recent treasury management decisions taken by the S151 Officer under delegation. A verbal update was provided to the committee at the last meeting on 19 March 2026 and this report provides the written update.

Implications

South and East Lincolnshire Councils Partnership

None

Corporate Priorities

None

Staffing

None

Workforce Capacity Implications

None

Constitutional and Legal Implications

The General Power of Competence in the Localism Act 2011 allows Councils a broad freedom in their operations.

Councils have the general power to borrow under Section 1 of the Local Government Act 2003.

Data Protection

None

Financial

The financial implications are covered in paragraph 2.6 of this report.

Risk Management

The Code of Practice sets out the framework for controlling the risks associated with treasury management decisions for borrowing and investing. Ultimately investment and borrowing decisions are made in accordance with the Council's Treasury Management Strategy.

The Prudential and Treasury Indicators control the limits for investing and borrowing, to ensure that any borrowing is affordable and sustainable and long term borrowing is for capital purposes only.

Stakeholder / Consultation / Timescales

The S151 Officer consulted with the Chief Executive, Leader, Finance Portfolio Holder and Housing Portfolio Holder about the opportunity that had arisen around debt redemption prior to making the delegated decision.

Reputation

None.

Contracts

None

Crime and Disorder

None

Equality and Diversity / Human Rights / Safeguarding

None

Health and Wellbeing

None

Climate Change and Environmental Implications

None

Acronyms

HRA – Housing Revenue Account

MUFG – External Treasury Advisors (formerly known as Link Group)

PWLB - Public Works Loan Board

Appendices

None

Background Papers

Background papers used in the production of this report are listed below: -

Document title.

Where the document can be viewed.

Document title.	Where the document can be viewed.
SHDC Treasury Management Strategy Statement for 2025/26	<u>(Public Pack)Agenda Document for South Holland District Council, 27/02/2025 18:30</u>

Chronological History of this Report

This is the first report on the subject of debt rescheduling.

Report Approval

Report author: Sean Howsam – Treasury & Investments Manager (PSPSL)
Sean.Howsam@pspsl.co.uk

Signed off by: Russell Stone – Executive Director of Finance/S151 Officer
russell.stone@sholland.gov.uk

Approved for publication: Cllr Redgate, Portfolio Holder for Finance.

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Report To:	Governance and Audit Committee
Date:	Thursday 2 July 2026
Subject:	Annual Treasury Report 2025/26
Purpose:	To provide Members with the Annual Treasury Report 2025/26 in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management to ensure best practice is maintained.
Key Decision:	No
Portfolio Holder:	Portfolio Holder for Finance, Portfolio Holder for Finance.
Report Of:	Russell Stone, Executive Director of Finance & Section 151 Officer.
Report Author:	Sean Howsam, Treasury & Investments Manager (PSPSL).
Ward(s) Affected:	None directly.
Exempt Report:	No.

Summary

Attached at **Appendix 1** is the Annual Treasury Report detailing the Council's activities and actual prudential and treasury indicators for 2025/26. It covers the following areas;

- A high level summary of capital expenditure and financing for 2025/26;
- An economic update for the 2025/26 financial year;
- A review of the Council's investment portfolio for 2025/26;
- A review of the Council's borrowing strategy for 2025/26;
- Debt position;
- Compliance with Treasury and Prudential Indicators.

This Report refers to a key element of the Council's Governance Framework and represents an important contribution to the evidence trail in support of the Annual Governance Statement 2025/26.

Recommendations

That the Governance and Audit Committee scrutinise the Annual Treasury Report 2025/26 at **Appendix 1** and make any comments for consideration by Council when they consider this document for approval at their meeting on 15 July 2026.

Reasons for Recommendations

The Council is required to produce an Annual Treasury Report after the end of each financial year in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management.

Other Options Considered

As this is an update report there are no other further options for consideration.

1. Background

- 1.1 The Council approved its Treasury Management Strategy for 2025/26 on 27 February 2025. This report now provides the Annual Treasury Report 2025/26 (**Appendix 1**) for Governance and Audit Committee to make any comments for consideration by Council when they consider this document for approval at their meeting on 15 July 2026.

2. Report

- 2.1 General Fund capital expenditure (including leases) for 2025/26 was £11.613m which was financed from grants and contributions, capital reserves and direct revenue financing. £0.815m of the expenditure was unfinanced and increased the Councils Capital Financing Requirement (underlying need to borrow). Housing Revenue Account capital expenditure for 2025/26 was £11.976m which was fully financed from capital receipts, the major repairs reserve, grants and contributions and direct revenue financing.
- 2.2 As at 31 March 2026, treasury investment balances were £31.086m compared with £25.609m the previous year and non-treasury investment balances were £12.659m compared with £12.624m the previous year. All treasury investments will mature in less than one year. The non treasury investments are long term equity investments in South Holland Local Housing Community Interest Company and Welland Homes plus loans to Welland Homes which are classified in the financial statements as long term debtors.
- 2.3 In March 2026 the Council repaid its £67.456m of PWLB HRA borrowing at 3.48% and received a discount of £18.372m. These loans were replaced with £50.000m of PWLB HRA borrowing at an average rate of 4.528%. These loans will mature between 2028 and 2030 when we anticipate interest rates to be lower. There will be an annual saving, with the annual interest payments reducing by approximately £0.084m in 2026/27 and 2027/28. In addition to the savings on interest payable, the Council will credit the HRA revenue account with one tenth of the discount (£1.837m) each year for the next ten years commencing in 2025/26.

2.4 The following table provides an analysis of the net treasury position for 2025/26:

Category	2025/26 Original Budget £	2025/26 Outturn £	2025/26 Variance £
GF Interest Received	(771,100)	(1,320,915)	(549,815)
HRA Interest Received	(327,000)	(643,573)	(316,573)
HRA Interest Paid	2,591,414	2,344,298	(247,116)
Premature Repayment of PWL B Borrowing - Discount Allocated to Revenue	<u>0</u>	<u>(1,837,163)</u>	<u>(1,837,163)</u>
HRA Net Position	2,264,414	(136,438)	(2,400,852)
Total Net Position	1,493,314	(1,457,353)	(2,950,667)

Section 106 balances have been credited with £0.041m of the interest reducing the final net surplus to £2.910m of which £0.508m relates to the General Fund and £2.401m is attribute to the HRA.

2.5 The rate of return on the Council's treasury investments averaged 4.54% for the 2025/26 financial year and Welland Homes loans achieved an average rate of 4.29%. This gave a combined rate for all investments of 4.50%.

2.6 A full review of the economy and interest rates is detailed in Section 8 of **Appendix '1'**.

2.7 The Council's Investment Policy and Strategy is kept under constant review with the aim of balancing risk and reward. The investment criteria agreed for 2025/26 permitted investments with banks whose parent bank originates from a country with a sovereign rating of A+ or higher and meets MUFG's counterparty investment criteria.

2.8 The Council's 2025/26 accounts are subject to external audit which may result in some amendments to the figures being reported in this Annual Report.

3. Conclusion

3.1 This report provides a review of treasury management performance for the financial year 2025/26 to Members to ensure best practice is maintained as required by the CIPFA Code of Practice for Treasury Management.

Implications

South and East Lincolnshire Councils Partnership

None

Corporate Priorities

None

Staffing

None

Workforce Capacity Implications

None

Constitutional and Legal Implications

The General Power of Competence in the Localism Act 2011 allows Councils a broad freedom in their operations.

Councils have the general power to borrow under Section 1 of the Local Government Act 2003.

The power to invest is set out in the Local Government Act 2003, Section 12, which gives the Council the power to invest for any purpose relevant to its functions under any enactment, or for the purposes of the prudent management of its financial affairs.

The power that allows councils to spend for capital purposes is included in the Local Government Act 2003.

Data Protection

None

Financial

The financial implications are covered in detail in **Appendix 1** to this report and in section 2 above.

By making the investment criteria relating to financial institutions stringent, the Council receives lower rates of return. The Council therefore aims to strike a balance between risk and reward when considering its portfolio of investments. Treasury Management is a key financial consideration for the Authority especially in respect of its investment returns and Capital Programme.

Risk Management

The Code of Practice sets out the framework for controlling the risks associated with treasury management decisions for borrowing and investing. Ultimately investment and borrowing decisions are made in accordance with the Council's Treasury Management Strategy. The overriding priority is that the security of a deposit takes precedence over a return on investment.

The Prudential and Treasury Indicators control the limits for investing and borrowing, to ensure that any borrowing is affordable and sustainable and long term borrowing is for capital purposes only.

Stakeholder / Consultation / Timescales

The Portfolio Holder for Finance is briefed on treasury performance on a regular basis.

Reputation

The security of investments is the Council's main priority when investing surplus cash.

Contracts

None

Crime and Disorder

None

Equality and Diversity / Human Rights / Safeguarding

None

Health and Wellbeing

None

Climate Change and Environmental Implications

None

Acronyms

CFR – Capital Financing Requirement

CIPFA - Chartered Institute of Public Finance and Accountancy

CPI - Consumer Price Index

ECB – European Central Bank

EZ - Eurozone

FOMC - Federal Open Market Committee

GDP – Gross Domestic Product

HRA – Housing Revenue Account

MHCLG - Ministry of Housing, Communities and Local Government

MRP – Minimum Revenue Provision

MUFG – External Treasury Advisors (previously Link)

myy – month year on year

PWLB - Public Works Loan Board

SONIA - Sterling Overnight Index Average

VRP – Voluntary Revenue Provision

y/y – year on year

Appendices

Appendices are listed below and attached to the back of the report:

Appendix 1 – Treasury Annual Report 2025/26

Background Papers

Background papers used in the production of this report are listed below: -

Document title.

Where the document can be viewed.

Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management.	CIPFA Website
SHDC Treasury Management Strategy Statement for 2025/26	(Public Pack)Agenda Document for South Holland District Council, 27/02/2025 18:30

Chronological History of this Report

A report on this item has not previously been considered by a Council body for the current financial year but quarterly reports have been received by the Governance and Audit Committee.

Report Approval

Report author: Sean Howsam – Treasury and Investments Manager (PSPSL)
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Signed off by: Russell Stone – Executive Director of Finance & Section 151
Officer Russell.Stone@sholland.gov.uk

Approved for publication: Councillor Paul A Redgate, Portfolio Holder for Finance.



Annual Treasury Management Review 2025/26

For approval by Council on 15 July 2026 following scrutiny by
Governance and Audit Committee
On 2 July 2026

ANNUAL TREASURY MANAGEMENT REVIEW 2025/26**1. INTRODUCTION**

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2025/26. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2025/26 the following reports have been submitted:

- an annual treasury strategy in advance of the year (Council 27 February 2025)
- a mid year treasury update report (Governance and Audit 13 November 2025 and Council 26 November 2025)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

In addition, this Council has received quarterly treasury management update reports on 11 September 2025 and 19 March 2026 which were received by the Governance and Audit Committee.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Governance and Audit Committee before they were reported to the Full Council. External Member Training on treasury management was last undertaken in October 2024 and further training can be provided when required.

2. THE COUNCIL'S CAPITAL EXPENDITURE AND FINANCING 2025/26

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- if insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators.

The following table summarises actual capital expenditure and how this was financed.

£'000 General Fund	2024/25 Actual	2025/26 Approved Budget	2025/26 Actual
Capital expenditure (including leases)	4,830	14,630	11,613
Financed in year	(3,403)	(11,922)	(10,798)
Unfinanced capital expenditure	1,427	2,708	815

£'000 Housing Revenue Account (HRA)	2024/25 Actual	2025/26 Approved Budget	2025/26 Actual
Capital expenditure	14,816	20,356	11,976
Financed in year	(14,816)	(13,754)	(11,976)
Unfinanced capital expenditure	-	6,602	-

3. THE COUNCIL'S OVERALL BORROWING NEED

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2025/26 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board (PWLB) or the money markets), or utilising temporary cash resources within the Council.

Reducing the CFR – the Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources, (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's 2025/26 MRP Policy, (as required by Ministry of Housing, Communities and Local Government (MHCLG) Guidance), was approved as part of the Treasury Management Strategy Report for 2025/26 on 27 February 2025.

The Council's CFR is shown below, and represents a key prudential indicator.

CFR (£'000): General Fund	31 March 2025 Actual	31 March 2026 Budget	31 March 2026 Actual
Opening Balance	15,289	16,351	16,351
Adjustment to Opening Balances: IFRS 16 leases	26	-	-
Add unfinanced capital expenditure (as above)	1,427	2,708	815
Less MRP	(391)	(450)	(451)
Closing Balance	16,351	18,609	16,715

CFR (£'000): HRA	31 March 2025 Actual	31 March 2026 Budget	31 March 2026 Actual
Opening Balance	68,427	68,427	68,427
Add unfinanced capital expenditure (as above)	-	6,602	-
Closing Balance	68,427	75,029	68,427

Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2024/25) plus the estimates of any additional capital financing requirement for the current (2025/26) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	31 March 2025 Actual £000's	31 March 2026 Estimate £000's	31 March 2026 Actual £000's
Gross Borrowing Position	67,456	77,456	50,000
CFR	84,778	93,638	85,142

The authorised limit - is the “affordable borrowing limit” required by S3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2025/26 the Council has maintained gross borrowing within its authorised limit.

The operational boundary –is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2025/26
Authorised limit	£115m
Maximum gross borrowing position	£67.456m
Operational boundary	£111m
Average gross borrowing position	£66.882m
Financing costs as a proportion of net revenue stream – Non HRA HRA	-6.82% 20.09%

4. **TREASURY POSITION AS AT 31 MARCH 2026**

The Council's treasury management debt and investment position is organised by the treasury management service to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting and through officer activity detailed in the Council's Treasury Management Practices. At the beginning and the end of 2025/26 the Council's treasury position including accrued interest was as follows:

	31/3/25 Amount £'000	Rate/ Return %	Average Life	31/3/26 Amount £'000	Rate/ Return %	Average Life
Fixed rate funding						
PWLB	67,482	3.48	37 years	50,074	4.53	3.24 years
Total debt	67,482	3.48	37 years	50,074	4.53	3.24 years
CFR	84,778			85,142		
Over/(under) borrowing	(17,296)			(35,068)		
Cash and investments:						
long term equity and service loans	(12,624)	n/a	n/a	(12,659)	n/a	n/a
short term	(20,332)	5.50	126 days	(26,932)	4.79	141 days
instant access deposits	(5,277)	4.47	1 day	(4,154)	3.67	1 day
Total cash and investments	(38,233)	5.29	95 days	(43,745)	4.64	122 days
Net debt	29,249			6,329		

Investments and Cash and Cash Equivalents held as at 31 March 2026 including accrued interest were as follows:

INVESTMENT PORTFOLIO	Actual 31/03/25 £000's	Actual 31/03/25 %	Actual 31/03/26 £000's	Actual 31/03/26 %
Treasury Investments				
Banks	6,961	27	3,148	10
Building Societies	0	0	0	0
Local Authorities	15,132	59	26,932	87
Total managed in house	22,093	86	30,080	97
Money Market Funds	3,516	14	1,006	3
Total managed externally	3,516	14	1,006	3
Total Treasury Investments	25,609	100	31,086	100
Non-Treasury Investments				
Equity (at fair value)	6,078	48	6,113	48
Service Loans (long term debtors)	6,546	52	6,546	52
Total Non-Treasury Investments	12,624	100	12,659	100

SUMMARY	Actual 31/03/25 £000's	Actual 31/03/25 %	Actual 31/03/26 £000's	Actual 31/03/26 %
Total Treasury Investments	25,609	67	31,086	71
Total Non-Treasury Investments	12,624	33	12,659	29
Total of all Investments	38,233	100	43,745	100

The maturity structure of the investment portfolio was as follows:

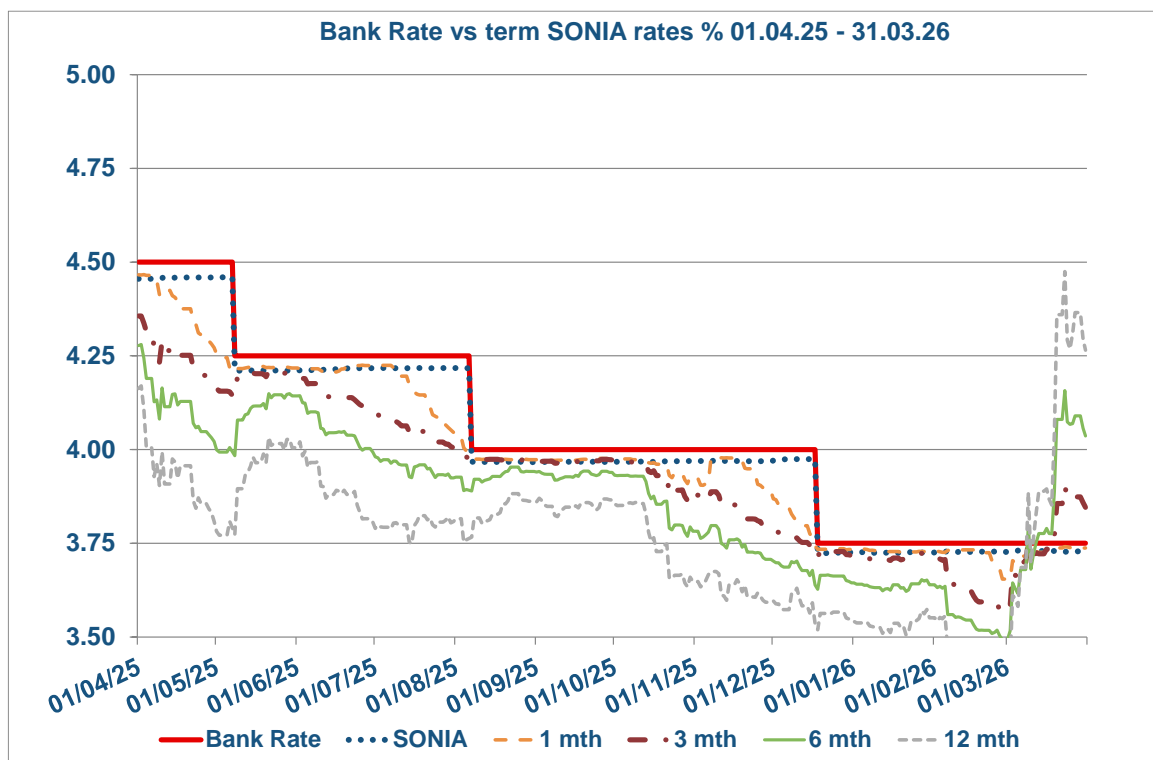
	2024/25 Actual £'000	2025/26 Actual £'000
Investments		
Longer than 1 year	12,624	12,659
Under 1 year	<u>25,609</u>	<u>31,086</u>
Total	38,233	43,745

The exposure to fixed and variable rates on investments was as follows:

	31/3/25 Actual £'000	31/3/26 Actual £'000
Fixed rate	26,878 (70%)	33,479 (77%)
Variable rate	11,355 (30%)	10,266 (23%)

5. THE STRATEGY FOR 2025/26

5.1 Investment strategy and control of interest rate risk (commentary provided by MUG)



Investment returns remained robust throughout 2025/26 despite Bank Rate reducing steadily through the course of the financial year (three 0.25% rate cuts in total), and at the end of March the yield curve had turned positive, reflecting inflation concerns emanating from the on-going conflict in the Middle East.

Bank Rate reductions of 0.25% occurred in May, August and December, bringing the headline rate down from 4.50% to 3.75%. Two of the Bank Rate cuts occurred in the same month as the Bank of England publishes its Quarterly Monetary Policy Report, therein providing a clarity over the timing of potential future rate cuts.

As of early April 2026, market sentiment has been heavily influenced by the Middle East conflict. Commentators anticipate a growing risk of inflation, meaning interest rates will not be cut for some time, and may increase to counteract inflationary pressures arising from steepening energy costs. Growth will also be impacted in many regions of the world. UK GDP is projected by the Office for Budget Responsibility (3 March 2026) to be 1.1% in 2026 before picking up to 1.6% in 2027 and 2028. But the likelihood is that there is downside risk to this forecast given events in the Middle East through March and still on-going.

Looking back through 2025/26, investors were able to achieve returns generally in a range of 4.5% - 5% for periods ranging from 1 month to 12 months in the spring of 2025. By the end of March 2026 deposit rates were somewhat volatile, regaining some traction as the Middle East conflict suggested energy driven inflation may lead to higher interest rates than would otherwise have been the case. Where liquidity requirements were not a drain on day-to-day investment choices, extending duration through the use of "laddered investments" paid off.

Heading into 2026/27, UK inflation is likely to increase to over 4% in the coming months as oil prices, for example, remain close to \$100 per barrel, over 50% higher than before the Middle East conflict started.

5.2 Borrowing strategy and control of interest rate risk

During 2025/26, the Authority maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as near-term investment rates have generally been lower than medium to long-term borrowing costs. The latter are expected to fall a little through 2026 and 2027 in the light of economic growth concerns and the eventual dampening of inflation. The Authority has sought to minimise the taking on of long-term borrowing at elevated levels (>5%) and has focused on a policy of internal borrowing, supplemented by short-dated borrowing on a maturity loan structure.

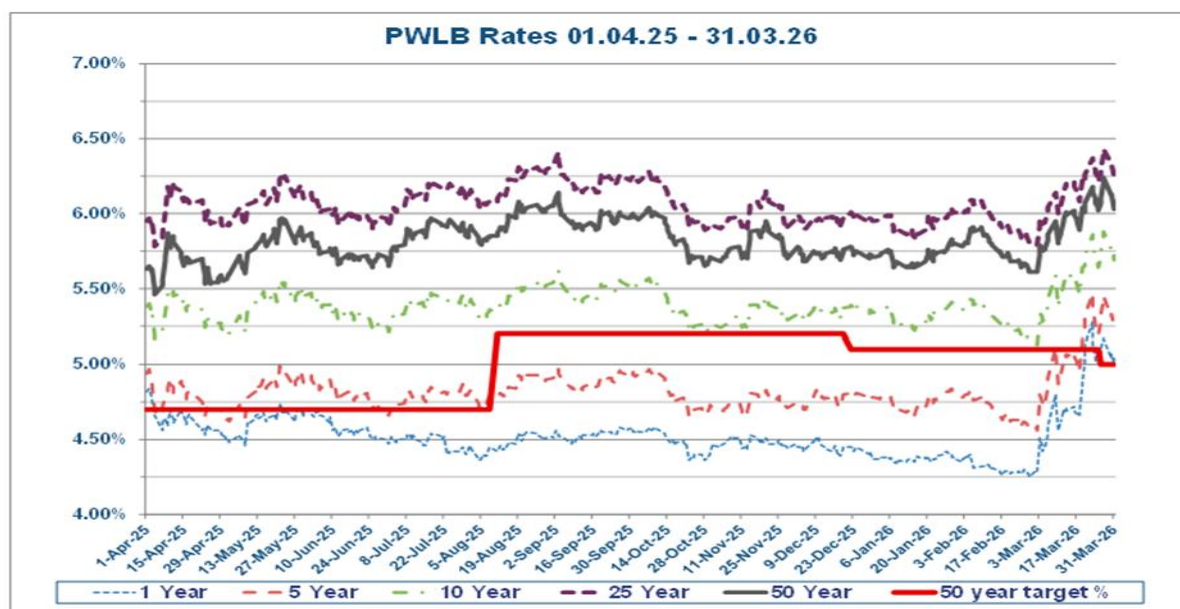
Interest rate forecasts initially suggested gradual reductions in short, medium and longer-term fixed borrowing rates during 2025/26. Bank Rate did reduce to 3.75% as anticipated, but the initial expectation of significant rate reductions across the whole curve did not transpire, primarily because inflation concerns were very elevated in March 2026.

At the start of April 2026, the market expected Bank Rate to increase over the coming months to 4% or 4.25%, from 3.75%, whilst all parts of the curve have also risen substantially through March. A significant fall in inflation will be required to underpin any material movement lower in the longer part of the curve.

Forecasts at the time of approval of the treasury management strategy report for 2025/26 were as follows:

MUFG Corporate Markets Interest Rate View 11.11.24													
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

Actual PWLB rates during the year are reflected on the following chart:



PWLB rates are based on gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years.

However, since early 2022, yields have risen dramatically in all the major developed economies, first as economies opened post-Covid; then because of the inflationary impact of the war in Ukraine in respect of the supply side of many goods. In particular, rising cost pressures emanating from shortages of energy and some food categories have been central to inflation rising rapidly. More recently, the Middle East conflict is likely to see inflation spike higher from late spring 2026 through to early 2027.

Gilt yields have been volatile through 2025/26. The low point for long-term rates of 25 and 50 years' duration was reached early in April 2025 whilst the low points for short and medium dated rates were reached in early 2026, prior to the outbreak of the Middle East conflict.

At the close of 31 March 2026, the 1-year PWLB Certainty rate was 5.04% whilst the 5, 10, 25 and 50 year rates were 5.28%, 5.72%, 6.29% and 6.08% respectively.

6. Borrowing Outturn

Treasury borrowing – At the start of the financial year the Council had £67.456m of HRA long term external borrowing. The Council budgeted to borrow £10.000m for the HRA on 1 October 2025 but this borrowing has not been taken in 2025/26 due to current levels of cash balances.

Rescheduling – In March 2026 the Council repaid its £67.456m of PWLB HRA borrowing at 3.48% and received a discount of £18.372m. These loans were replaced with £50.000m of PWLB HRA borrowing at an average rate of 4.528%. These loans will mature between 2028 and 2030 when we anticipate interest rates to be lower. There will be an annual saving, with the annual interest payments reducing by approximately £0.084m in 2026/27 and 2027/28. In addition to the savings on interest payable, the Council will credit the HRA revenue account with one tenth of the discount (£1.837m) each year for the next ten years commencing in 2025/26.

Interest Payable – The budget for interest payments was £2.591m and the actual was £2.344m giving a favourable variance of £0.247m.

Borrowing in Advance of Need - The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

The maturity structure of the debt portfolio based on principal outstanding was as follows:

	31/3/25 Actual (£000's)	2025/26 Original Limits (%)	31/3/26 Actual (£000's)
Less than one year	0	100	0
1 year and within 5 years	0	100	50,000
5 years and within 25 five years	0	100	0
25 years and within 50 years	67,456	100	0

7. INVESTMENT OUTTURN FOR 2025/26

Investment Policy – the Authority's investment policy is governed by Ministry of Housing, Communities and Local Government (MHCLG) investment guidance, which has been implemented in the annual investment strategy approved by the Authority on 27 February 2025. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Resources – the Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as follows:

Balance Sheet Resources (£'000)	31 March 2025	31 March 2026
General Fund Balance	2,078	2,078
Earmarked Reserves	8,675	9,521
General Fund Total	10,753	11,599
Housing Revenue Account Balance	12,496	12,214
Major Repairs Reserve	2,502	316
HRA Earmarked Reserves	200	200
Housing Revenue Account Total	15,198	12,730
Capital Grants and Contributions Unapplied	6,201	12,876
Usable Capital Receipts	8,356	11,332
Other Balances	14,557	24,208
Total	40,508	48,537

The Council held average treasury investment balances of £35.43m during 2025/26 which were internally managed, achieving an average rate of return of 4.54% compared with the average 3 Month Sterling Overnight Index Average (SONIA) rate of 3.94%.

In addition to the treasury investments, the Council has made loans to Welland Homes, a Housing Company wholly owned by the Council, as follows:

Loan	Amount (£)	Start Date	Maturity Date	Rate %
Green Lane & Walters Close, Spalding	1,341,642.80	20/03/17	20/03/47	3.50
Parkside Crescent, Spalding	884,278.05	29/03/18	29/03/48	3.50
London Road, Long Sutton	466,771.00	12/02/19	12/02/49	3.50
Bentley Court, Spalding	555,548.27	20/08/19	20/08/49	3.50
Northon's Lane, Holbeach	490,077.55	29/03/21	29/03/51	3.50
Homefields, Crowland (Phase 1)	1,104,337.16	30/03/23	30/03/53	5.25
Walnut Close, Sutton St James	609,612.14	25/04/23	25/04/53	5.25
Homefields, Crowland (Phase 2)	391,915.00	19/10/23	19/10/53	5.84
Primus Close, Moulton Chapel	701,913.33	05/12/24	05/12/54	5.25
TOTAL	6,546,095.30			

These are service loans (classified as long term debtors) and the Council received interest at an average rate of 4.29% for the 2025/26 financial year. Total interest earned on these loans during the year was £281k. In addition to the interest, the Council received a dividend of £66k from the Company.

The combined rate of return on all investments averaged 4.50%.

The following table provides an analysis of the outturn for the net treasury position:

Category	2025/26 Original Budget £	2025/26 Outturn £	2025/26 Variance £
GF Interest Received	(771,100)	(1,320,915)	(549,815)
HRA Interest Received	(327,000)	(643,573)	(316,573)
HRA Interest Paid	2,591,414	2,344,298	(247,116)
Premature Repayment of PWL B Borrowing - Discount Allocated to Revenue	<u>0</u>	<u>(1,837,163)</u>	<u>(1,837,163)</u>
HRA Net Position	2,264,414	(136,438)	(2,400,852)
Total Net Position	1,493,314	(1,457,353)	(2,950,667)

Section 106 balances have been credited with £0.041m of the interest reducing the final net surplus to £2.910m of which £0.508m relates to the General Fund and £2.401m is attribute to the HRA.

8. THE ECONOMY AND INTEREST RATES (Commentary provided by MUFG)

UK. Economy.

As with 2024/25, UK inflation has proved somewhat stubborn throughout 2025/26. Having started the financial year at 3.5% year on year (y/y) (April), the Consumer Price Index (CPI) measure of inflation peaked at 3.8% from July to September, before dipping to 3% in January and February. Core inflation picked up to 3.2% in February, from 3.1%, and the recent upward pressure on energy costs could see CPI inflation breach 4.5% later this year.

Against this backdrop, the continued lack of progress in ending the Russian invasion of Ukraine, and the potentially negative implications for global growth as a consequence of the implementation of US tariff policies, Bank Rate reductions look limited for the remainder of 2026 (as they do in the euro-zone). Bank Rate currently stands at 3.75% and borrowing has becoming more expensive in 2025/26. Gilt yields have risen materially in March 2026, more than reversing the falls earlier in the financial year.

The loosening in the labour market continues to bear down on wage growth. The 3my growth rate of average earnings including bonuses slowed from 4.2% in December to 3.9% in January. Meanwhile, excluding bonuses, private earnings growth continued to fall from 3.4% to 3.3%.

The Bank of England sprung no surprises in their March meeting, leaving Bank Rate unchanged at 3.75% by a vote of 9-0, but suggesting rates may need to rise if inflation picks up markedly. The vote could best be described as moderately hawkish. The MPC stated it "stands ready to act as necessary" and "is alert to the increased risk of

domestic inflationary pressures through second-round effects in wage and price-setting". Even so, we suspect the committee is likely to put equal weight on higher inflation and weaker growth, particularly the poor macroeconomic backdrop prior to the energy shock, keeping interest rates at 3.75% this year.

10-year Gilt yields have been exceptionally volatile in the final weeks of 2025/26, troughing at around 4.23% in late February before shooting up to 5.00% (and well through that on an intraday basis). That spike was driven by the outbreak of war in the Middle East, which prompted a dramatic reassessment of investors' Bank of England policy rate expectations. Having been pricing in rate cuts in late-February, as many as four rate hikes were discounted by late-March. The 10-year yield ended the quarter at 4.92% with around 65 basis points of rate hikes priced in over the coming year. In addition to more hawkish monetary policy expectations, part of this increase in yields probably reflected an increase in term premia amid concerns that the government may react by loosening the fiscal purse strings.

USA Economy.

Despite a weak finish to 2025, the US economy has generally been the strongest among the developed economies, but with uncertainties growing surrounding President Trump's central economic tenet of being able to apply tariffs on an ad-hoc basis, and bend the Federal Open Market Committee (FOMC) Fed Funds rate decision-making to his will, there is something of a stalemate in place at present over when, and if, rates will be cut further in 2026.

Inflation is currently stuck at around 2.5%, unemployment is only a little above 4%, and tax refunds are in the process of being facilitated for many households. But will those refunds be – at least partially – offset by higher gasoline prices?

Eurozone (EZ) Economy.

The Eurozone economy has run pretty much in parallel with that of the UK. A slightly stronger finish to 2025 (GDP of 0.2% q/q) than that of the UK cannot hide the fact that the economy has been negatively impacted by German economic stagnation until late in 2025. France has also struggled against a difficult political backdrop, but managed to post GDP growth of 0.3% q/q for October to December.

With Eurozone headline inflation close to 2%, the European Central Bank (ECB) has been able to reduce its Deposit Rate to 2%. Whether it rises from that low point will very much be driven by how energy prices trend over the coming months. The Euro has appreciated against the dollar from 1.08 at the start of April 2025 to 1.16 at the end of March.

9. OTHER ISSUES

- 9.1 IFRS 9 fair value of investments** – When producing the 2025/26 financial statements the Council has adhered to this accounting standard. This standard prescribes the way financial instruments are valued in the accounts and also how risk is measured and accounted for.

9.2 Non Treasury Investments - The following table provides details relating to the Council's equity investments which are valued at "fair value" in accordance with proper accounting practice.

Entity	Equity at Cost (£)	Equity at Fair Value 31/03/26 (£)
Welland Homes	3,718,694	4,835,294
South Holland Local Housing Community Interest Company	100	1,278,077
UK Municipal Bond Agency	50,000	0
TOTAL	3,768,794	6,113,371

9.3 Changes in Risk Appetite – There has been no change to the Council's risk appetite during the 2025/26 financial year and investments have been made throughout the year in accordance with the Council's agreed investment criteria approved by Council.

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Report To:	Governance and Audit Committee
Date:	Thursday, 2 July 2026
Subject:	Unaudited Financial Statements 2025/26
Purpose:	To present the unaudited Financial Statements including Narrative Report for the Committee's review, in line with best practice
Key Decision:	N/A
Portfolio Holder:	Councillor Paul Redgate, Portfolio Holder for Finance
Report Of:	Russell Stone, Executive Director, Finance and Section 151 Officer
Report Author:	Ellie Stacey, Head of Finance Delivery - Technical and Corporate (PSPS Ltd)
Ward(s) Affected:	None
Exempt Report:	No

Summary

This report requests that the Governance and Audit Committee review and consider the unaudited Financial Statements 2025/26.

Recommendations

It is recommended that as part of its governance role, the Governance and Audit Committee review the unaudited Financial Statements 2025/26 (Appendix 1), and note that there may be some further adjustments prior to publishing.

Reasons for Recommendations

To comply with best practice.

Other Options Considered

None.

1. Background

1.1 The Accounts and Audit (Amendment) Regulations 2024 require that:

- The Responsible Finance Officer (Section 151 Officer) signs the unaudited Financial Statements for 2025/26 no later than 30 June 2026; and
- The Financial Statements be considered and approved by a committee of the Council no later than 31 January 2027.

1.2 To continue the Council's good practice, this report presents the unaudited Financial Statements to the Committee to enable comments, facilitate challenge and to highlight any key areas.

2. Report

2.1 The Financial Statements production is complete and shown at Appendix 1 is the unaudited version of the 2025/26 Financial Statements (this includes the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, and Balance Sheet as at 31 March 2026).

2.2 The timescales involved with the approval and inspection of the Council's Financial Statements for 2025/26 are:

- | | |
|---|--------------|
| • S151 Officer signs Statements | 30 June 2026 |
| • Accounts available for Public inspection from | 1 July 2026 |
| • Unaudited Financial Statements to Committee | 2 July 2026 |
| • Audit by KPMG LLP commences | 13 July 2026 |

2.3 The unaudited Financial Statements have been prepared in accordance with the Code of Practice and the Council's accounting policies, which were brought to the Committee for its consideration in March 2026.

2.4 There has been one substantial change within the Code of Practice in 2025/26, regarding the valuation of property, plant and equipment. Where assets are revalued, the Code no longer permits a full revaluation on an annual basis. The Council has therefore opted to undertake revaluations on a five year rolling programme, with annual indexation applied to assets during the four intervening years. Council dwellings continue to be revalued on an annual basis.

2.5 The net worth of the Council, as shown in the Balance Sheet, increased by £43.154m and this is also reflected in the Comprehensive Income and Expenditure Statement. The main reasons are set out in paragraph 2.6.

2.6 The *major* changes in the Balance Sheet at the year end, considered significant enough to warrant specific reference, are:

- An increase of £16.731m in Property, Plant and Equipment due to increases in asset valuations at year end
- A decrease of £17.456m in Long Term Borrowing following debt rescheduling
- An increase of £8.029m in Usable Reserves, largely due to capital grants received in 2025/26, set aside for spend in future years

2.7 South Holland Local Housing Community Interest Company and Welland Homes Limited have been consolidated into the group accounts within the Financial Statements, along with South Holland's 30% share of PSPS Ltd.

3. Conclusion

3.1. The Committee are asked to review and consider the unaudited Financial Statements 2025/26.

Implications

South and East Lincolnshire Councils Partnership

None.

Corporate Priorities

None.

Staffing

None.

Workforce Capacity Implications

None.

Constitutional and Legal Implications

The Accounts and Audit Regulations 2015 and the Accounts and Audit (Amendments) Regulation 2024 define these arrangements.

Data Protection

None.

Financial

As contained in the unaudited Financial Statements at Appendix 1.

Risk Management

None.

Stakeholder / Consultation / Timescales

None.

Reputation

None.

Contracts

None.

Crime and Disorder

None.

Equality and Diversity / Human Rights / Safeguarding

None.

Health and Wellbeing

None.

Climate Change and Environment Impact Assessment

None.

Acronyms

CIPFA – Chartered Institute of Public Finance and Accountancy
PSPS Ltd – Public Sector Partnership Services Ltd

Appendices

Appendices are listed below and attached to the back of the report:

Appendix 1 Unaudited Financial Statements 2025/26

Background Papers

Background papers used in the production of this report are listed below: -

Document title	Where the document can be viewed
CIPFA Accounting Code of Practice 2025/26 and supporting Guidance Notes	CIPFA public guidance document

Chronological History of this Report

None.

Report Approval

Report author:

Ellie Stacey, Head of Finance Delivery - Technical and
Corporate (PSPS Ltd)

Ellie.Stacey@pspsl.co.uk

Signed off by:

Russell Stone, Executive Director, Finance and Section 151
Officer

Russell.Stone@sholland.gov.uk

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UNAUDITED FINANCIAL STATEMENTS

For the Year Ended 31 March 2026

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FINANCIAL STATEMENTS

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NARRATIVE REPORT 2025/26

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 2025/26.

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 2025/26.
- 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 2025/26
- Overview of the Council's finances
- Future financial challenges that the Council faces

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

The Narrative Report aims to give a clear picture of the Financial Statements 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.

The Financial Statements

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 2025/26,
- a balanced budget for 2026/27
- the Council has sufficient resources to meet its immediate financial commitments and
- has robust governance arrangements in place.

The Financial Statements sets out the Council's income and expenditure for the year, and its financial position at 31 March 2026. 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 2025/26, which in turn is underpinned by International Financial Reporting Standards.

The main financial statements are:

The Primary Financial Statements Include:

- **The Comprehensive Income and Expenditure Statement:** This records the Council's income and expenditure, with the top section providing analysis by Service Director area and the lower section detailing corporate transactions and funding.
- **The Movement in Reserves Statement:** This 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:** A "snapshot" detailing our assets, liabilities, cash balances, and reserves as at the year-end.
- **The Cash Flow Statement:** This explains the changes in the Council's cash balances throughout the year.
- **Accounting Policies and Notes to the Accounts:** These outline the key assumptions, methodologies, and significant estimates underlying the financial data.
- **The Expenditure and Funding Analysis:** This analysis shows how annual expenditure is supported by funding sources (government grants, Council Tax, business rates), and how these resources are allocated across Council services.

The Supplementary Financial Statements are:

- **The Collection Fund:** This separate account details the statutory receipts from Council Tax and Business Rates, along with related payments to precepting authorities and the Government.
- **The Housing Revenue Account:** This 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.
- **Group Accounts:** The Council has produced Group Accounts for 2025/26, 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 2026/27 Budget and the Medium-Term Financial Plan, approved by Council on 26 February 2026. 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 £250, contracts and pay, and benefits for senior officers can be found on the Council's website:

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

Our District

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

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

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

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

South Holland District Council

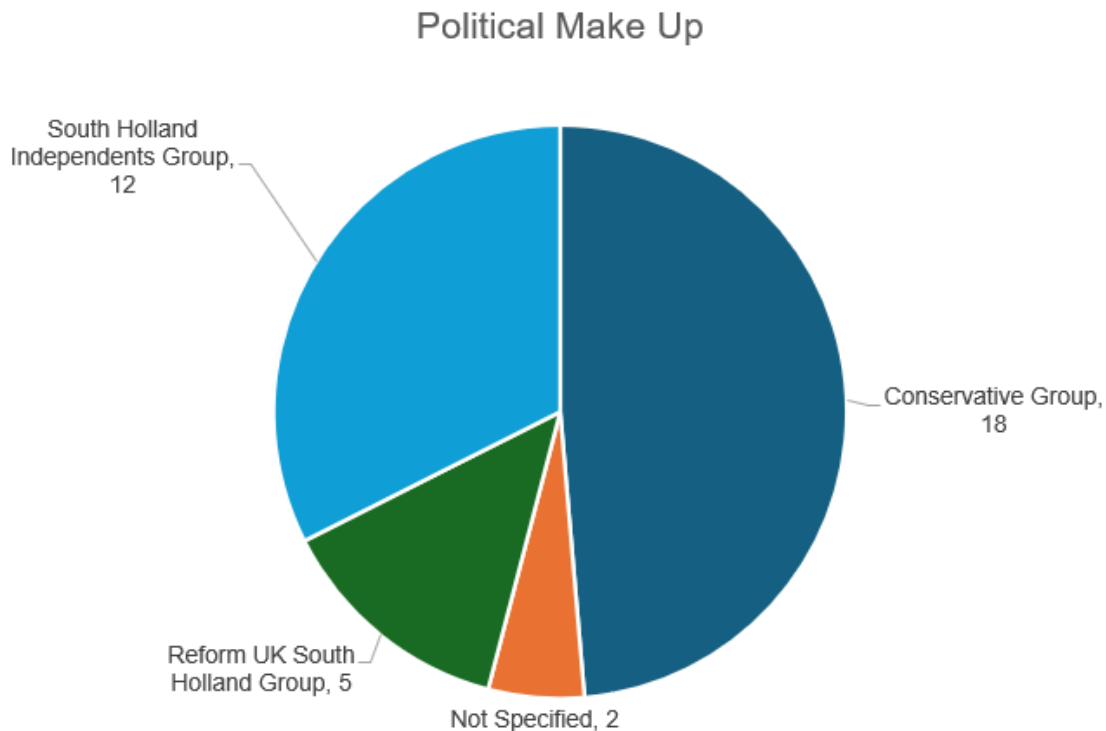
Organisational Structure

The Council is organised into directorates:

- Communities dealing with Communities and Housing Services, Regulatory and Neighbourhoods
- Growth dealing with Economic Growth, Planning and Strategic Infrastructure and Strategic Growth and Development
- Programme Delivery dealing with Strategic Projects, General Fund Assets, Leisure and Local Services
- Finance – dealing with financial matters
- Chief Executive's, this includes Corporate Strategy, Transformation, Governance, Member Services, Information Management, Performance, HR and ICT.

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.

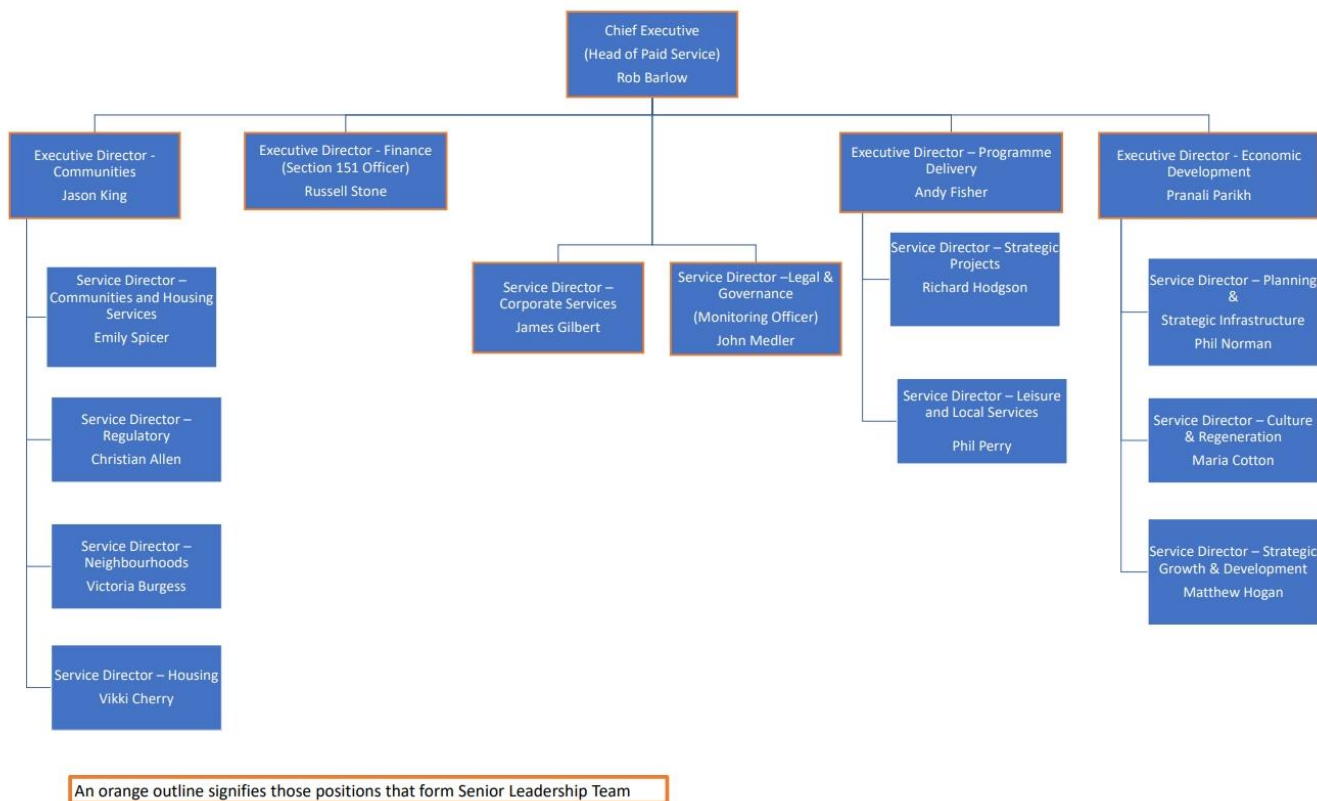
All Councillors meet as the Council, here councillors decide the Council’s overall policies and set the budget and council tax each year. The Cabinet is made up of the Leader, Deputy Leader and Portfolio Holders, each Portfolio Holder has specific responsibilities over an area of the Council’s activities.

Cabinet Members are held to account by a system of scrutiny, which is also set out in the Constitution. Scrutiny of Cabinet decisions for 2025/26, including the setting of a balanced budget for 25/26, 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.



Council Priorities, Corporate Strategy and Performance

The Partnership has a sub-regional strategy that replaced each Partnership Councils’ individual corporate strategies. That strategy remains live and relevant. It has a section for Council specific priorities.

The Sub-regional strategy identifies where the Council will focus its efforts and resources to improve the area for our community. The Council is ambitious for the District and is looking to the future in a fast changing local, international and global environment. It is known that it is highly likely that the Council will need to adapt and flex in order to achieve its aims, but it is important to set out clearly where the Council wants to get to.

The Sub-Regional Strategy focuses on four priorities:

1. Growth and Prosperity
2. Healthy Lives
3. Safe and Resilient
4. Environment

In addition, the Strategy has an internal looking priority focused on efficiency and effectiveness.

How South Holland District Council Performed in 2025/26

Over the period between April 2025 and March 2026, South Holland District Council has managed to average 86.25% of performance measures achieving a “green” rating. Additionally, 4.5%, of measures were “red” or significantly below target thresholds set. There are robust governance arrangements in place both at a Member and Senior Officer level to review and track performance regularly.

In 2025/26 the Council delivered the following actions from the Annual Delivery Plan (this is just a snapshot):

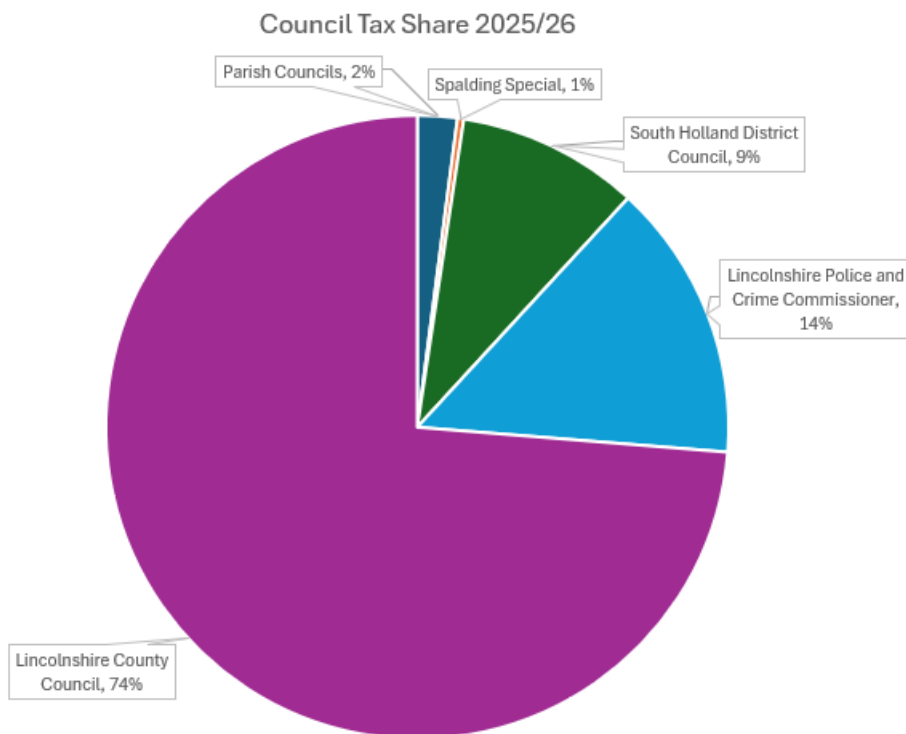
- Continued work with Spalding Towns Board for Pride in Place.
- Delivery of a subregional Leisure Offer, new contract formalised within 2026/26 with start date in 2026/27. Linked to the South Holland Health and Wellbeing Hub project that is ongoing with works due to complete in 2026/27.

- Uniform implementation continues apace partnership wide.
- Secured further government funding to deliver energy efficiency upgrades to homes
- Adopted a 30 year business plan for the HRA including establishing a programme of capital investment to sewage treatment works and a programme of acquisitions
- Achieved a C2 grading from the Regulator of Social Housing
- Delivered year 2 of the Housing Transformation Programme
- Implementation of recommendations from the Heritage Strategy for future funding opportunities.
- Progressed delivery of the Spalding Gateway allocated employment land, working with partners.
- Continued leadership on high-impact growth schemes including the Spalding Western Relief Road (SWRR), Spalding Gateway, and Holbeach FEZ, supporting employment land delivery and long-term economic competitiveness.
- The Council prematurely repaid its £67.456m of HRA debt, generating a discount of £18.371m and replaced it with £50.000m of new borrowing. This discount will be amortised over 10 years, resulting in an annual credit of £1.837m to the Housing Revenue Account (HRA) from 2025/26 onwards.

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

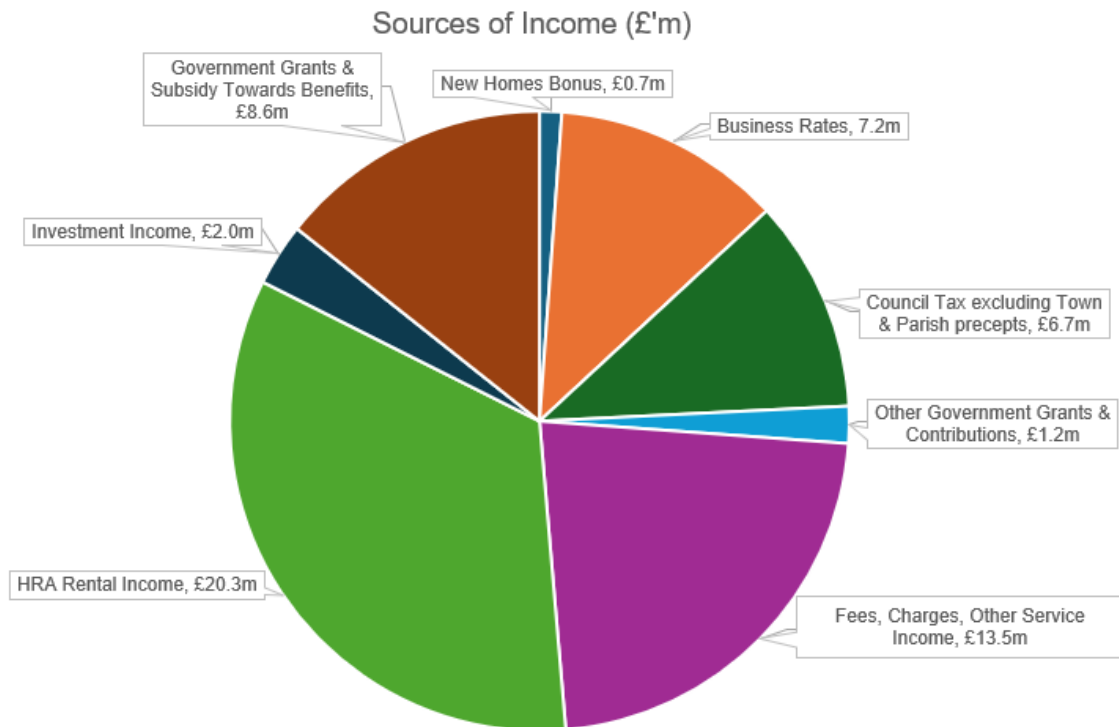
South Holland receives income from many sources, as shown in the chart below. Income is received from council tax (received from taxpayers levied by the Council for South Holland), from the Parishes, from Business Rates and Government grants.

Council Tax receipts (excluding town and parish precepts) totalled £6.686m (11% of the income), and Business Rates receipts totalled £7.201m (12% of the income).

£8.624m of the income was from government funding through large grants and subsidies, a further £1.161m was from other grants and contributions and New Homes Bonus grant of £0.696m

A total of £13.543m was generated from fees, charges and other service income, representing 22% of total income, while £20.329m (34% of total income) was received from the Housing Revenue Account (HRA).

Income from investments and interest totalled £1.964m (3% of income).



How the Money Was Spent

The chart below sets out expenditure by Service Director area including running and employee costs.

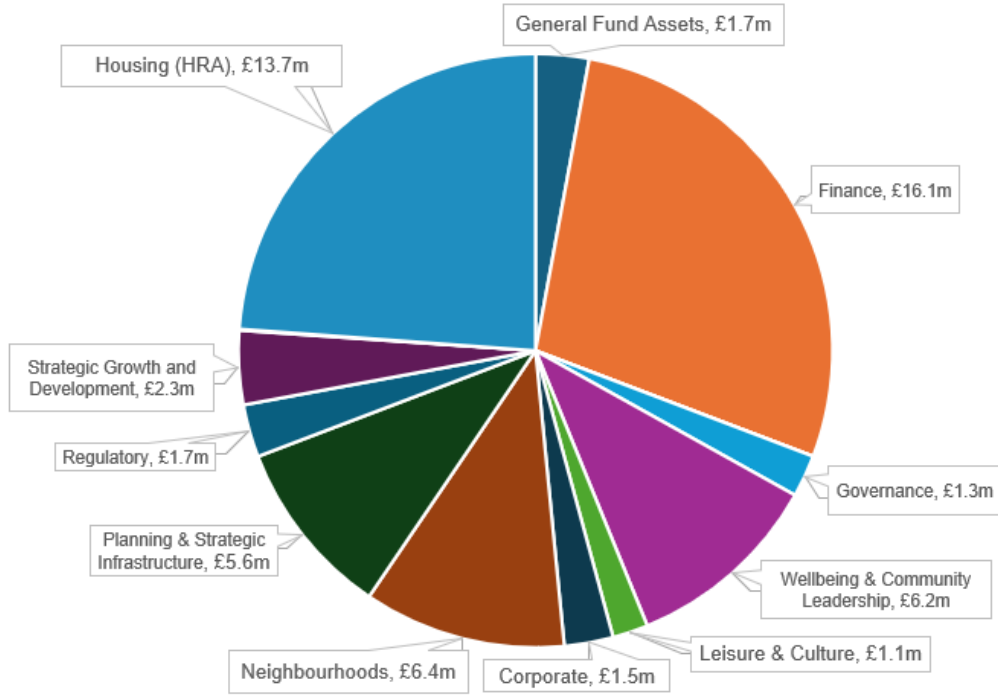
Running costs include expenditure on:

- Premises – for example rent, business rates, electricity, water and similar costs
- Transport – such as vehicle costs, travel fares and related expenses
- Supplies and services – including equipment, telephony, and contracted services
- Payments to external providers delivering services on behalf of the council (e.g. leisure services)

Employee costs include:

- Staffing – such as salaries, pension contributions, agency or temporary staff, professional subscriptions and associated costs.
- The Finance directorate reports Rent Allowance and Rent Rebate expenditure of £9.036m, with corresponding income of £8.624m reflected in the Sources of Income chart above under Government Grants and Subsidy Towards Benefits.
- Housing (HRA) expenditure includes costs relating to repairs and maintenance, supervision and management, and the depreciation and revaluation of non-current assets.

Expenditure by Service Director (£'m)



Financial Performance

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

General Fund

The full year outturn delivered a budget underspend of £0.258m. The surplus has been transferred to Council reserves. The table below shows the outturn position.

Net Spend by Service Director Area			
Service Director	Revised Budget 2025/26 £'000	Outturn 2025/26 £'000	Variance (underspend)/ overspend £'000
Corporate	721	591	(130)
Finance	3,868	3,648	(220)
Housing	(206)	(116)	90
General Fund Assets	(106)	(127)	(21)
Governance	982	1,013	31
Leisure & Culture	375	537	162
Neighbourhoods	4,197	4,470	273
Planning & Strategic Infrastructure	452	203	(249)
Regulatory	848	692	(156)
Strategic Growth & Development	251	245	(6)
Strategic Project	26	9	(17)
Wellbeing & Community Leadership	2,027	1,872	(155)
Spalding Special Expenses	223	223	-
Efficiencies Requirement	(1,256)	(608)	648
Sub Total – SD Net Costs	12,402	12,652	250
Internal Drainage Boards and Parish Precepts	4,978	4,978	-
Investment Income	(771)	(1,279)	(508)
Minimum Revenue Provision (MRP)	450	448	(2)
Impairment Allowance – Bad debt provision	3	236	233
Capital Expenditure Charged in Year	263	255	(8)
Transfers to/(from) Earmarked Reserves	(220)	(212)	8
Other Income and Expenditure	4,703	4,426	(277)
General Fund Budget net costs	17,105	17,078	(27)
Council Tax	(8,110)	(8,111)	(1)
Business Rates	(7,152)	(7,368)	(216)
Government Grants	(1,843)	(1,857)	(14)
Total Funding	(17,105)	(17,336)	(231)
Total Budget - (Surplus)/Deficit	-	(258)	(258)

Capital Financial Performance

The table below details the revisions to the Capital Programme and progress against the 2025/26 approved programme including the outturn to 31 March 2026.

2025/26 Capital Programme and Outturn					
Scheme	Approved Budget 2025/26 £'000	Changes to the Approved Budget £'000	Revised Budget 2025/26 £'000	Outturn £'000	Variance (under)/over £'000
Non UKSPF & LUF projects					
Capital Enhancements	308	-	308	214	(94)
ICT	52	-	52	36	(16)
Footway Lighting	55	-	55	55	-
Neighbourhoods	1,724	-	1,724	277	(1,447)
Disabled Facilities Grants	958	-	958	873	(85)
Car Park Resurfacing	85	-	85	79	(6)
Lutyens Memorial	211	-	211	211	-
Uniform System	274	-	274	13	(261)
Unit 4 Migration	54	-	54	14	(40)
Spalding Gateway Public Realm Project	46	-	46	-	(46)
Local Authority Housing Fund	200	273	473	386	(87)
Total Non UKSPF & LUF Projects	3,967	273	4,240	2,158	(2,082)
UKSPF & LUF					
UKSPF	290	-	290	272	(18)
UKSPF – Rural	210	-	210	202	(8)
Total UKSPF	500	-	500	474	(26)
South Holland Health and Wellbeing Hub	10,163	-	10,163	8,966	(1,197)
Total LUF	10,163	-	10,163	8,966	(1,197)
Grand Total – All Projects	14,630	273	14,903	11,598	(3,305)

2025/26 Capital Programme Financing				
All Projects	Approved Budget 2025/26 £'000	Revised Budget 2025/26 £'000	Actuals to March 2026 £'000	Variance £'000
Revenue	(43)	(43)	(43)	-
Investment and Growth Reserve	(211)	(211)	(211)	-
Grants	(11,668)	(11,941)	(10,544)	1,397
Internal Borrowing	(2,708)	(2,708)	(800)	1,908
Totals	(14,630)	(14,903)	(11,598)	3,305

Housing Revenue Account

HRA 2025/26 Outturn

HRA Projected Net Spend by Service Area 2025/26			
Service Area	Revised Budget 2025/26 £'000	Draft Outturn 2025/26 £'000	Variance (underspend)/ overspend £'000
Rent Income – Dwellings	(18,926)	(18,835)	91
Charges for Services and Facilities	(1,383)	(1,493)	(110)
Contributions to Expenditure	(5)	(1)	4
Total Income	(20,314)	(20,329)	(15)
Repairs and Maintenance	5,456	5,258	(198)
Supervision and Management	8,418	7,989	(429)
Rents, rates, taxes, and other charges	91	97	6
Depreciation	4,197	3,937	(260)
Movement in Allowance for bad debts	75	55	(20)
Total Expenditure	18,237	17,336	(901)
Contribution from Operations	(2,077)	(2,993)	(916)
Investment Income	(327)	(644)	(317)
Interest Payable	2,591	2,344	(247)
Borrowing Discount Allocated to Revenue	-	(1,837)	(1,837)
Net Operating (Surplus)/Deficit	187	(3,130)	(3,317)
HRA General Reserve (Use of Reserve) / Contribution	(187)	-	(187)
Total Budget - (Surplus)/Deficit	-	(3,130)	(3,130)

HRA Capital Position 2025/26			
	Revised Budget 2025/26	Draft Outturn 2025/26	Variance (underspend/ overspend)
	£'000	£'000	£'000
Central Heating	770	1,311	541
Kitchen/Bathroom	1,648	1,475	(173)
Smoke Alarms	279	356	77
Electrical Upgrades	5	62	57
Roofs and Gutters	970	40	(930)
Doors and Windows	1,603	475	(1,128)
Fire Remedial and Flat Entrance Works	291	338	47
Chimneys	8	175	167
Paths and Drives	38	77	39
Boundary Walls	3	14	11
Damp and Remedial Works	-	-	-
TV Aerials - Sheltered Schemes	106	102	(4)
Fees	432	-	(432)
27 Battlefields Lane - Insurance	-	12	12
Subtotal Decent Homes	6,153	4,437	(1,716)
Renewable Energy	8,309	2,950	(5,359)
Sewerage Treatment Plant	440	199	(241)
Car Parks	124	-	(124)
Community Centre Refurbishment	100	108	8
Structural Works	100	94	(6)
ICT Strategy / Infrastructure	49	-	(49)
Replacement Laptops	28	-	(28)
Major Adaptions	955	1,789	834
Sheltered Alarm Upgrade	329	327	(2)
Housing Repairs Vehicles	450	431	(19)
Northons Lane Holbeach	714	695	(19)
Jubilee Way Gosberton	-	-	-
Pheasant Street Holbeach	15	-	(15)
Primus Close Moulton Chapel	8	4	(4)
Biehler Avenue Weston	23	-	(23)
Wignals Gate S106 Acquisition	-	-	-
Cobgate Whaplode	10	-	(10)
Coalbeach Lane Surfleet	18	-	(18)
LAHF2 Frogmore Lane Holbeach	10	1	(9)
LAHF2 Tulip Fields Holbeach	8	-	(8)
River Close Surfleet	13	-	(13)
Purchase of Homes South Holland	700	-	(700)
Purchase Homes - Holbeach	300	-	(300)
LAHF 3	1,500	941	(559)
Other Schemes	14,203	7,539	(6,664)
Total	20,356	11,976	(8,380)
Funded By			
Capital Receipts	(321)	(699)	(378)
Major Repairs Reserve	(8,113)	(6,123)	1,990
Grants and Contributions	(3,479)	(1,597)	1,882
External Borrowing	(6,602)	-	6,602
HRA General Reserve	(1,841)	(3,557)	(1,716)
Total	(20,356)	(11,976)	8,380

Collection Fund Financial Performance

The balance on the Council Tax Collection Fund at 31 March 2026 showed a £0.172m 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.

The balance on the NNDR Collection Fund at 31 March 2026 showed a £0.580m surplus. This will be shared between the District, Lincolnshire County Council and the Government in proportion with each party's relative proportionate share.

Reserves and Balances

The General Fund reserve balance is £11.599m, after a net transfer to reserves of £0.846m to cover revenue and capital expenditure. The draft HRA reserve balance is 12.730m after a net transfer from reserves of £2.468m.

Reserve	Specific and General Reserves Balance			
	Balances at 1 April 2025 £'000	Contributions into Reserves £'000	Use of Reserves £'000	Balances at 31 March 2026 £'000
General Fund				
Parish Loans	100	-	-	100
Council Tax	1,640	48	(17)	1,671
Repayment Reserve	66	-	-	66
Investment and Growth*	2,708	310	(561)	2,457
Transformation	297	118	(159)	256
Planning Reserve	837	191	(20)	1,008
Waste Transformation Reserve	-	1,508	-	1,508
Climate Change Reserve	113	3	-	116
Specific Reserves Total	5,761	2,178	(757)	7,182
Earmarked Grants Reserve	924	790	(97)	1,617
S106 Reserve	1,774	582	(1,902)	454
Spalding Special Expenses	216	76	(24)	268
General Fund	2,078	-	-	2,078
Total	10,753	3,626	(2,780)	11,599
Housing Revenue Account				
HRA General Reserve**	12,496	3,130	(3,557)	12,069
Insurance	200	-	-	200
Major Repairs	2,502	3,937	(6,123)	316
Sheltered HRA	-	145	-	145
Total	15,198	7,212	(9,680)	12,730

*Includes £0.258m being the General Fund surplus

**Includes £3.130m being the HRA surplus

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.

Below is an overview of each reserve:

Council Tax Reserve: This renamed reserve holds the year-end balances of any accounting adjustments necessary for the Council's Collection Fund or other volatile components in the Council's Revenue Account, including in-year deficits, should they occur.

Replacement Reserve: This reserve is funded by annual contributions from service areas for the maintenance and replacement of facilities, vehicles, and equipment. This has now largely been replaced by MRP.

Repayment Reserve: This is for services set aside for the replacement of certain assets, funded by contributions revenue over the life of those assets.

Climate Change Reserve: For the implementation of smaller schemes, help with fund preparation for larger capital scheme funding bids and fund feasibility reports.

Investment and Growth Reserve: For the implementation of capital scheme funding and service area development growth that provides a return to revenue budgets

Transformation Reserve: The purpose of this reserve is to enable the council to invest in service transformation for the future.

Waste Transformation Reserve: This grant is to contribute towards the costs of disposing of waste already in the system, so that it is available for widespread use, as those costs are already being financed.

Planning Reserve: The Government provides grant aid/awards for performance on Planning services. The Council's policy is to draw sums from here annually to support the work of the planning service, e.g., the creation of the local plan.

Parish Loans Reserve: Any loans to Parish Councils will be financed from this reserve. The payment of the loan will not increase the Council's Capital Financing Requirement.

Spalding Special Reserve – Ringfenced: This reserve holds funds specifically for Spalding Special Services. Spalding Special Expenses are a separate charge to the residents of Spalding for services provided in their town and are charged as a supplement to the main council tax.

Earmarked Grants Reserve – Ringfenced: This reserve holds unspent funds received as grants from external bodies for specific schemes/projects.

HRA General Reserve: This reserve can be used to finance both revenue and capital expenditure, as well as to meet costs arising from unforeseen events. Any surpluses or deficits are charged to this reserve.

Insurance: Held to cover losses, low-value claims, and policy excesses; it can also finance risk management initiatives as needed.

Major Repairs: This reserve is used to finance capital investment in existing stock within the HRA.

Sheltered HRA: This reserve is to finance sheltered housing within the HRA.

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 2026 stands at £0.530m compared with £3.801m 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 2026. The IAS 19 Balance

Sheet position for the Council shows a reduced obligation and the net liability to the Council under IAS 19 pension deficit is higher in monetary terms at 31 March 2026. 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 2025, 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 defined 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 2025/26 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 preparation of next year's budget has presented significant challenges. South Holland District Council is facing unprecedented inflationary pressures that are driving up operational costs and affecting major contracts, capital projects, and community investments. At the same time, changing needs among residents, customers, and businesses continue to create uncertainty.

The 2026/27 Local Government Finance Settlement includes indicative allocations for 2027/28 and 2028/29, representing the first multi-year settlement in a decade. However, this has introduced additional challenges due to the cumulative impact of the 2024 Autumn Budget and Spending Review, the 2025 Budget, and the November 2025 Policy Statement. Together, these have resulted in an unprecedented degree of change within the Local Government Finance system, significantly increasing its complexity. At the same time, Councils are being required to deliver additional services, such as weekly food waste collections, while facing reductions in core Government funding. The recent settlement has consolidated several existing funding streams into the Revenue Support Grant. Although this grant has increased, overall funding has reduced, creating further financial pressure.

Furthermore, the reset of the Business Rates Retention System has led to a significant reduction in income compared to previous years. While this is intended to be offset through an increase in the Revenue Support Grant, the overall impact remains a material reduction in funding levels.

South Holland District Council operates with full constitutional autonomy, as do the councils with which we partner. Our priorities are clear and tailored to our district:

- Ensuring Financial Resilience: We are committed to delivering statutory services while navigating economic challenges.
- Supporting Vulnerable Residents: We target our support to maintain safety nets for the borough's most vulnerable.
- Boosting Local Prosperity: We invest in projects that strengthen and grow local economic opportunities.

We are actively developing new revenue streams, enhancing operational efficiencies, and refining expenditure processes to counteract the impacts of rising costs. For example, we are engaging with local businesses to identify bespoke opportunities that support our revenue base.

Internal Drainage Board precepts continue to rise and they now account for 55% of retained Council Tax. In response, the Council is working closely with local Internal Drainage Boards to seek to limit future increases

where possible. The Government has announced additional funding to support Councils significantly affected by these levies, with South Holland awarded £0.578m in 2025/26, and the Council expects a similar level of funding in 2026/27.

During 2025/26, S&ELCP established an Innovation, Transformation, and Efficiency Board. This board actively oversees efficiency targets and leads projects such as digital transformation initiatives to ensure we maximise value for money. The Medium-Term Financial Plan (MTFP) provides information on the Councils budget, transformation programme and reserves and can be found on the Council's website:

<https://democracy.sholland.gov.uk/documents/s46579/Appendix%201.pdf>

While our reserves currently provide a sufficient buffer to meet ongoing pressures and finance transformation projects, relying solely on these reserves is unsustainable over the long term. We are therefore diversifying our income and exploring additional financial strategies.

Finally, South Holland District Council maintains a proactive approach by closely monitoring international events that impact inflation and contractual obligations. We continuously assess how these external factors affect local business operations and licensing, ensuring that our responses remain agile and effective.

In the medium term, the implications for the Council as a result of the possible Local Government Reorganisation in Lincolnshire remains uncertain. Work will continue with elected members, partner organisations and Central Government to ensure it is prepared for the future.

Key Risks

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

Future Opportunities

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

The 2026/27 Alignment and Delivery Plan sets out the projects to be brought forward by the Partnership Councils during this municipal year. This is set against a backdrop of Local Government Re-organisation that is anticipated to see new Councils formed for April 2028 onwards.

Further information on the Financial Statements 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

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

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

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Council's Financial Statements in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom (the Code)*.

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

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

Certification by the Chief Financial Officer

I hereby certify that the audited 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 2026.

Russell Stone
Executive Director, Finance and Section 151 Officer

Date:

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.

	2024/25				2025/26		
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
	2,099	(981)	1,118	General Fund Assets	1,673	(1,117)	556
	17,362	(12,635)	4,727	Finance	16,086	(11,141)	4,945
	1,509	(511)	998	Governance & Monitoring	1,326	(318)	1,008
	3,676	(2,207)	1,469	Communities & Housing	6,211	(3,657)	2,554
	2,353	(918)	1,435	Leisure & Local Services	1,115	(34)	1,081
	1,643	(200)	1,443	Corporate	1,535	(251)	1,284
	6,544	(1,082)	5,462	Neighbourhoods	6,354	(2,615)	3,739
	3,415	(4,950)	(1,535)	Planning and Strategic Infrastructure	5,615	(4,351)	1,264
	1,607	(1,015)	592	Regulatory	1,656	(1,033)	623
	4,084	(2,981)	1,103	Strategic Growth and Development	2,321	(1,859)	462
	-	-	-	Pride in Place	37	-	37
	17,769	(19,938)	(2,169)	Housing	13,748	(20,329)	(6,581)
	62,061	(47,418)	14,643	Cost of Services	57,677	(46,705)	10,972
	4,807	(150)	4,657	Other operating expenditure (Note 10)	5,157	(671)	4,486
	6,373	(6,140)	233	Financing and investment income and expenditure (Note 11)	7,332	(25,035)	(17,703)
	6,752	(31,027)	(24,275)	Taxation and non-specific grant income and expenditure (Note 12)	6,785	(42,613)	(35,828)
	79,993	(84,735)	(4,742)	(Surplus) or Deficit on the Provision of Services	76,951	(115,024)	(38,073)
			9,401	Surplus on revaluation of property, plant and equipment assets			(2,954)
			(348)	(Surplus) or Deficit from investments in equity instruments designated at fair value through other comprehensive income			(35)
			489	Remeasurements of the net defined benefit liability			(2,092)
			9,542	Other Comprehensive Income and Expenditure			(5,081)
			4,800	Total Comprehensive Income and Expenditure			(43,154)

The notes to the accounts on pages 25 - 95 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.

2025/26	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 2025	2,078	8,675	12,496	200	2,502	8,356	6,201	40,508	223,265	263,773
Movement in Reserves during 2025/26										
Total Comprehensive Income and Expenditure	16,045	-	22,028	-	-	-	-	38,073	5,081	43,154
Adjustments between accounting basis and funding basis under regulations (Note 8)	(15,199)	-	(18,753)	-	(2,186)	2,976	6,675	(26,487)	26,487	-
Increase/(Decrease) in 2025/26	846	-	3,275	-	(2,186)	2,976	6,675	11,586	31,568	43,154
Transfer to/(from) Earmarked Reserves	(846)	846	-	-	-	-	-	-	-	-
Transfer to/from Other Reserves	-	-	(3,557)	-	-	-	-	(3,557)	3,557	-
Balance at 31 March 2026 carried forward	2,078	9,521	12,214	200	316	11,332	12,876	48,537	258,390	306,927

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

The notes to the accounts on pages 25 - 95 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 2025 £'000		Note	31 March 2026 £'000
293,778	Property, Plant and Equipment	13	310,509
103	Right of Use Assets	35	114
101	Heritage Assets	14	102
2,460	Investment Property	15	2,524
91	Intangible Assets	16	55
6,078	Long Term Investments	17	6,113
6,697	Long Term Debtors		6,699
309,308	Long Term Assets		326,116
20,332	Short Term Investments	17	26,933
2,229	Assets Held for Sale	20	1,296
8,410	Short Term Debtors	18	10,250
5,277	Cash and Cash Equivalents	19	3,825
36,248	Current Assets		42,304
-	Cash and Cash Equivalents	19	-
(26)	Short Term Borrowing		(74)
-	Short Term Lease Liabilities	35	(4)
(8,407)	Short Term Creditors	21	(8,729)
(129)	Provisions	22	(282)
(8,562)	Current Liabilities		(9,089)
(67,456)	Long Term Borrowing		(50,000)
(26)	Long Term Lease Liabilities	35	(35)
(3,801)	Other Long Term Liabilities – Pension Liability	36	(530)
(1,742)	Other Long Term Liabilities – S106 and Rent Deposits		(1,643)
(196)	Grants Receipts in Advance – Capital	32	(196)
(73,221)	Long Term Liabilities		(52,404)
263,773	Net Assets		306,927
(40,508)	Usable Reserves		(48,537)
(223,265)	Unusable Reserves	24	(258,390)
(263,773)	Total Reserves		(306,927)

The notes to the accounts on pages 25 – 95 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.

2024/25 £'000	2024/25 £'000		2025/26 £'000	2025/26 £'000
	4,742	Net surplus/(deficit) on the provision of services		38,073
9,847		Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 25)	5,813	
(5,040)	4,807	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 25)	(29,489)	(23,676)
	9,549	Net cash flows from Operating Activities		14,397
	(7,511)	Investing Activities (Note 26)		2,254
	474	Financing Activities (Note 27)		(18,094)
	2,512	Net increase in cash and cash equivalents		(1,443)
	2,762	Cash and cash equivalents at the beginning of the reporting period		5,277
	3	Other Cash Movements		(9)
	5,277	Cash and cash equivalents at the end of the reporting period (Note 19)		3,825

The notes to the accounts on pages 25 - 95 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 2025/26 financial year and its position at the year end of 31 March 2026. The Council is required to prepare an annual Financial Statements 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 2025/26, supported by International Financial Reporting Standards (IFRS).

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

2. Accruals of Income and Expenditure

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

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

3. Cash and Cash Equivalents

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

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

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

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

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

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

5. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

6. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e., the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

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

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

Business Improvement Districts

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

7. Employee Benefits

Benefits Payable during Employment

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements, or any form of leave e.g., time off in lieu, earned by employees but not taken before the year end which employees can

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

Termination Benefits

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

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

Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Lincolnshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

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

- The liabilities of the Lincolnshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e., an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 6.10% (5.80% in 2024/25), based on the indicative rate of return on high quality corporate bonds.
- The assets of the Lincolnshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.

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

Service Cost comprising:

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

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

Remeasurements comprising:

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

In relation to retirement benefits, statutory provisions require the General Fund Balance and Housing Revenue Account Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund and Housing Revenue Account of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8. Events after the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Financial Statements are adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Financial Statements are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Financial Statements.

9. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised

cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

Financial Assets

Financial Assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

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

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

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

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

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

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

Financial Assets Measured at Fair Value through Profit of Loss

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

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

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

Financial Assets Measured at Fair Value through Other Comprehensive Income

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

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

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

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

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

10. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

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

11. Heritage Assets

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

Civic Regalia and Works of Art:

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

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

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

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

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

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

12. Intangible Assets

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

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

- Computer software and licences – straight line basis

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

13. Interest in Companies and Other Entities

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

14. Joint Operations

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

15. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Assets are transferred into or out of the Investment Property class only when there is evidence of a change of use.

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

16. Leases

The authority as a lessee

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

Initial measurement

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

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

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

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

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

Subsequent measurement

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

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

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

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

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

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

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

Low value and short lease exemption

As permitted by the Code, the authority excludes leases:

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

Lease expenditure

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

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

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

The authority as lessor

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Finance leases

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund balance to the capital receipts reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the deferred capital receipts reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve.

The Council has no finance lease commitments as at 31 March 2026.

Operating leases

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

17. Material Items of Income or Expense

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

18. Overheads and Support Services

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

19. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual's basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an assets potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising;

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income and expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance to the capital adjustment account in the Movement in Reserves Statement.

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

- infrastructure assets, community assets and assets under construction – depreciated historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

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

From 1 April 2025, the Code of Practice on Local Authority Accounting (the Code) requirements changed in respect of revaluations of property, plant and equipment. Where authorities do not have a rolling programme of revaluations in place and/or the assets are not non-property assets subject to indexation, authorities revalue their assets every five years, with annual indexation applied to assets during the four intervening years. Where authorities cannot obtain indices without undue cost or effort, authorities revalue those assets using a quinquennial revaluation, with a desktop revaluation in year three.

The authority has adopted a 5 year rolling programme in 2025/26, with annual indexation applied to assets during the four intervening years. Council dwellings will continue to be revalued on an annual basis.

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 His 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 2025/26 (the Code) has introduced several changes in accounting standards which will be required from 1 April 2026.

- Amendments to FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage Assets)
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)
- Annual improvements to IFRS accounting standards – volume 11
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)

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

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

NOTE 3 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a large degree of uncertainty about future levels of funding for local government. However, the council has determined that this high level of uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- At the time the accounts were authorised for issue, the Council's valuers have provided values for the Council's assets taking into account what was known at the time. The Council's judgement was that there was not enough information to indicate that the assets were impaired and that Balance Sheet values should be reduced.
- It has been concluded that there is no appropriate index for particular assets that are not subject to revaluation in 2025/26, and there is no evidence to suggest that the increase in carrying amounts would have been material if an index had been available.
- 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 2026 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 2026 was £0.530m (£3.801m liability at 31 March 2025) 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 2025/26, the actuaries advised that South Holland's net pension liability had decreased by £3.271m. This is made up of:

- £2.029m actuarial loss
- £1.179m gain arising from employer contributions of £2.742m being more than the total pension costs of £1.563m.
- Change in impact of asset ceiling (£4.121m)

Debt Impairment for Sundry Debtors and Housing Benefit Overpayments - Carrying Value at 31 March 2026 £1.369m

Estimates for doubtful debts are an officer judgement based on prudent historical collection rates, considering the age and nature of the debtor, and taking into account knowledge of existing conditions in relation to outstanding debt; particularly given the current economic climate and future changes to welfare reform.

At 31 March 2026, the Council had a balance of sundry debtor and housing benefit overpayments of £1.369m. The Council's approach to review significant items suggested that an impairment allowance for doubtful debts of 50% (£0.690m) 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 60% of the total debt would require an additional £0.131m 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 2026.

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. A three-stage appeals process was introduced on 1 April 2017, for appeals against the subsequent rating lists. The 2023 rating list closed on 31 March 2026. The Council has received notice of challenges lodged against the 2023 rating list which may or may not materialise into successful appeals, therefore, this element of the provision has been made based on officers' views of an external assessment of the potential losses arising, as a result of yet to be determined appeals being successful. The Council's share of the provision as at 31 March 2026 is £0.282m (40% of £0.705m).

If the appeals provision increased by 10% the Council's share would increase to £0.310m.

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.

Property, Plant and Equipment – Property Assets - Carrying Value at 31 March 2026 £310.509m Investment Property - Carrying Value at 31 March 2026 £2.524m

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. If asset lives were reduced by one year the impact on the depreciation charged to the CIES would be immaterial.

NOTE 5 – EVENTS AFTER THE BALANCE SHEET DATE

The unaudited Financial Statements were authorised for issue by the Chief Finance Officer on 30 June 2026. Events taking place after 31 March 2026 are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2026, 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.

2024/25				2025/26		
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
767	351	1,118	General Fund Assets	580	(24)	556
4,912	(185)	4,727	Finance	5,165	(220)	4,945
1,016	(18)	998	Governance & Monitoring	1,036	(28)	1,008
612	857	1,469	Communities & Housing	1,346	1,208	2,554
1,084	351	1,435	Leisure & Local Services	816	265	1,081
1,165	278	1,443	Corporate	1,092	192	1,284
5,028	434	5,462	Neighbourhoods	3,419	320	3,739
(1,350)	(185)	(1,535)	Planning and Strategic Infrastructure	1,351	(87)	1,264
662	(70)	592	Regulatory	726	(103)	623
808	295	1,103	Strategic Growth and Development	(59)	521	462
-	-	-	Pride in Place	37	-	37
(5,128)	2,959	(2,169)	Housing	(6,751)	170	(6,581)
9,576	5,067	14,643	Net Cost of Services	8,758	2,214	10,972
(12,005)	(7,380)	(19,385)	Other Income and Expenditure	(12,879)	(36,166)	(49,045)
(2,429)	(2,313)	(4,742)	(Surplus) or Deficit	(4,121)	(33,952)	(38,073)

General Fund Balance	HRA Balance	Total		General Fund Balance	HRA Balance	Total
£'000	£'000	£'000		£'000	£'000	£'000
2,078	15,395	17,473	Opening Balance at 1 April	2,078	12,496	14,574
-	(2,899)	(2,899)	Surplus or (Deficit) in Year (after transfers to/from earmarked reserves)	-	(282)	(282)
2,078	12,496	14,574	Closing Balance at 31 March	2,078	12,214	14,292

NOTE 6A – NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2025/26				
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	36	(60)	-	(24)
Finance	-	(220)	-	(220)
Governance & Monitoring	-	(28)	-	(28)
Communities & Housing	1,386	(178)	-	1,208
Leisure & Local Services	268	(3)	-	265
Corporate	154	38	-	192
Neighbourhoods	621	(301)	-	320
Planning and Strategic Infrastructure	-	(87)	-	(87)
Regulatory	3	(106)	-	(103)
Strategic Growth and Development	562	(41)	-	521
Pride in Place	-	-	-	-
Housing	504	(334)	-	170
Net Cost of Services	3,535	(1,321)	-	2,214
Other Income and Expenditure from the Funding Analysis	(36,493)	142	185	(36,166)
Difference between General Fund (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (Surplus)/Deficit	(32,958)	(1,179)	185	(33,952)

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

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 6B - SEGMENTAL INCOME

Trading Income received on a segmental basis is analysed below:

Service Segment	Income Area	2025/26 Income from Services £'000	2024/25 Income from Services £'000
Neighbourhoods	Markets	33	29
Regulatory	Licensing	190	123
General Fund Assets	Commercial Rents	374	329
Neighbourhoods	Green Waste	866	793
General Fund Assets	Car Parking	410	404
Planning and Strategic Infrastructure	Planning	1,466	1,488
Planning	Land Charges	96	86
Planning	Building Control	340	300
Total Income analysed on a segmental basis		3,775	3,552

NOTE 7 – EXPENDITURE AND INCOME ANALYSED BY NATURE

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

2024/25 £'000		2025/26 £'000
	<u>Expenditure</u>	
15,508	Employee benefits expenses	16,748
25,260	Other service expenses	26,069
10,891	Benefits expenditure	9,035
6,982	Depreciation, amortisation, impairment	5,550
2,350	Interest payments	2,388
4,712	Precepts and levies	4,978
203	Increase in impairment allowance	291
20	Changes in fair value of investment property	69
1	Payments to Housing Capital Receipts Pool	-
6,752	Business Rates tariff and levy	6,785
94	Loss on disposal of non-current assets	180
3,435	Loss on revaluation of non-current assets	291
3,785	Pensions interest cost	4,567
79,993	Total Expenditure	76,951
	<u>Income</u>	
(18,309)	Income from council tax and non-domestic rates	(19,142)
(8,514)	Government grants and contributions	(8,117)
(8,077)	Other grants and contributions (including capital)	(19,654)
(32,931)	Fees, charges and other service income	(33,872)
(10,789)	Benefits income	(8,786)
(19)	Decrease in impairment allowance	-
(1,994)	Interest and investment income	(1,964)
-	Payments to Housing Capital Receipts Pool	(1)
-	Discount on premature repayment of borrowing	(18,372)
-	Change in fair value of equity investments	-
(225)	Changes in fair value of investment property	(20)
(77)	Gain on entry – peppercorn lease	-
-	Gain on revaluation of non-current assets	-
(150)	Gain on disposal of non-current assets	(671)
(3,650)	Pensions interest income	(4,425)
(84,735)	Total Income	(115,024)
(4,742)	(Surplus) or Deficit on the Provision of Services	(38,073)

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.

2025/26	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	(881)	(298)	-	-	-
• Council Tax and Non-Domestic Rates	185	-	-	-	-
• Holiday pay	-	-	-	-	-
• Movements in the market value of Investment Properties	49	-	-	-	-
• Capital grants and contributions applied to capital financing	(10,544)	(915)	-	-	(682)
• Capital grants and contributions not applied to capital financing	(6,070)	(1,287)	-	-	7,357
• Premium/(discount) on premature repayment of borrowing	-	(16,534)	-	-	-
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	3,175	7,482	-	-	-
Total Adjustments to Revenue Resources	(14,086)	(11,552)	-	-	6,675
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(422)	(3,316)	3,738	-	-
Administrative costs of non-current asset disposals	15	52	(67)	-	-
Payments to the government housing receipts pool	(1)	-	1	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	(3,937)	-	3,937	-
Minimum Revenue Provision	(451)	-	-	-	-
Other income that cannot be credited to the CIES	-	-	-	-	-
Gain on entry – peppercorn lease	-	-	-	-	-
Capital expenditure financed from revenue balances	(254)	-	-	-	-
Total Adjustments between Revenue and Capital Resources	(1,113)	(7,201)	3,672	3,937	-
Adjustments to Capital Resources					
Use of Capital Receipts Reserve to finance capital expenditure	-	-	(699)	-	-
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	(6,123)	-
Use of capital grants to finance capital expenditure	-	-	-	-	-
Cash payments in relation to deferred capital receipts	-	-	3	-	-
Total Adjustments to Capital Resources	-	-	(696)	(6,123)	-
Total Adjustments	(15,199)	(18,753)	2,976	(2,186)	6,675

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

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 transferred from earmarked reserves to meet General Fund and HRA expenditure in 2025/26.

	Balance 31 March 2024 £'000	Transfers Out 2024/25 £'000	Transfers In 2024/25 £'000	Balance 31 March 2025 £'000	Transfers Out 2025/26 £'000	Transfers In 2025/26 £'000	Balance 31 March 2026 £'000
General Fund							
Council Tax Reserve	1,195	-	445	1,640	(17)	48	1,671
Replacement and Refurbishment Reserve	-	-	-	-	-	1,508	1,508
Investment and Growth Reserve	2,854	(267)	121	2,708	(561)	310	2,457
Transformation Reserve	207	(126)	216	297	(159)	118	256
Repayment Reserve	66	-	-	66	-	-	66
Climate Change	37	-	76	113	-	3	116
S106 Reserve	620	(582)	1,736	1,774	(1,902)	582	454
Parish Loans Reserve	-	-	100	100	-	-	100
Planning Reserve	394	-	443	837	(20)	191	1,008
Spending Special Expenses	138	-	78	216	(24)	76	268
Earmarked Grants Reserve	514	(85)	495	924	(97)	790	1,617
Total General Fund	6,025	(1,060)	3,710	8,675	(2,780)	3,626	9,521
Housing Revenue Account							
Insurance Reserve	200	-	-	200	-	-	200
Total Housing Revenue Account	200	-	-	8,875	(2,780)	3,626	9,721
Total Earmarked Reserves	6,225	(1,060)	3,710	8,875	(2,780)	3,626	9,721

NOTE 10 – OTHER OPERATING EXPENDITURE

2024/25 £'000		2025/26 £'000
1,299	Parish Council Precepts	1,407
3,413	Internal Drainage Board Levies	3,571
1	Payments to the Government Housing Capital Receipts Pool	(1)
(56)	(Gains)/Losses on the disposal of non-current assets	(491)
4,657	Total	4,486

NOTE 11 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2024/25 £'000		2025/26 £'000
2,350	Interest payable and similar charges	2,388
135	Net interest on the net defined benefit liability for pensions	142
(1,994)	Interest receivable and similar income	(1,964)
184	Movement in the impairment allowance for bad debts	291
-	Premium/(discount) on the premature repayment of borrowing	(18,372)
(442)	Income and expenditure in relation to investment properties and changes in their fair value	(188)
233	Total	(17,703)

NOTE 12 – TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE

2024/25 £'000		2025/26 £'000
(7,674)	Council Tax income	(8,093)
(3,883)	Retained Business Rates income and expenditure	(4,264)
(3,173)	Section 31 Grant	(2,937)
(452)	Revenue Support Grant	(491)
(1,600)	Non-ringfenced government grants	(1,365)
(7,416)	Capital grants and contributions	(18,678)
(77)	Gain on entry – peppercorn lease	-
(24,275)	Total	(35,828)

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

2025/26	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 2025	256,980	28,055	8,380	886	750	3,450	298,501
Additions	10,079	9,641	734	-	-	1,125	21,579
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(1,472)	486	-	-	137	-	(849)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(734)	194	-	-	-	-	(540)
Derecognition – disposals	(1,538)	-	(599)	-	(30)	-	(2,167)
Assets reclassified (to)/from Held for Sale	(113)	(764)	-	-	-	-	(877)
Other movements in Cost or Valuation	772	(15,101)	1,758	(388)	(265)	13,224	-
At 31 March 2026	263,974	22,511	10,273	498	592	17,799	315,647
Accumulated Depreciation and Impairment							
At 1 April 2025	-	-	(5,152)	(146)	-	-	(5,298)
Depreciation charge	(3,685)	(766)	(919)	0	(20)	-	(5,390)
Depreciation written out to the Revaluation Reserve	3,318	486	-	-	-	-	3,804
Depreciation written out to the Surplus/Deficit on the Provision of Services	345	67	-	-	20	-	432
Derecognition – disposals	22	-	583	-	-	-	605
Other movements in depreciation and impairment	-	141	(83)	83	-	(141)	-
At 31 March 2026	-	(72)	(5,571)	(63)	-	(141)	(5,847)
Net Book Value							
At 31 March 2025	256,980	28,055	3,228	740	750	3,450	293,203
At 31 March 2026	263,974	22,439	4,702	435	592	17,658	309,800

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

Depreciation

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

- Council Dwellings – major components
 - Structure – 71-112 years
 - Roofs – 51-72 years
 - Kitchens – 20-32 years
 - Bathrooms – 30-42 years
 - Windows and Doors – 30-42 years
- Other Land and Buildings – 2-72 years
- Vehicles, Plant, Furniture & Equipment – 4-25 years
- Infrastructure – 2-40 years

Capital Commitments

General Fund capital schemes with contractual commitments are South Holland Health and Wellbeing Hub £14.4m and Waste Review £8.1m.

Effects of Changes in Estimates

No material changes were made to the Council's accounting estimates for Property, Plant and Equipment in 2025/26.

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. The authority has adopted a 5 year rolling programme of revaluations in 2025/26, with annual indexation applied to assets during the four intervening years. Council dwellings continue to be revalued on an annual basis. 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 2025/26 were undertaken by Ed Cox MRICS, the South East Lincolnshire Partnership's qualified valuer, and Andy Smith BSc MRICS IRRV, RICS Registered Valuer (Savills).

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	-	10,273	3,320	498	-	17,799	31,890
Valued at fair value as at:								
31 March 2025	-	1,415	-	-	-	214	-	1,629
31 March 2026	263,974	21,096	-	-	-	378	-	285,448
Total Cost or Valuation	263,974	22,511	10,273	3,320	498	592	17,799	318,967

Fair Value Hierarchy – Surplus Assets

Details of the authority's surplus assets and information about the fair value hierarchy as at 31 March 2026 is as follows:

Fair Value Level 2 2024/25 £'000		Fair Value Level 2 2025/26 £'000
750	Surplus Land	592
750	Balance at end of the year	592

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.

	2025/26 £'000	2024/25 £'000
Net book value (modified historical cost) at 1 April	575	470
Additions	253	173
Depreciation	(119)	(68)
Net book value at 31 March	709	575

	2025/26	2024/25
Infrastructure assets	709	575
Other PPE assets	309,800	293,203
Total PPE assets	310,509	293,778

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:

2024/25 £'000		Civic Regalia and Works of Art 2025/26 £'000	Archaeological Sites, Smallholdings and other Land and Sites of Special 2025/26 £'000	Total 2025/26 £'000
98	Cost or valuation			
3	1 April	62	39	101
	Revaluations	-	1	1
101	31 March	62	40	102

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 2026.
- 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:

2024/25		2025/26
£'000		£'000
(251)	Rental Income from investment property	(254)
14	Direct operating expenses arising from investment property	17
(205)	Net (gains)/losses from fair value adjustments	49
(442)	Net (gain)/loss	(188)

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.

2024/25		2025/26
£'000		£'000
2,255	Balance at start of the year	2,460
-	Additions and Enhancements	113
205	Net gains/(losses) from fair value adjustments	(49)
2,460	Balance at end of the year	2,524

Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2026 is as follows:

Fair Value Level 2 2024/25 £'000		Fair Value Level 2 2025/26 £'000
2,460	Commercial Industrial Units	2,524
2,460	Balance at end of the year	2,524

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 £36,000 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:

2024/25 £'000		2025/26 £'000
	Balance at start of year:	
1,287	- Gross carrying amounts	1,311
(1,186)	- Accumulated amortisation	(1,220)
101	Net carrying amount at start of year	91
	Additions:	
24	- Purchases	-
(34)	Amortisation for the period	(36)
-	Derecognition	-
91	Net carrying amount at end of year	55
	Comprising:	
1,311	- Gross carrying amounts	1,311
(1,220)	- Accumulated amortisation	(1,256)
91		55

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
	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through other comprehensive income – Designated equity instruments	6,078	6,113	-	-	-	-	-	-	6,078	6,113
Amortised cost										
Investments	-	-	-	-	20,332	26,933	-	-	20,332	26,933
Cash & cash equivalents	-	-	-	-	5,277	3,825	-	-	5,277	3,825
Mortgages and car loans	-	-	88	90	-	-	27	31	115	121
Loans to Welland Homes	-	-	6,546	6,546	-	-	-	-	6,546	6,546
Trade debtors	-	-	63	63	-	-	3,797	4,693	3,860	4,756
Total financial assets	6,078	6,113	6,697	6,699	25,609	30,758	3,824	4,724	42,208	48,294

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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
	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost										
External borrowing	(67,456)	(50,000)	-	-	(26)	(74)	-	-	(67,482)	(50,074)
Trade creditors	-	-	-	-	-	-	(5,641)	(6,781)	(5,641)	(6,781)
Total financial liabilities	(67,456)	(50,000)	-	-	(26)	(74)	(5,641)	(6,781)	(73,123)	(56,855)

Income, expense, gains and losses

	2024/25 Surplus or Deficit on the Provision of Services £'000	2025/26 Surplus or Deficit on the Provision of Services £'000
Net gains/losses on:		
Interest Revenue		
Financial assets measured at amortised cost	(1,994)	(1,964)
Interest expense	2,348	2,344
Fee Expense		
Brokers fees	3	18

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 £4.829m. The Company accounts reported capital and reserves balances of £4.835m as at 31 March 2026. This is presented in the Financial Assets table above, as fair value through other comprehensive income – designated equity instruments. The authority did not intend to dispose of the shares at the Balance Sheet date.

The authority is also the sole shareholder of South Holland Local Community Housing Interest Company. The fair value of the equity balance brought forward was £1.250m and this equity is categorised as Level 3 inputs due to there being no active market for the shares. The Company accounts reported capital and reserves balances of £1.278m as at 31 March 2026. 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 long term PWLB HRA borrowing of £67.456m which was brought forward from previous years was repaid in 2025/26 at a discount of £18.371m and replaced with £50m of new PWLB HRA borrowing.

The fair values calculated are as follows:

LIABILITIES	31 March 2025		31 March 2026	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Borrowing	(67,482)	(42,750)	(50,074)	(49,036)

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 2026) arising from a commitment to pay interest to lenders below current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £49.036m 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 £50m would be valued at £49.036m. If the Council were to prematurely repay the loans to the PWLB a premium would be payable based on rates as at 31 March 2026. The exit price for the PWLB loans including the premium and accrued interest would be £50.522m.

ASSETS	31 March 2025		31 March 2026	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Short Term investments	20,332	20,332	26,933	26,933
Loans to Subsidiaries	6,546	4,666	63	4,512
Castle Sports	63	63	63	63

The loans to subsidiaries are loans to Welland Homes Limited, which is the Council's wholly owned Housing Company. The Council has made loans totalling £6.546m with a fair value of £4.512m. These loans are categorised under Level 2 inputs and uses the income approach to establish fair value.

NOTE 18 – DEBTORS

31 March 2025 Net £'000		31 March 2026 Gross £'000	31 March 2026 Impairment £'000	31 March 2026 Net £'000
917	Trade debtors	758	(202)	556
2,590	Council Tax & NDR debtors	4,100	(940)	3,160
2,885	Related parties	4,887	-	4,887
451	Prepayments	687	-	687
188	Costs	577	(379)	198
1,379	Other entities and individuals	1,896	(1,134)	762
8,410	Total	12,905	(2,655)	10,250

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 2025 £'000		31 March 2026 £'000
536	Less than one year	695
1,189	More than one year	1,420
1,725	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 2025 £'000		31 March 2026 £'000
1,747	Bank current accounts	2,804
3,530	Deposits with Banks on Instant Access	1,021
5,277	Cash and Cash Equivalents categorised as Current Assets	3,825
-	Bank current accounts	-
-	Cash and Cash Equivalents categorised as Current Liabilities	-
5,277	Total Cash and Cash Equivalents	3,825

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 2026 has significantly decreased from the prior year due to less RTB applications being at the accepted stage by tenants who are eligible to purchase them.

2024/25 £'000		2025/26 £'000
935	Balance outstanding at start of year	2,229
2,229	Assets newly classified as held for sale:	1,031
	- Property, Plant and Equipment	
(335)	Assets declassified as held for sale:	(154)
	- Property, Plant and Equipment	
(600)	Assets sold	(1,625)
-	Revaluation losses	(185)
2,229	Balance outstanding at year end	1,296

NOTE 21 – CREDITORS

2024/25 £'000		2025/26 £'000
(3,755)	Trade Payables	(4,112)
(1,047)	Council Tax & NDR Payables	(819)
(415)	Other Payables – Central Government	(301)
(1,324)	Other Payables – Other LA's	(2,090)
(673)	Other Payables	(681)
(1,193)	Receipts In Advance	(726)
(8,407)	Total	(8,729)

NOTE 22 – PROVISIONS

	Business Rate Appeals £'000
Balance at 1 April 2025	(129)
Additional provisions made in 2025/26	(259)
Amounts used in 2025/26	-
Unused amounts reversed in 2025/26	106
Balance at 31 March 2026	(282)

The provision represents South Holland's share (40% of £0.705m) of the total provision for appeals against the rateable values set by the Valuation Office Agency (VOA) not settled as at 31 March 2026. The total provision has been recognised in the Collection Fund Statement (page 101).

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 2025 £'000		31 March 2026 £'000	
128,339	Revaluation Reserve	127,526	
96,053	Capital Adjustment Account	112,339	
(3,801)	Pensions Reserve	(530)	
34	Deferred Capital Receipts Reserve	32	
439	Collection Fund Adjustment Account	254	
(108)	Accumulated Absences Account	(109)	
-	Financial Instruments Adjustment Account	16,534	
2,309	Financial Instruments Revaluation Reserve	2,344	
223,265	Total Unusable Reserves	258,390	

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.

2024/25 £'000	2024/25 £'000		2025/26 £'000	2025/26 £'000
	141,444	Balance at 1 April		128,339
5,118		Upward revaluation of assets	7,071	
(14,519)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(4,117)	
	(9,401)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		2,954
(3,051)		Difference between fair value depreciation and historical cost depreciation	(2,199)	
(653)		Accumulated gains on assets sold or scrapped	(1,568)	
	(3,704)	Amount written off to the Capital Adjustment Account		(3,767)
	128,339	Balance at 31 March		127,526

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.

2024/25 £'000		2025/26 £'000
(4,044)	Balance at 1 April	(3,801)
(489)	Remeasurements of the net defined benefit liability	2,092
(1,887)	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	(1,563)
2,619	Employer's pensions contributions and direct payments to pensioners payable in the year	2,742
(3,801)	Balance at 31 March	(530)

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.

2024/25 £'000	2024/25 £'000		2025/26 £'000	2025/26 £'000
	87,738	Balance at 1 April		96,053
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(6,949)		Charges for depreciation and impairment of non-current assets	(5,514)	
(3,435)		Reversal of Revaluation losses on Property, Plant and Equipment	(291)	
(34)		Amortisation of intangible assets	(36)	
(1,763)		Revenue expenditure funded from capital under statute	(1,629)	
(77)		Gain on entry – peppercorn lease	-	
(2,102)		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	(3,187)	
	(14,360)			(10,657)
	653	Adjusting amounts written out of the Revaluation Reserve		1,568
	3,051	Net written out amount of the cost of non-current assets consumed in the year		2,199
		Capital financing applied in the year:		
1,302		Use of the Capital Receipts Reserve to finance new capital expenditure	699	
7,286		Use of the Major Repairs Reserve to finance new capital expenditure	6,123	
6,544		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	12,141	
391		Minimum Revenue Provision	451	
-		Application of grants to capital financing from the Capital Grants Unapplied Account	-	
3,088		Capital expenditure charged against the General Fund and HRA balances	3,811	
	18,611			23,225
	(206)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(49)
	96,053	Balance at 31 March		112,339

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.

2024/25 £'000		2025/26 £'000
38	Balance at 1 April	34
(4)	Transfer to the Capital Receipts Reserve upon receipt of cash	(2)
-	Other Movements	
34	Balance at 31 March	32

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.

2024/25 £'000		2025/26 £'000
748	Balance at 1 April	439
(309)	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	(185)
439	Balance at 31 March	254

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.

2024/25 £'000	2024/25 £'000	2025/26 £'000	2025/26 £'000
	(80)		(108)
80	Balance at 1 April	108	
(108)	Settlement or cancellation of accrual made at the end of the preceding year	(109)	
	Amounts accrued at the end of the current year		
	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		(1)
	(108)		(109)
	Balance at 31 March		

Financial Instruments Adjustment Account

The financial instruments adjustment account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council uses the account to manage discounts received on the early redemption of loans. During the year the Council redeemed £67.456m of PWLB HRA loans and received a discount of £18.371m. Discounts are credited to the Comprehensive Income and Expenditure Statement when they are received but reversed out of the HRA balance to the account in the Movement in Reserves Statement. Over time, the discount is posted back to the Housing Revenue Account balance in accordance with statutory arrangements for spreading the benefit. In the Council's case, this period is 10 years from the date the loans were redeemed. As a result, the balance on the account at 31 March 2026 of £16.534m will be credited to the Housing Revenue Account over the next 9 years.

2024/25 £'000		2025/26 £'000	
-	Balance at 1 April		-
-	Discounts received in the year on early repayment of borrowing and credited to the Comprehensive Income and Expenditure Statement	18,371	
-	Proportion of discounts to be credited against the General Fund balance in accordance with statutory requirements	(1,837)	
-	Difference between discounts credited to the Comprehensive Income and Expenditure Statement and those charged to the General Fund under statute		16,534
-	Balance at 31 March		16,534

Financial Instruments Revaluation Reserve

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

2024/25 £'000		2025/26 £'000	
1,961	Balance at 1 April		2,309
307	Welland Homes equity		7
41	South Holland Local Housing Community Interest Company equity		28
-	Investment in Municipal Bonds Agency (MBA)		-
2,309	Balance at 31 March		2,344

NOTE 25 – CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2024/25 £'000		2025/26 £'000	
2,511	Interest received		1,863
(2,350)	Interest paid		(2,340)

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

2024/25 £'000		2025/26 £'000
6,949	Depreciation	5,510
3,434	Impairment and downward valuations	291
-	Impairment and revaluation losses/(gains) on HRA non dwellings	-
33	Amortisation of intangible assets	36
517	(Increase)/decrease in interest debtors	(101)
(2,205)	(Increase)/decrease in creditors	(511)
41	Increase/(decrease) in debtors	(1,622)
(732)	Movement in pension liability	(1,179)
(9)	Contribution to/(from) provisions	153
-	Adjustment for movements in fair value of investments classified as Fair Value through Other Comprehensive Income	-
2,102	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	3,187
(206)	Movement in Investment Property Values	49
(77)	Gain on entry – peppercorn lease	-
9,847		5,813
	<i>Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities</i>	
4,668	Proceeds from short-term and long-term investments	(6,933)
(7,551)	Capital Grants credited to surplus or deficit on the provision of services	(3,739)
(2,157)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(18,817)
(5,040)		(29,489)

NOTE 26 – CASH FLOW STATEMENT – INVESTING ACTIVITIES

2024/25 £'000		2025/26 £'000
(16,015)	Purchase of property, plant and equipment, investment property and intangible assets	(20,919)
(20,380)	Purchase of short term and long term investments	(26,500)
(805)	Other payments for investing activities	(44)
1,972	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,927
20,332	Proceeds from sale of short term investments	26,933
7,385	Other receipts from investing activities	18,857
(7,511)	Net cash flows from investing activities	2,254

NOTE 27 – CASH FLOW STATEMENT – FINANCING ACTIVITIES

2024/25 £'000		2025/26 £'000
-	Cash receipts of short and long term borrowing	50,000
-	Cash payments for the reduction of outstanding lease liabilities	(5)
-	Repayments of short and long term borrowing	(67,456)
474	Other payments for financing activities	(633)
474	Net cash flows from financing activities	(18,094)

NOTE 28 - RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2025/26 1 April £'000	Financing Cashflows £'000	Non-Cash Changes £'000	2025/26 31 March £'000
Long term borrowing	(67,456)	17,456	-	(50,000)
Cash payments for the reduction of outstanding lease liabilities	-	5	(44)	(39)
Council Tax & NNDR Debtors	1,590	-	404	1,994
Council Tax & NNDR Creditors	(671)	-	229	(442)
Total Liabilities from Financing Activities	(66,537)	17,461	589	(48,487)

NOTE 29 – MEMBERS’ ALLOWANCES

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

	2025/26 £'000	2024/25 £'000
Basic Allowance	249	240
Special Responsibility Expenses	147	148
	8	9
Total	404	397

NOTE 30 – OFFICERS’ REMUNERATION

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

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

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

2025/26	Salary, fees, and allowance	Expenses Allowances	Pension Contribution	Severance Payments	Total	SHDC Costs Only
Job Title	£	£	£	£	£	£
*Chief Executive Officer	175,562	128	39,440	-	215,130	66,690
*Deputy Chief Executive - Programme Delivery & Service Director General Fund Assets	121,079	1,609	28,588	-	151,276	46,896
*Deputy Chief Executive - Programme Delivery	54,794	-	12,839	-	67,633	20,966
Director of Finance and S151 Officer	58,059	976	13,794	-	72,829	22,577
*Deputy Chief Executive - Communities	112,134	894	26,688	-	139,716	43,312
*Service Director - Governance and Monitoring Officer	98,641	816	23,247	-	122,704	38,038
*Deputy Chief Executive - Economic Development	125,547	758	29,330	-	155,635	48,247
*Service Director - Corporate	106,975	1,366	25,231	-	133,572	41,407

2024/25	Salary, fees, and allowances	Expenses Allowances	Pension Contribution	Severance Payments	Total	SHDC Costs Only
Job Title	£	£	£	£	£	£
* Chief Executive	165,282	337	36,993	-	202,612	62,810
*Deputy Chief Executive (Programme Delivery & SIRO)	111,289	1,472	26,354	-	139,115	43,126
* Deputy Chief Executive (Communities)	65,069	-	14,935	-	80,004	24,801
Deputy Chief Executive (Corporate Development & S151)	146,297	505	33,632	-	180,434	55,935
* Deputy Chief Executive (to 10/09/23)	131,128	-	30,980	-	162,108	50,254
Service Director (Governance and MO)	92,778	1,330	21,540	-	115,648	35,851

*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.

Costs relating to the Interim Director of Finance, who commenced in March 2025, totalled £222,258 for the period April 2025 to November 2025, of which South Holland District Council contributed £68,900.

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	2025/26 Number of Employees	2024/25 Number of Employees
£50,000-£54,999	10	5
£55,000-£59,999	3	3
£60,000-£64,999	5	4
£65,000-£69,999	3	1
£70,000-£74,999	3	2
£75,000-£79,999	1	-
£80,000-£84,999	-	-
£85,000-£89,999	2	1
£90,000-£94,999	-	-
£95,000-£99,999	-	-
£100,000-£104,999	1	2
£105,000-£109,999	1	1
£110,000-£114,999	1	1

The Council terminated the contracts of 6 employees in 2025/26 incurring liabilities of £63,555 (£65,000 in 2024/25). 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	
	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25
£0-£20,000	1	1	4	7	5	8	30,950	30,756
£20,001 - £40,000	1	-	-	1	1	1	32,605	34,244
Total cost included in bandings and in CIES (£)							63,555	65,000

NOTE 31 – EXTERNAL AUDIT COSTS

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

	2025/26 £'000	2024/25 £'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	159	155
Fees payable to KPMG with regard to external audit services carried out for the year by the appointed auditor for prior years	53	29
Fees payable to Ernst and Young with regard to external audit services carried out for the year by the appointed auditor for prior years	22	8
Fees payable to KPMG with regard to certification of grants and claims	35	98
	269	290

NOTE 32 – GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2025/26:

	2025/26	2024/25
	£'000	£'000
Credited to Taxation and Non Specific Grant Income and Expenditure		
Revenue Support Grant	(491)	(452)
S31 Grant – Business Rates	(2,937)	(3,173)
New Homes Bonus Scheme Grant	(696)	(547)
Other non-specific grants	(669)	(1,052)
Grants in relation to capital expenditure	(18,678)	(6,686)
Total Credited to Taxation and Non Specific Grant Income and Expenditure	(23,471)	(11,910)
Credited to Services		
Other Grants and Contributions		
Council Tax and Housing Benefit Administration	(203)	(164)
Disabled Facilities Grant*	-	(122)
Discretionary Housing Payments	(88)	(88)
Elections	-	(269)
Food Waste	(1,437)	-
Homelessness Grants	(530)	(460)
Housing Benefit Subsidy	(8,624)	(10,625)
Internal Drainage Board	(578)	(335)
Long Term Plan	(200)	-
Pride in Place	(150)	-
UK Shared Prosperity Fund	(464)	(1,497)
Other grants	(861)	(1,183)
Total Credited to Services	(13,135)	(14,743)
Total Grants	(36,606)	(26,653)
Sources of Grants:		
Central Government	(34,131)	(25,046)
Other Local Authorities	(2,442)	(1,345)
Other Bodies	(33)	(262)
Total	(36,606)	(26,653)

*Disabled Facilities Grant income of £2.048m is included within grants in relation to capital expenditure for 2025/26.

Grants Received in Advance - Capital

	2025/26	2024/25
	£'000	£'000
Long Term Liabilities		
MHCLG – Gypsy and Travellers	(196)	(196)
Local Authority Housing Fund	-	-
Total	(196)	(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. 2024/25 comparators shown in brackets.

• Funding from Government	Note 32	£34,131m	(£25.046m)
• Non-Domestic Rates Share Payable	Collection Fund	£13.203m	(£12.710m)
• Debtors	Note 18	£2.349m	(£1.905m)
• Creditors	Note 21	£0.301m	(£0.415m)

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2025/26 is shown in Note 29. During 2025/26 a number of members were also elected members of Lincolnshire County Council.

Payments to Lincolnshire County Council, including Collection Fund precept payments, totalled £64,164,112 in 2025/2026 (£64,858,920 in 2024/25) and receipts totalled £299,311 in 2025/26 (£133,472 in 2024/25). The net creditor balance at 31 March 2026 was £15,552 (net debtor balance £28,377 in 2024/25).

A number of members also declared an interest in organisations which transacted with the Council for the purchase or supply of goods and services, being board members of voluntary organisations which are supported with grants or contributions from the Council, their business received grants from the Council, being employees of organisations that transact with the Council, being board members of organisations who are precepting bodies, or undertaking charitable activities which have been supported by the Council. The Council has chosen not to disclose these transactions as they are below £10,000 and are therefore deemed to be immaterial.

The transactions over £10k for which Members declared an interest relating to the organisation were:

- payments totalling £40,733 to Crowland Parish Council
- payments totalling £25,779 to Project St Thomas-Spalding
- payments totalling £13,836 to Tonic Health
- payments totalling £131,270 to NHS Lincolnshire ICB
- payments totalling £48,512 to Boston College

Two transactions under £10k for which Members declared an interest relating to the organisation, but which are material to the financial position of those entities, are as follows:

- payment of £8,956 to South Holland Voluntary Car Scheme
- payment of £2,900 to The Rightside Trust

These transactions were deemed to be in the normal course of business of the Council.

Two members are directors of Public Sector Partnership Services Ltd (formerly Compass Point Business Services (East Coast) Ltd). During 2025/26 six members were directors of South Holland Local Housing Community Interest Company, and six members were directors of Welland Homes Ltd. Further details on the

intercompany transactions can be found in the Group Accounts on pages 104-112.

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.

Management Team Officers

Management Team Officers have a requirement to declare their interests in associated companies and organisations in the year. In 2025/26, a number of Officers were also directors of Public Sector Partnership Services Board Member and held roles within Local Community Associations.

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, Service Directors along with a number of shared officers.

South Holland District Council were charged by East Lindsey District Council £1,300,813 and by Boston Borough Council £541,393 for their share of these posts. South Holland received income of £1,507,912 from East Lindsey District Council and £834,870 from Boston Borough Council for the share of the costs it incurred in the year.

The Council has a Jointly Controlled Operation with Boston Borough Council and Lincolnshire County Council, called the Joint Strategic Planning Committee for South East Lincolnshire. It exists to produce a Joint Local Development Plan where each Council agreed 50/50 matching for all relevant costs. This resulted in the value to be shared of £35,026 (£24,742 in 2024/25).

Pension Fund – The Council paid an employer's contribution of £2.670m into Lincolnshire County Council's Superannuation Fund (£2.545m in 2024/25). Under the requirements of IAS19 the actuarial estimate shows a contribution of £2.018m payable in 2026/27. The fund provides its members with defined benefits related to pay and service. Full disclosure on Retirement Benefits is shown in Note 36.

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 payments to internal drainage boards and parish and town councils is included in Other Operating Expenditure in Note 10 and was £4.978m in 2025/26 (£4.712m in 2024/25).

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 2026 was nil (31 March 2025 £13,634).

Two officers and two councillors were directors of PSPS Ltd during the year. During 2025/26 payments totalling £6.085m were paid to PSPS (£5.508m 2024/25), and receipts from PSPS were £135,293 (£191,225 in 2024/25).

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 2025/26 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.

	2025/26 £'000	2024/25 £'000
Opening Capital Financing Requirement	84,778	83,716
Adjustment to opening balance: IFRS 16 Leases	-	26
Capital Investment		
Property, Plant and Equipment	21,946	16,728
Intangible Assets	-	23
Revenue Expenditure Funded from Capital under Statute	1,629	1,763
Long Term Investments – Welland Homes	-	380
Long Term Debtor – Welland Homes	-	751
Leases	15	-
Sources of finance		
Capital receipts	(699)	(1,301)
Government grants and other contributions	(12,142)	(6,544)
Major Repairs Reserve	(6,123)	(7,285)
Sums set aside from revenue:		
Direct revenue contributions	(3,811)	(3,088)
Minimum Revenue Provision	(451)	(391)
Closing Capital Financing Requirement	85,142	84,778
Explanation of movements in year		
Adjustment to opening balance: IFRS 16 Leases	-	26
Minimum Revenue Provision	(451)	(391)
Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	815	1,427
Increase/(decrease) in Capital Financing Requirement	364	1,062

NOTE 35 – LEASES

In 2024/25, the Authority applied IFRS 16 Leases as adopted by the Code of Accounting Practice. The main impact of the new requirements is that, for arrangements previously accounted for as operating leases (i.e. without recognising the leased property as an asset and future rents as liability), a right-of-use asset and a lease liability are to be brought into the Balance Sheet at 1 April 2024. Leases for items of low value and short term leases (less than 12 months) are exempt from the new arrangements.

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

Definition of a lease

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

The Council as a Lessee

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

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

The weighted average rate of the Incremental Borrowing Rate (IBR) is 5.19% across the Authority's portfolio.

As a lessor

The Authority was not party to any sublease arrangements as lessor as at 1 April 2025.

Sale-and-leaseback

The Authority did not have any Sale and Leaseback transactions as at 1 April 2025.

Authority as Lessee

Right of Use Assets

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

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

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Total £'000
Balance at 1 April 2025	103	-	103
Additions	-	15	15
Revaluations	-	-	-
Depreciation and Amortisation	-	(4)	(4)
Disposals	-	-	-
Balance at 31 March 2026	103	11	114

Transactions under leases

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

	2025/26 £'000	2024/25 £'000
Comprehensive Income and Expenditure Statement		
Interest expense on lease liabilities	2	1
Cash Flow Statement		
Total cashflow for leases	5	1
Cash payments for interest portion of lease liabilities	2	1

Maturity analysis of lease liabilities

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

	2025/26 £'000	2024/25 £'000
Less than one year	4	-
One to five years	8	-
More than five years	-	-
Total undiscounted liabilities	12	-

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 2026 £'000	31 March 2025 £'000
Not later than 1 year	496	451
Later than 1 year and not later than 5 years	421	903
Later than 5 years	87	69
	1,004	1,423

In addition, the Council received £119,325 as a charge for office space (£119,325 in 2024/25) 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	
	2025/26 £'000	2024/25 £'000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
<i>Service cost comprising</i>		
Current service cost	1,358	1,683
Administration Costs	63	69
Past Service costs (including curtailments)	-	-
<i>Financing and Investment Income and Expenditure</i>		
Net interest expense	142	135
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	1,563	1,887
<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)	(3,116)	759
Other actuarial gains/(losses) on assets	1,144	-
Actuarial (gains) and losses arising on changes in demographic assumptions	2,429	(186)
Actuarial (gains) and losses arising on changes in financial assumptions	(2,731)	(8,818)
Other experience	4,303	(159)
Impact of asset ceiling	(4,121)	8,893
Total Remeasurements recognised in Other Comprehensive Income and Expenditure	(2,092)	489
Total Post-employment Benefit charged to the Comprehensive Income and Expenditure Statement	(529)	2,376
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	1,179	732
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	2,670	2,545
Contributions in respect of unfunded benefits	72	74

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	
	2025/26 £'000	2024/25 £'000
Present value of the defined benefit obligation	(67,195)	(60,743)
Fair value of plan assets	82,811	76,119
Impact of asset ceiling	(15,616)	(18,655)
Sub total	-	(3,279)
Present value of the unfunded liabilities	(530)	(522)
Net Liability arising from defined benefit obligation	(530)	(3,801)

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

	Local Government Pension Scheme	
	2025/26 £'000	2024/25 £'000
Opening fair value scheme assets	76,119	75,671
Interest Income	4,425	3,650
Remeasurement gain/(loss)	-	-
The return on plan assets, excluding the amount included in the net interest expense	3,116	(759)
Other actuarial gains/(losses)	(1,144)	-
Contributions from employer	2,670	2,545
Contributions from employees into the scheme	679	648
Contributions in respect of unfunded benefits	72	74
Administration Cost	(63)	(69)
Benefits paid	(3,063)	(5,641)
Closing fair value of scheme assets	82,811	76,119

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

	Local Government Pension Scheme	
	2025/26 £'000	2024/25 £'000
Opening Balance at 1 April	61,265	70,409
Current Service Cost	1,358	1,683
Past Service Cost	-	-
Interest Cost	3,485	3,329
Contributions from scheme participants	679	648
<i>Remeasurements (gains) and losses:</i>		
Actuarial (gains) and losses arising on changes in demographic assumptions	2,429	(186)
Actuarial (gains) and losses arising from changes in financial assumptions	(2,731)	(8,818)
Other experience	4,303	(159)
Benefits paid	(3,063)	(5,641)
Closing Balance at 31 March	67,725	61,265

Reconciliation of Asset Ceiling

	Local Government Pension Scheme	
	2025/26 £'000	2024/25 £'000
Opening Balance at 1 April	18,655	9,306
Interest on impact of asset ceiling	1,082	456
Actuarial losses/(gains)	(4,121)	8,893
Closing Balance at 31 March	15,616	18,655

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

The calculations of asset ceiling is based on following factors:

- There is no prospect of the Council having an unconditional right to a refund of surplus on the basis that such a payment would be at the discretion of the Fund.
- The Council is a scheduled body and assumed to participate indefinitely.
- Primary contributions are considered to be a minimum funding requirement (MFR)
- The MFR exceeds the current cost of accrual and so the potential economic benefit from future contributions reductions is nil. Therefore the surplus is restricted to nil.
- An additional liability of £3.279m is recognised in respect of the Council's obligation to pay future deficit contributions, thereby increasing or generating an irrecoverable surplus.

Local Government Pension Scheme assets comprised:

	2025/26		2024/25	
	Quoted prices in active markets £'000	% of Total assets	Quoted prices in active markets £'000	% of Total assets
Cash and Cash Equivalents	1,656	2%	2,284	3%
<u>Equity Instruments</u>				
UK	6,625	8%	6,090	8%
Overseas	33,953	41%	30,447	40%
<u>Debt Securities</u>				
Corporate Bonds - UK	9,937	12%	9,895	13%
Corporate Bonds - Overseas	-	-	-	-
Fixed Interest Government - UK	-	-	-	-
Fixed Interest Government - Overseas	-	-	-	-
Index Linked Government - UK	-	-	-	-
Index Linked Government - Overseas	-	-	-	-
Property	3,312	4%	3,806	5%
Private equity	-	-	-	-
<u>Others</u>				
Hedge Fund	-	-	-	-
Infrastructure	-	-	-	-
Bonds	-	-	-	-
Commodities	-	-	-	-
Credit Diversified Income	8,281	10%	7,612	10%
Other Diversified Alternatives	-	-	-	-
Private Debt	-	-	-	-
Forward Currency Contracts	-	-	-	-
Total	63,764	77%	60,134	79%

	2025/26		2024/25	
	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	3,312	4%	1,522	2%
Private equity	4,969	6%	5,329	7%
<u>Others</u>				
Hedge Fund	4,969	6%	4,567	6%
Infrastructure	4,141	5%	3,806	5%
Bonds	-	-	-	-
Commodities	-	-	-	-
Credit Diversified Income	-	-	-	-
Other Diversified Alternatives	-	-	-	-
Private Debt	1,656	2%	761	1%
Forward Currency Contracts	-	-	-	-
Total	19,047	23%	15,985	21%

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 2025. The next actuarial valuation of the Fund will be carried out as at 31 March 2028.

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

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

	Local Government Pension Scheme	
	2025/26	2024/25
<i>Mortality assumptions:</i>		
Longevity at 65 for current pensioners (years):		
- Men	21.6	19.5
- Women	23.5	22.7
Longevity at 65 for future pensioners (years):		
- Men	23.2	20.8
- Women	25.3	24.1
Rate of increase in salaries	3.90%	3.90%
Rate of increase in pensions	2.90%	2.90%
Rate for discounting scheme liabilities	6.10%	5.80%

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	68,614	1,441
0.1% increase in the Salary Increase Rate	67,763	1,393
0.1% increase in the Pension Increase Rate	68,629	1,445
1 year increase in life expectancy obligation	70,421	1,440

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 2025. The employer's contribution rate, over the period to 31 March 2025, has been stabilised. The employer's contributions rate, over the period to 31 March 2026 was 23.8%.

Employer contributions payable to the scheme in 2026/27 are estimated to be £2.018m.

Other Considerations

Virgin Media Ltd vs NTL Trustees On 25 July 2024, the Court of Appeal dismissed the appeal in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others. The appeal was brought by Virgin Media Ltd against aspects of the High Court's ruling handed down in June 2023 relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. On 2 September 2025, the Government published draft amendments to the Pensions Scheme Bill which would give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historical benefit changes met the necessary standards. The bill received Royal Assent on 29 April 2026, and is now an Act of Parliament

(law). Following the publication of the legislation, we do not expect the ruling to give rise to any additional liabilities.

NOTE 37 – CONTINGENT LIABILITIES

At 31 March 2026 the Council identified no material contingent liabilities.

NOTE 38 – CONTINGENT ASSETS

At 31 March 2026 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 2026 are £433,000 (£451,000 at 31 March 2025).

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

Key risks

The Council's activities expose it to a variety of financial risks. The key risks are:

- **credit risk** – the possibility that other parties might fail to pay amounts due to the Council.
- **liquidity risk** – the possibility that the Council might not have funds available to meet its commitments to make payments.
- **re-financing risk** – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **market risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

Overall procedures for managing risk

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

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

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

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

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

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

The full Investment Strategy for 2025/26 was approved by Council on 27 February 2025 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 2026. 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 2025. Defaults shown are by long term rating category on investments out to one year, which were the most commonly held investments during the year.

	Credit Risk Rating	Gross Carrying Amount	Potential Credit Risk
	%	£'000	£'000
Local Authorities	0.00	26,933	-
Total		26,933	-

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 2026 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2026 %	Estimated maximum exposure to default and uncollectability at 31 March 2026 £'000	Estimated maximum exposure at 31 March 2025 £'000
	A	B	C	(A x C)	
Debtors	4,724	5.04%	5.04%	238	3,824

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 £378,334 of the £4.724m 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 2026 £'000	31 March 2025 £'000
Less than three months	4	182
Three to six months	-	89
Six months to one year	69	27
More than one year	305	179
TOTAL	378	477

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 2026 £'000	31 March 2025 £'000
Less than one year	74	26
Less than ten years	50,000	-
More than ten years	-	67,456
	50,074	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 higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest receivable on variable rate investments	82
Impact on Surplus or Deficit on the Provision of Services	82
Share of overall impact credited to the HRA	33

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 Instruments.

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

NOTE 40 – TRUST FUNDS

The Council is custodian trustee for:

IVO Day Care Centre

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

Weston St Mary's Village Hall

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

Ayscoughfee Hall and Gardens (registered charity 515905)

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

Sir Halley Stewart Playing Field (registered charity 1084450)

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

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

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

Trust Fund Revenue Account	2025/26			2024/25		
	Expenditure £'000	Income £'000	Net £'000	Expenditure £'000	Income £'000	Net £'000
Ayscoughfee Hall and Gardens	622	(102)	520	414	(45)	369
Sir Halley Stewart Playing Field	1	(6)	(5)	16	(8)	8

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

The Council is required to compile its Financial Statements 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 2025/26 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 2025/26 by £0.258m. As at 31 March 2026 the Council held a General Fund Balance of £2.078m and held Earmarked Reserves totalling £9.521m. The Earmarked Reserves balance has increased by £0.845m 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 2025/26 resulted in a net underspend of £3.130m on the HRA revenue budget. As at 31 March 2026 the Council held an HRA Balance of £12.214m. 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 2025/26 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 2026/27 alongside financial plans for the following four years was considered by Council on 26 February 2026. 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 2026 amounted to £306.927m and Usable Reserves totalled £48.537m. 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 2026 the Council has long term borrowing commitments of £50m, held £26.933m in short term investments and had £3.825m 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

2024/25 £'000		2025/26 £'000
	Expenditure	
5,347	Repairs and maintenance	5,094
6,337	Supervision and management	6,951
83	Rents, rates, taxes and other charges	97
5,409	Depreciation of non-current assets (Note 6)	3,937
3,173	Revaluation of non-current assets	504
82	Debt management expenses	82
20,431	Total Expenditure	16,665
	Income	
(18,448)	Dwelling and non-dwelling rents	(18,834)
(1,490)	Charges for services & facilities	(1,493)
-	Contribution towards expenditure	(1)
-	Revaluation of non-current assets	-
(19,938)	Total Income	(20,328)
	Net (income)/expenditure of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	
493		(3,663)
633	HRA share of Corporate and Democratic Core	641
1,126	Net (income)/expenditure for HRA Services	(3,022)
	HRA Share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement	
(4)	(Gain)/loss on sale of HRA non-current assets	(223)
2,347	Interest payable and similar charges	2,344
98	Movement in the allowance for bad debts	55
(390)	Interest and investment income	(644)
-	Discount on premature repayment of borrowing	(18,372)
35	Net interest on the net defined benefit liability	36
(3,093)	Capital grants and contributions	(2,202)
119	(Surplus)/Deficit for the year on HRA services	(22,028)

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

MOVEMENT ON THE HRA STATEMENT

2024/25 £'000		2025/26 £'000
15,395	Balance on the HRA at the end of the previous reporting period	12,496
(119)	Surplus/(Deficit) for the year on the HRA Income and Expenditure Statement	22,028
(2,678)	Capital expenditure funded from the HRA Balance	(3,557)
(102)	Adjustments between accounting basis and funding basis under statute	(18,753)
12,496	Balance on the HRA at the end of the current reporting period	12,214

Adjustments between accounting basis and funding basis under statute

2024/25 £'000		2025/26 £'000
(4)	(Gain)/loss on sale of HRA non-current assets	(222)
11	Employee Benefits	-
-	Discount on premature repayment of borrowing	(16,534)
(188)	HRA Share of contributions to or from the Pension Reserve	(298)
-	Capital expenditure financed from Revenue Balances	-
(5,409)	Transfers to the Major Repairs Reserve	(3,937)
(3,552)	Application of Capital Grants to Capital Adjustment Account	(916)
458	Transfer to Capital Grants Unapplied	(1,287)
5,409	Funding of depreciation from Capital Adjustment Account	3,937
3,173	Reversal of Revaluation movement on HRA Property	504
(102)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(18,753)

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 3,726 dwellings at 31 March 2026 (3,752 at 31 March 2025). The stock is analysed below by number of bedrooms. The Council has an equity share in 51 shared ownership properties, with the Council's equity share being equivalent to 31.0 dwellings.

Analysis of Housing Stock at 31 March 2026	1 Bed	2 Bed	3 Bed	3+ Bed	Total
HRA Housing Stock					
Houses	29	367	1,394	15	1,805
Bungalow	668	991	-	-	1,659
Flats	114	148	-	-	262
Shared Ownership	1	31	19	-	51
Total	812	1,537	1,413	15	3,777

NOTE 3 – RENT ARREARS

Rent arrears at 31 March 2026 amounted to £1,068,000 (£926,000 in 2024/25) and are analysed as follows:

	31 March 2026 £'000	31 March 2025 £'000
Rent Arrears Due From		
Residential - Current Tenants	505	442
- Former Tenants	549	472
Non Residential - Garages	14	12
Total	1,068	926
These arrears include all charges due from tenants: rents, service charges and other charges.		
Allowance for bad debts	(659)	(569)

NOTE 4 – ASSET VALUES

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

	31 March 2026 £'000	31 March 2025 £'000
Property, Plant and Equipment		
Council Dwellings	263,974	256,980
Other Land and Buildings	443	434
Infrastructure – Housing Sewerage	517	418
Vehicles, Plant and Equipment	2,058	364
Surplus Assets	18	18
Community Assets	48	48
	267,058	258,262
Non-operational assets		
Assets Under Construction	11	1,029
Intangible Assets	34	67
Assets Held for Sale	267	1,679
Total	267,370	261,037

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:

	2025/26 £'000	2024/25 £'000
Vacant possession value	620,085	605,975

NOTE 6 – DEPRECIATION

	2025/26 £'000	2024/25 £'000
Depreciation		
Council dwellings	3,683	5,151
Other Land and Buildings	11	11
Infrastructure - Housing Sewerage	100	55
Vehicles, Plant & Equipment	106	158
	3,900	5,375
Amortisation		
Intangible Assets	34	34
Total	3,934	5,409

NOTE 7 – CAPITAL EXPENDITURE AND FINANCING

	2025/26 £'000	2024/25 £'000
Expenditure		
Improvements and enhancements to Council Dwellings	9,603	11,397
New Build – Council Dwellings	-	-
Improvements to wastewater treatments	199	113
Purchase of Units	1,641	2,504
Vehicles, Plant & Equipment	533	761
Information systems	-	41
Total Expenditure	11,976	14,816
Financing		
Capital receipts	699	1,301
Major Repairs Reserve	6,123	7,286
Housing Revenue Account	3,557	2,677
Grants and Contributions	1,597	3,552
Total Financing	11,976	14,816

NOTE 8 – CAPITAL RECEIPTS FROM DISPOSAL OF ASSETS

	2025/26 £'000	2024/25 £'000
Sale of Council Houses under the Right to Buy Scheme	3,231	990
Repayment of RTB Discount	9	13
Shared Ownership Sales Proceeds	76	806
Total from Disposals	3,316	1,809

NOTE 9 – MAJOR REPAIRS RESERVE

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

	2025/26 £'000	2024/25 £'000
Balance at 1 April	2,502	4,379
Transfers from the HRA		
Depreciation	3,937	5,409
Funding set-aside for Capital Investment	-	-
Financing of Capital Investment	(6,123)	(7,286)
Balance at 31 March	316	2,502

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)		41	5/9	23
A	16,732	12,510	6/9	8,340
B	9,783	8,353	7/9	6,497
C	10,681	9,570	8/9	8,507
D	4,772	4,648	9/9	4,648
E	2,147	2,006	11/9	2,452
F	447	422	13/9	610
G	122	117	15/9	195
H	17	11	18/9	21
Band D Equivalents				31,293
Allowance for non-collection (1.29%)				(403)
District Tax Base				30,890

The basic amount of council tax for a band D property including an average parish charge, £2,205.31 (2024/25 £2,135.36), 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 2025/26 there are two multipliers, the non-domestic rating multiplier of 55.5p and the small business non-domestic rating multiplier of 49.9p.

The Council's total Non-Domestic Rates Rateable Value at 31 March 2026 was £67.141m (31 March 2025 £66.422m).

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 2026.

	Business Rate Appeals	
	£'000	£'000
Balance at 1 April 2025		(323)
Amounts used in 2025/26		-
Additional provisions made in 2025/26	(648)	
Unused amounts reversed in 2025/26	266	
		(382)
Balance at 31 March 2026		(705)

NOTE 5 – COLLECTION FUND DEFICIT/ (SURPLUS)

As at 31 March 2026, the net surplus on the Collection Fund is £0.752m (£1.304m at 31 March 2025).

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 2025/26 is apportioned to South Holland (40%), Central Government (50%) and Lincolnshire County Council (10%).

The balance on the Collection Fund is allocated as follows:

2024/25			2025/26	
Council Tax	Non-Domestic Rates		Council Tax	Non-Domestic Rates
£'000	£'000		£'000	£'000
	(492)	Central Government		(290)
(38)	(394)	South Holland District Council	(20)	(232)
(236)	(98)	Lincolnshire County Council	(127)	(58)
(46)		Police and Crime Commissioner for Lincolnshire	(25)	
(320)	(984)	(Surplus)/deficit	(172)	(580)

GROUP ACCOUNTS

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

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2024/25	Net		2025/26	Net	
Gross Expenditure	Gross Income	Expenditure		Gross Expenditure	Expenditure	
£'000	£'000	£'000		£'000	£'000	
2,099	(981)	1,118	General Fund Assets	1,673	(1,117)	556
17,362	(12,635)	4,727	Finance	16,086	(11,141)	4,945
1,509	(511)	998	Governance & Monitoring	1,326	(318)	1,008
3,648	(2,194)	1,454	Communities & Housing	6,179	(3,565)	2,614
2,353	(918)	1,435	Leisure & Local Services	1,115	(34)	1,081
1,643	(200)	1,443	Corporate	1,535	(251)	1,284
6,544	(1,082)	5,462	Neighbourhoods	6,354	(2,615)	3,739
3,415	(4,950)	(1,535)	Planning and Strategic Infrastructure	5,615	(4,351)	1,264
1,607	(1,015)	592	Regulatory	1,656	(1,033)	623
4,084	(2,981)	1,103	Strategic Growth and Development	2,321	(1,859)	462
-	-	-	Pride in Place	37	-	37
17,769	(19,910)	(2,141)	Housing	13,748	(20,299)	(6,551)
62,033	(47,377)	14,656	Cost of Services	57,645	(46,583)	11,062
4,807	(150)	4,657	Other operating expenditure	5,157	(671)	4,486
6,606	(6,776)	(170)	Financing and investment income and expenditure	7,586	(25,488)	(17,902)
6,752	(31,027)	(24,275)	Taxation and non-specific grant income and expenditure	6,785	(42,613)	(35,828)
80,198	(85,330)	(5,132)	(Surplus)/Deficit on the Provision of Services	77,173	(115,355)	(38,182)
-	-	-	Excess of fair value of net assets over the cost of investments of associates	-	-	-
-	(224)	(224)	Share of the (Surplus)/Deficit on the provision of services by associates	-	(140)	(140)
78	-	78	Tax expenses of associates and subsidiaries	21	-	21
80,276	(85,554)	(5,278)	Group (Surplus)/Deficit on the Provision of Services	77,194	(115,495)	(38,301)
		9,401	Surplus on revaluation of property, plant and equipment assets			(2,954)
		489	Remeasurements of the net defined benefit liability			(2,092)
		9,890	Other Comprehensive Income and Expenditure			(5,046)
		4,612	Total Comprehensive Income and Expenditure			(43,347)

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

GROUP MOVEMENT IN RESERVES STATEMENT

2025/26	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	Authority's Share of Reserves of Associates	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2025	2,078	8,675	12,496	200	2,502	8,356	6,201	40,508	222,314	262,822	1,407	-	264,229
Adjustment to opening balance	-	-	-	-	-	-	-	-	(1,410)	(1,410)	953	457	-
Movement in Reserves during 2025/26													
Total Comprehensive Income and Expenditure	16,045	-	22,028	-	-	-	-	38,073	5,046	43,119	110	128	43,357
Adjustments between accounting basis & funding basis under regulations	(15,199)	-	(18,753)	-	(2,186)	2,976	6,675	(26,487)	26,487	-	-	-	-
Adjustments between group accounts and authority accounts	-	-	-	-	-	-	-	-	-	-	(76)	-	(76)
Net (Increases)/Decreases before transfers	846	-	3,275	-	(2,186)	2,976	6,675	11,586	31,533	43,119	34	128	43,281
Transfer to/from Reserves	(846)	846	(3,557)	-	-	-	-	(3,557)	3,557	-	-	-	-
Balance at 31 March 2026 carried forward	2,078	9,521	12,214	200	316	11,332	12,876	48,537	255,994	304,531	2,394	585	307,510

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

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

GROUP BALANCE SHEET

31 March 2025 £'000		31 March 2026 £'000
293,778	Property, Plant and Equipment	310,509
103	Right of Use Asset	114
101	Heritage Assets	102
15,017	Investment Property	15,175
91	Intangible Assets	55
151	Long Term Debtors	153
457	Liabilities in Associates	585
309,698	Long Term Assets	326,693
20,332	Short Term Investments	26,933
2,229	Assets Held for Sale	1,296
8,413	Short Term Debtors	10,301
6,135	Cash and Cash Equivalents	4,551
37,109	Current Assets	43,081
-	Cash and Cash Equivalents	-
(26)	Short Term Borrowing	(74)
-	Short Term Lease Liabilities	(4)
(8,491)	Short Term Creditors	(8,764)
(129)	Provisions	(282)
(8,646)	Current Liabilities	(9,124)
(67,456)	Long Term Borrowing	(50,000)
(5,836)	Other Long Term Liabilities	(2,440)
-	Long Term Lease Liabilities	(35)
(444)	Long Term Provisions	(469)
(196)	Grants Receipts in Advance – Capital	(196)
(73,932)	Long Term Liabilities	(53,140)
264,229	Net Assets	307,510
43,876	Usable Reserves	52,068
220,353	Unusable Reserves	255,442
264,229	Total Reserves	307,510

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

GROUP CASH FLOW STATEMENT

2024/25 £'000	2024/25 £'000		2025/26 £'000	2025/26 £'000
	5,132	Net surplus on the provision of services		38,182
10,031		Adjustments to net surplus or deficit on the provision of services for non-cash movements	5,737	
(4,977)	5,054	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(29,636)	(23,899)
	10,186	Net cash flows from Operating Activities		14,283
	(7,484)	Investing Activities		2,236
	(18)	Financing Activities		(18,094)
	2,684	Net increase/(decrease) in cash and cash equivalents		(1,575)
	3,445	Cash and cash equivalents at the beginning of the reporting period		6,135
	6	Other movements		(9)
	6,135	Cash and cash equivalents at the end of the reporting period		4,551

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:

2024/25		2025/26
£'000		£'000
(843)	Rental Income from investment property	(908)
288	Direct operating expenses arising from investment property	393
(568)	Net (gains)/losses from fair value adjustments	(52)
(1,123)	Net (gain)/loss	(567)

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.

2024/25		2025/26
£'000		£'000
13,360	Balance at start of the year	15,017
1,089	Additions resulting from acquisitions	113
-	Transfers to/from Property, Plant and Equipment	-
568	Net gains/(losses) from fair value adjustments	45
15,017	Balance at end of the year	15,175

Fair Value Hierarchy

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2026 is as follows:

Fair Value Level 2		Fair Value Level 2
2024/25		2025/26
£'000		£'000
2,460	Commercial Industrial Units	2,524
12,557	Residential Investment Property	12,651
15,017	Balance at end of the year	15,175

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 2025 £'000		31 March 2026 £'000	
2,605	Bank current accounts	3,530	
3,530	Deposits with Banks on Instant Access	1,021	
6,135	Cash and Cash Equivalents categorised as Current Assets	4,551	
-	Bank current accounts	-	
-	Cash and Cash Equivalents categorised as Current Liabilities	-	
6,135	Total Cash and Cash Equivalents	4,551	

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 2025/26 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 2025/26 the Council collected rent of £31,584 on behalf of the Company and charged management, support fees and other expenses of £12,239. There was an outstanding balance of £12,239 due to the Council at 31 March 2026 (£28,524 31 March 2025). There was an outstanding balance due to South Holland Homes from the Council of £31,584 (£2,392 31 March 2025).

Retained Surplus/Deficit - In 2025/26 the company made a profit after tax of £28,816 (2024/25 £41,218). This is included in the Group Comprehensive Income and Expenditure Statement.

Assets and Liabilities – At 31 March 2026, South Holland Homes held fixed assets valued at £1,064,000 and current assets totalling £614,063. Liabilities consisted of short term creditors of £22,575 and long term creditors of £267,000 and a provision for a deferred tax liability of £110,411.

Commitments under capital contracts - At 31 March 2026 the company had no commitments under capital contracts (31 March 2025 nil).

Audit fees - Accountancy and audit fees were incurred at a cost of £3,720.

Inter-organisation Balances - Group accounting regulations require that inter-organisation balances be removed. The following balances were removed in 2025/26:

- Debtors £31,584 (2024/25 £2,392)
- Creditors £12,239 (2024/25 £28,524)

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 2021).

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

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

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

During 2025/26, Welland Homes did not purchase any further properties for rental, and no further loan draw downs were taken. There was a loan balance of £6,546,095 outstanding to the Council as at 31 March 2026 (£6,546,095 at 31 March 2025).

The Council charged £280,562 interest to Welland Homes during the year and a further £30,635 of expenses was recharged.

Retained Surplus/Deficit - In 2025/26 the company made a profit after tax of £72,645 (2024/25 £306,881 loss). This is included in the group Comprehensive Income and Expenditure Statement. The majority of the decline in profits was due to the reduced gains on property revaluations compared to the previous year. The company also made charitable donations of £211,373 (2024/25 £100,373).

Assets and Liabilities - At 31 March 2026, Welland Homes held fixed assets valued at £11,587,000 and current assets totalling £153,565. Liabilities consisted of short-term creditors of £21,163, long term creditors of £6,546,095 and a provision for a deferred tax liability of £359,176.

Commitments under capital contracts - At 31 March 2026 the company had no commitments under capital contracts. (31 March 2025 nil).

Audit fees - Accountancy and audit fees were incurred at a cost of £4,920.

Inter-organisation Balances - Group accounting regulations require that inter-organisation balances be removed. The following balances were removed in 2025/26:

Creditors: Amounts falling due within one year – (nil) (2024/25 nil)
Long term creditors – £6,546,095 (2024/25 £6,546,095)

Inter-organisation transactions- Group accounting regulations require that inter-organisation transactions be removed. The following transactions were removed in 2025/26:

Management and support fees and other expenses £30,635 (2024/25 £27,973)
Loan Interest £280,562 (2024/25 £253,936)

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 2025/26, the Company's statement of comprehensive income shows a surplus for the year of £415k. Of this, the Council's proportion of £212k is included in the Group Comprehensive Income and Expenditure Statement. At 31 March 2026, the net worth of PSPS Ltd was £1.951m. South Holland's share of the net worth, £585k, 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 2026, South Holland held 3 seats out of 8 on the Board of Directors, therefore holding 37.5% of the voting rights of the company. This therefore provides the Council with significant influence over PSPS Ltd.

GLOSSARY OF TERMS

Accounting Period

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

Accruals Basis

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

Actuarial Gains and Losses

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

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

Appointed Auditors

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

Balance Sheet

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

Balances

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

Capital Adjustment Account

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

Capital Expenditure

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

Capital Receipts

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

Carrying Amount

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

Cash Flow Statement

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services

Collection Fund

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

Community Assets

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

Contingent Liabilities or Assets

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

Council Tax

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

Council Tax Requirement

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

Creditors

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

Current Service Cost

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

Curtailement

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

Debtors

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

Deferred Capital Receipts

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

Defined Benefit Scheme

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

Ministry of Housing, Communities and Local Government (MHCLG)

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

Depreciation

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

Earmarked Reserves

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

Events after the Balance Sheet Date

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

Exceptional Items

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

External Audit

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

Expenditure

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

Fair Value

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

Finance Lease

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

Financial Instruments

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

General Fund

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

Heritage Assets

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

Housing Revenue Account

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

Impairment

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

Income

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

Infrastructure Assets

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

Intangible Assets

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

Internal Borrowing

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

International Financial Reporting Standards

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

Joint Operation

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

Liabilities

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

Materiality

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

National Non-Domestic Rates (Business Rates)

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

Net Book Value (NBV)

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

Net Debt

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

Net Realisable Value (NRV)

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

Non-Current Assets (Fixed Assets)

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

Non-Operational Assets

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

Operational Assets

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

Operational Boundary

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

Operating Lease

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

Precept

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

Prior Year Adjustment

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

Provision

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

Public Works Loan Board (PWLB)

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

Related Parties

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

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

Remuneration

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

Reserves

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

Revaluation Reserve

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

Revenue Expenditure

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

Revenue Support Grant

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

Right of Use Asset

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

Service Potential

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

Treasury Management

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

Treasury Management Strategy

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

**ANNUAL GOVERNANCE STATEMENT
For the Year Ended 31 March 2026**

To be added before publishing

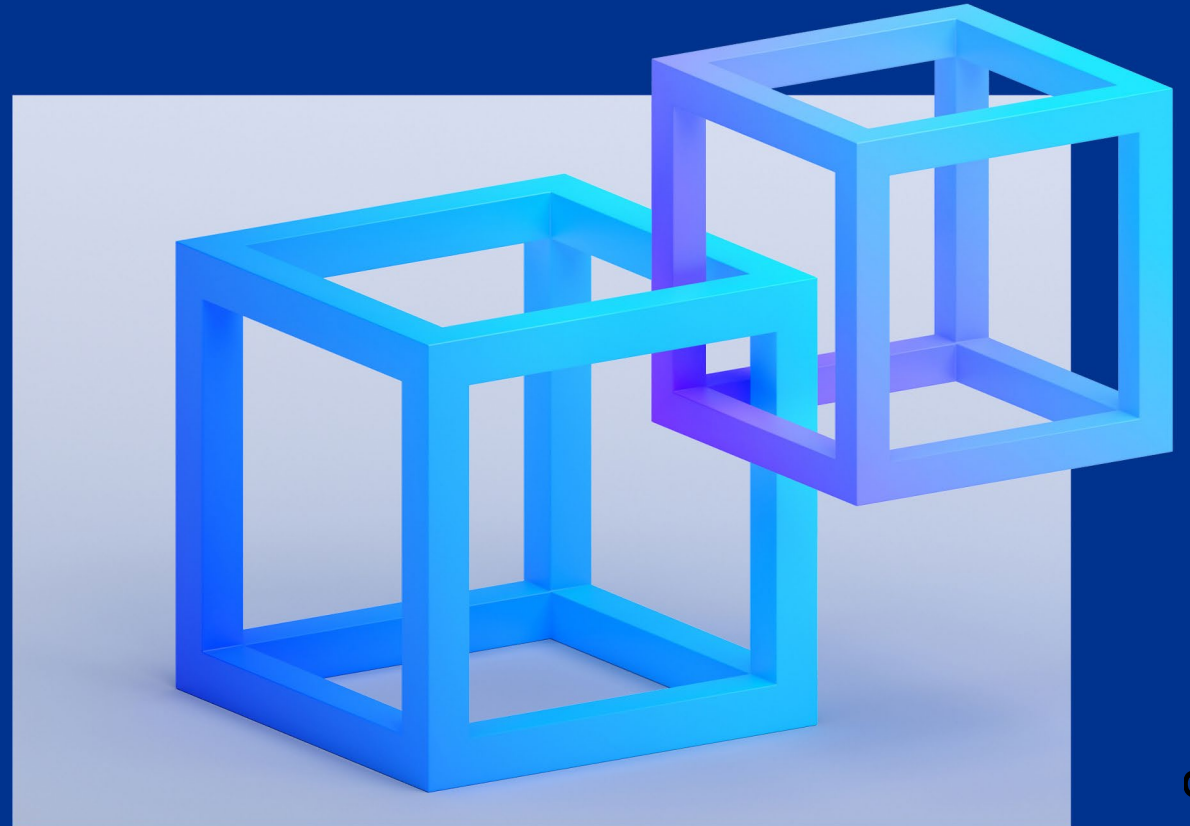
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South Holland District Council

Report to the Governance & Audit Committee

Rebuilding Assurance Risk Assessment Outcome for the
Year-Ending 31 March 2026

—
2 June 2026



Rebuilding assurance

Background

The Government introduced measures to resolve the legacy local government financial reporting and audit backlog. In 2024, amendments were made to the Accounts and Audit Regulations and the NAO's Code of Audit Practice which introduced the requirement for audit reports in respect of any open, incomplete audits up to the period ending 31 March 2023 to be published by 13 December 2024. It also introduced a statutory back stop date of 28 February 2025 and 27 February 2026 for the 2023/24 and 2024/25 audits, respectively.

Guidance has been developed to help support appropriate audit procedures for audits where further work is required to build back assurance. In addition to the Local Audit Rest and Recovery Implementation Guidance (LARRIGs) that was published in 2024 by the NAO, further guidance has now been published by the NAO: LARRIG 06 - Special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions (e.g. reserves balances where a disclaimer has been previously issued). We note the LARRIGs are prepared and published with the endorsement of the Financial Reporting Council (FRC) and are intended to support the reset and recovery of local audit in England.

For the Council this had the impact of a disclaimer of opinion issued by your predecessor auditor for one financial year up to and including 2022/23. We then issued a disclaimer of opinion for 2023/24 on 13 February to comply with the statutory backstop date. For the 2024/25 audit we issued a disclaimer of opinion on 24 February 2026.

The 2025/26 audit

As part of the 2025/26 audit, we have completed our rebuilding assurance risk assessment which included:

- Inquiries with regards to changes to the Council during the disclaimed period.
- Considering the disclaimed period and associated reporting including the Statement of Accounts, Annual Government Statements, findings from the disclaimed period audits and any findings from the Section 151 officer in their assessment that the financial statements present a true and fair view.
- Reconciling the planned movement in reserves from budget setting, in-year monitoring and outrun reports and documenting our understanding of planned usage and changes in reserves over the disclaimed period.

- Considering the processes over capital additions/disposals.
- A balance sheet financial statement caption-by-caption assessment of the movement over the disclaimed period overlaid with findings from other risk assessment procedures to determine the appropriate testing strategy to remove the risk of material misstatement in line with the LARRIGs.

As a result of the risk assessment – we designed an appropriate response to address the risks. The work completed in relation to those substantive procedures has been set out on the following pages.

Fees

We note our fees for this work are expected to be in region of:

- **Risk assessment** - £32,000 (Agreed with management and reported within our ISA260 for the year ended 31 March 2025 but still subject to agreement with PSAA)
- **Substantive work** – We have estimated a cost between £25,000 - £30,000. This is based on estimated planned hours to complete the rebuilding assurance work, costed using the PSAA 2025/26 hourly rates.
- We note our fees will be subject to the PSAA fee variation process and PSAA approval. MHCLG has announced grant funding for this work.

Rebuilding assurance: Risk assessments results

LARRIG 06 sets out guidance to auditors of English local authorities in circumstances where the auditor’s opinion on the prior year financial statements has been disclaimed because of backstop arrangements included in the Accounts and Audit (Amendment) Regulations 2024. Specifically, its purpose is to assist auditors in the process of rebuilding assurance for specific classes of transactions, account balances and disclosures which warrant special consideration beyond the general principles set out in LARRIG 05.

Specifically, we have completed the following risk assessment procedures:

- Entity and process level risk assessment procedures;
- Review of Statements of Accounts from disclaimed years;
- An assessment of the revenue budget setting and monitoring, including reserves, and capital during the disclaimed period; and
- Inquiries, with regards to changes to the Council during the disclaimed period.

The risk assessment has identified risks of material misstatement over which we need to complete procedures. The table below identifies the risks of material misstatements, the procedures to address the risks and the likely audit year we will complete the work.

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#	Account Caption	Risk of material misstatement identified	Procedures to address the risk of material misstatement	Audit year we have planned the procedures *
1	Property, Plant and Equipment	Additions to property, plant and equipment are recorded inappropriately when: the expenditure is not eligible for capitalisation, the assets are not accurately recorded, the entity does not have the rights to the assets, or the assets do not exist.	For a sample of additions capitalised in the year ended 31 March 2023, we will: <ul style="list-style-type: none"> • Confirm the entity have the rights to the assets and that they exist; • Confirm the additions meet the criteria to be capitalised and have been capitalised in the correct period; and • Confirm the useful economic lives applied to the assets are in line with the Council’s accounting policy, which drives the depreciation calculation. 	2025/26
2	Capital Receipts Reserve	Transfers to the Capital Receipts Reserve have not been completely identified, or accurately recorded.	We will reconcile the number of assets recorded in the fixed asset register as disposals in the year ended 31 March to the number of capital receipts. For a sample of capital receipts, we will vouch these to bank statements and vouch to supporting audit evidence to confirm whether the assets were disposed of in the year ended 31 March 2023.	2025/26



Rebuilding assurance: Risk assessments results

#	Account Caption	Risk of material misstatement identified	Procedures to address the risk of material misstatement	Audit year we have planned the procedures *
3	Capital Grants Unapplied (usable reserves)	Transfers to or from Capital Grants Unapplied reserve are not completely identified, or are not accurately recorded.	<p>To assess whether transfers to and from the Capital Grant Unapplied reserve are accurately recorded, for a sample of transactions in the year ended 31 March 2023, we will:</p> <ul style="list-style-type: none"> Review the grant agreement and the activity undertaken by the Council in the relevant financial year to assess whether the transfer has been made in line with the requirements of the Code of Practice for Local Authority Accounting. <p>To assess whether transfers to and from the Capital Grant Unapplied reserve have been completely recorded, for a sample of capital grants received in the year ended 31 March 2023, we will:</p> <ul style="list-style-type: none"> Vouch the income to grant agreements and cash receipts, and review the conditions of the grant to confirm appropriate recognition of the income; and Assess the reserve impact to confirm this is accurately recorded. 	2025/26
4	Unusable Reserves	Transfers to or from unusable reserves are not appropriately identified and classified, or are not accurately recorded.	<p>We will:</p> <ul style="list-style-type: none"> Confirm the entries in the Capital Adjustment Account, Revaluation Reserve, Pensions Reserve, Financial Instruments Adjustment Account, and other Unusable Reserves are consistent with the Movement in Reserves Statement (i.e. in and out of General Fund and the Housing Revenue Account). This involves ensuring that the "accounting entries" in the Comprehensive Income and Expenditure Statement are reversed out and replaced by the funding "entries". This test confirms movements to the General Fund, Housing Revenue Account, and the unusable reserves, are consistent. Confirm that Capital Expenditure additions to the Capital Financing Requirement (CFR) agree materially to the capital expenditure outturn. Confirm whether the Revenue Expenditure Funded from Capital Under Statute (REFCUS) expenditure impacts the Capital Financing Requirement and if the Minimum Revenue Provision (MRP) is in line with Policy, and whether there have been any changes in the disclaimed period. Confirm whether voluntary MRP has been approved through the Governance Committee. Assess completeness of balances such as MRP, which move usable funds to unusable funds to support the understanding of any understatement of MRP. 	2025/26

Rebuilding assurance: Risk assessments results

#	Account Caption	Risk of material misstatement identified	Procedures to address the risk of material misstatement	Audit year we have planned the procedures *
5	Housing Revenue Account (reserves)	Transfers to or from the Housing Revenue Account reserves are not appropriately identified, classified, or are not accurately recorded.	<p>For transactions in the year-ended 31 March 2023, we will:</p> <ul style="list-style-type: none"> Inspect a sample of Housing Revenue Account (HRA) expenditure to supporting audit evidence, to confirm the expenditure has been incurred and is correct to be classified as HRA expenditure; Inspect a sample of movements in the Major Repairs Reserve to supporting audit evidence, to confirm the movement is accurately recorded and in line with the requirements of the Code of Local Authority Accounting; and We will review expenditure and payments made in the period following 31 March 2023 to determine whether expenditure recognised is complete. <p><i>*We have not repeated procedures here that are covered within item 4 on the previous page, which outlines our procedures to confirm movements to the General Fund, Housing Revenue Account, and the unusable reserves, are consistent.</i></p>	2025/26
<p>To carry out our audit procedures on the financial statements, we will:</p> <ul style="list-style-type: none"> Agree the closing position as at 31/03/2022 (the financial statement period where the audit opinion was not disclaimed) to the subsequent year opening position up to and including the year ended 31 March 2026. We will ensure the accounts (as presented) agree to the general ledger, from which our testing will be carried out. 				



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Report To:	Governance and Audit Committee
Date:	Thursday 2 July 2026
Subject:	Governance and Audit Committee Work Programme
Purpose:	To set out the Work Programme of the Governance and Audit Committee
Key Decision:	N/A
Portfolio Holder:	Councillor Jim Astill Portfolio Holder for Corporate and Environmental Services. Councillor Paul Redgate, Portfolio Holder for Finance
Report Of:	Rhonda Booth, Democratic Services Manager
Report Author:	Andrea Tait, Democratic Services Team Leader
Ward(s) Affected:	n/a
Exempt Report:	No

Summary

This report sets out the Work Programme of the Governance and Audit Committee and recommends that the Committee considers the Work Programme and identifies any additional items to be added to the Programme.

Recommendations

That the Committee considers the content of this report and identifies any issues for discussion.

Reasons for Recommendations

To allow Committee members to feed into the Work Programme on a regular basis, to ensure that it stays relevant and up to date.

Other Options Considered

Do nothing

1. Background

- 1.1. The Governance and Audit Committee regularly considers a variety of reports from Internal Audit, External Audit and the Section 151 Officer.
- 1.2. Many of these reports are considered at regular intervals, the majority being annually, half-yearly or quarterly.
- 1.3. In addition to these reports, the Committee also considers issues on an ad-hoc basis with some reports arising from consideration of items at previous meetings.

2. Report

- 2.1 Attached at Appendix 1 to this report is the Work Programme for the Governance and Audit Committee. It lays out the meeting dates for the 2026/27 municipal year. Alongside each of these meeting dates are issues considered by the Committee on a regular basis together with the author of the report, its purpose and whether it is mandatory, and the frequency with which it is considered.
- 2.2 It has been agreed that this Work Programme be a regular item for consideration on the Committee's agenda, thus creating a formal document laying out the work of the Committee in a clear, structured, and organised way.
- 2.3 The attached document contains items considered on a regular basis, and also any ad hoc issues as and when they arise, for example, issues raised at a meeting to be covered at a future meeting, and any one-off issues.
- 2.4 Attached at Appendix 2 is a schedule of training that has been undertaken since 2023. The document allows for the inclusion of suggested future topics for training. The purpose of Appendix 2 is to provide information and to monitor progress of training undertaken by Governance and Audit Committee members.

3. Conclusion

- 3.1 In presenting the information to the Committee, and by having the report as a standing item on the agenda, Committee members are able to feed into the Work Programme on a regular basis, to ensure that it stays relevant and up to date.

Implications

South and East Lincolnshire Councils Partnership

None

Corporate Priorities

None

Staffing

None

Workforce Capacity Implications

None

Constitutional and Legal Implications

Constitutional and Legal implications have been considered and in the opinion of the author, there are none arising from this report. However, the Work Programme should assist in providing a clear programme of work for the Governance and Audit Committee in line with the requirements laid out in the Council's Constitution.

Data Protection

None

Financial

None

Risk Management

Risk Management implications have been considered and in the opinion of the author there are none. However, one of the roles of the Governance and Audit Committee is to monitor the effective development and operation of risk management and corporate governance in the Council, and the Work Programme should assist in keeping track of risk issues.

Stakeholder / Consultation / Timescales

None

Reputation

None

Contracts

None

Crime and Disorder

None

Equality and Diversity / Human Rights / Safeguarding

None

Health and Wellbeing

None

Climate Change and Environmental Implications

None

Acronyms

None

Appendices

Appendices are listed below and attached to the back of the report:

- Appendix 1 Work Programme for the Governance and Audit Committee
- Appendix 2 Governance and Audit Committee training information

Background Papers

No background papers as defined in Section 100D of the Local Government Act 1972 were used in the production of this report

Chronological History of this Report

A report on this item has not been previously considered by a Council body

Report Approval

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SHDC GOVERNANCE AND AUDIT COMMITTEE TERMS OF REFERENCE

COUNCIL BODY:	MEMBERSHIP:	FUNCTIONS / TERMS OF REFERENCE:
Governance and Audit Committee	<p>7 non-Cabinet members, excluding the Chairman of the Council and the Chairman of the Performance Monitoring Panel and Policy Development Panel</p> <p>Quorum 3 (SO 38)</p> <p>Substitutions are not permitted.</p> <p>Up to 2 Co-opted Independent members.</p>	<p>The purpose of the Governance and Audit Committee is to monitor governance, risk management and internal control arrangements at the Council, to provide independent assurance that these are effective and efficient.</p> <p>This is achieved through key regular items received by the Committee in relation to, but not limited to; internal and external audit, key finance items, governance reviews and strategic risk management reporting.</p> <p>Internal Audit</p> <ol style="list-style-type: none"> 1. To consider and approve annually the Internal Audit plan of work, considering the scope and depth of the work in addressing the Council's significant risks and issues. 2. To consider the outcomes of the internal audit plan of work and to monitor management's progress in implementing agreed audit recommendations. 3. To consider and approve the Annual Report and Opinion of the Head of Internal Audit, ensuring that the systems of internal control, governance and risk management have been effective and efficient over the course of the year. 4. To consider the performance of the internal auditors in relation to the adherence to the Public Sector Internal Audit Standards. <p>External Audit</p> <ol style="list-style-type: none"> 5. To consider annually the External Audit plan of work. 6. To consider External Audit reports and letters.

	<p>Accounts / Finance</p> <p>7. To consider the extent of the Council's compliance with its own and other published financial statements and controls.</p> <p>8. To review and approve the annual Statement of Accounts and the Annual Governance Statement contained therein.</p> <p>9. To approve the Council's Treasury Management Strategy & Policy and subsequent performance against this.</p> <p>Risk Management</p> <p>10. To monitor and approve policies for the effective development and operation of risk management and corporate governance in the Council.</p> <p>Governance</p> <p>11. To review the Council's arrangements for governance, with particular regard to the Local Code of Corporate Governance.</p> <p>12. To review allegations from whistleblowers; and to review and approve all Council policies and strategies that relate to the prevention of fraud and corruption including (but not limited to) policies on counter fraud, whistleblowing and money laundering.</p> <p>13. To hold periodic private discussion with the Head of Internal Audit and the External Auditors to review working relationships and discuss any pertinent issues.</p> <p>14. To commission ad-hoc work from internal and external audit.</p> <p>15. To report annually to Full Council on the Committee's work and performance during the financial year.</p> <p>16. To assess the Committee's own effectiveness on an annual basis against best practice.</p>
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GOVERNANCE AND AUDIT – CALENDAR OF WORK PROGRAMME ITEMS 2026/2027
GOVERNANCE LEAD: JOHN MEDLER | FINANCE LEAD: SAMANTHA KNOWLES (PSPS)

Work Programme 2026/27

2026/27	Agenda item	Author	Purpose and whether mandatory	Frequency
2 July 2026	Q4 Risk Report 2025/2026	Business Intelligence and Change Manager	Part of Governance role – not mandatory	Quarterly
	Internal Audit Annual Report and Opinion 2025/26	Internal Audit Manager	Internal Audit opinion to support draft Annual Governance Statement Mandatory	Annual
	Public Works Loan Board Housing Revenue Account Borrowing	Sean Howsam	Ad Hoc	Ad hoc
	Annual Treasury Report 2025/26	Treasury and Investment Manager (PSPS)	To comply with Treasury Management Strategy - Mandatory	Annual
	Unaudited Financial Statements 2025/26	The Head of Finance Delivery – Technical and Corporate (PSPS)	To review the Unaudited Financial Statements - Mandatory	Annual
	Annual Governance Statement 2025/26	Group Manager Insights and Transformation	To review the Draft Annual Governance Statement - mandatory	Annual
	Rebuilding Assurance Risk Assessment for the year ended 31 March 2026	KPMG	Required to report by 31 July 2026	Annual
	Combined Assurance Status Report 2025/26	Assistant Director – Governance (Monitoring Officer)	Part of Governance role - good practice	Annual
10 Sept 2026	Q1 Risk Report 2026/27	Business Intelligence and Change Manager	Part of Governance role – not mandatory	Quarterly

2026/27	Agenda item	Author	Purpose and whether mandatory	Frequency
	Q1 Treasury Report 2026/27	Treasury and Investment Manager PSPS	To comply with Treasury Management Strategy reporting requirements	Quarterly
	Internal Audit Progress Report 2026/27	Internal Audit Manager	Not mandatory, but part of Governance role.	Twice per year
	External Auditors Progress Report 2026/27 – <i>verbal update</i>	External Audit Manager KPMG	Good practice	Each meeting
	Governance and Audit Annual Report	Democratic Services	Good practice - SHDC Constitution states that committee work activities be reported annually to Council	Annually
	Local Code of Corporate Governance	Assistant Director – Governance (Monitoring Officer)/ Scrutiny and Policy Officer	To approve the updated Local Code of Corporate Governance. Not mandatory, but best practice.	3 yearly
	Governance and Audit Self Assessment Action Plan	Assistant Director – Governance (Monitoring Officer)	Good Practice	Annual
12 Nov 2026	Q2 Risk Report 2026/27	Business Intelligence and Change Manager	Part of Governance role – not mandatory	Quarterly
	Treasury Management Mid-Year report 2026/27	Treasury and Investment Manager PSPS	To comply with Treasury Management Strategy reporting requirements	6-monthly
	Audited Financial Statements including Annual Governance Statement 2026/27 (<i>goes with same meeting as External Audit Completion Report below</i>)	The Head of Finance Delivery – Technical and Corporate (PSPS)	To approve financial statements prior to release to External Audit - Mandatory	Annual
	External Audit Completion Report 2026/27 (ISA 260)	External Audit Manager KPMG	Mandatory report to those charged with Governance	Annual
	External Auditor's Annual Report 2026/27	External Audit Manager KPMG	Mandatory	Annual

2026/27	Agenda item	Author	Purpose and whether mandatory	Frequency
	Information Governance Annual Report	Information Manager / Data Protection Manager	Mandatory	Annual
	Annual Governance Statement Action Plan	Suzanne Rolfe	Good practice	6-monthly
28 Jan 2027	Draft Treasury Management Policy and Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2027/28	The Head of Finance Delivery – Technical and Corporate (PSPS)/ Treasury and Investment Manager PSPS	Mandatory requirement. To review Treasury Management Strategy and approve Prudential Indicators.	Annual
	Internal Audit Progress Report	Internal Audit Manager	To update Committee on progress of the plan. Not mandatory, but part of Governance role.	Twice per year min
18 March 2027	Combined Assurance Status Report 26/27	Assistant Director – Governance (Monitoring Officer)		Annual
	Q3 Risk Report 2026/27	Business Intelligence and Change Manager	Part of Governance role – not mandatory	Quarterly
	Draft Internal Audit Plan 2027/28	Internal Audit Manager	Annual Internal Audit Workplan - Mandatory approval	Annual
	Financial Statements – Accounting Policies 2026/27	Deputy Chief Finance Officer PSPS	Not mandatory, but good practice.	Annual
	Internal Audit Progress Report	Internal Audit Manager	To update Committee on progress of the plan. Not mandatory, but part of Governance role.	Twice per year min
	Update in respect of RIPA 2000	Information Manager / Data Protection Officer	To provide the Committee with an update to the Council's Policy and Procedures on the Regulation of Investigatory Powers Act 2000 (RIPA Policy) and its use and to provide assurance and information.	Annual

2026/27	Agenda item	Author	Purpose and whether mandatory	Frequency
	External Audit Strategy and Planning Report 2026/27	External Audit Manager KPMG	Mandatory Approval	Annual
	Q3 Treasury Report 2026/27	Treasury and Investment Manager PSPS	To comply with Treasury Management Strategy reporting requirements	Quarterly

The following item to be added to the Committee's Work Programme on an ad hoc basis, where there is information to report:

- **Code of Corporate Governance** – to adopt the updated Local Code of Corporate Governance, mandatory, to be reviewed every 3 years - last reviewed 19 September 2023.
- **Whistleblowing Policy and Procedure** – to be reviewed every 3 years - last reviewed 29 January 2026.
- **Counter Fraud, Bribery and Anti-Corruption Policy** - to be reviewed every 3 years - last reviewed 13 November 2025.

South Holland Governance & Audit Committee - Training Undertaken and Suggested Future Topics

Title	Format / Provider	Date
Introduction to Local Government Finance (as part of Induction)	Chief Finance Officer/ external trainer	17 July 2023
Governance and Audit Committee training	Dems/Finance Officers/MO Ian Fifield external trainer Ian Fifield external trainer	12 June 2023 23 June 2025 (whole committee) 14 July 2025 (Chair & Vice Chair specific)
Governance, Code of Conduct, Committee Structure (as part of the Induction)	Monitoring Officer	16 May 2023
Unaudited Financial Statements	Sam Knowles & Ellie Stacey	9 March 2023
End of Year Accounts	Sam Knowles & Ellie Stacey	As needed
Draft Accounts Training	Sam Knowles & Ellie Stacey	9 March 2023
Pensions	Lincolnshire County Council	9 June 2025
Governance	Induction training: John Medler	16 May 2023

Ethics	Induction training: John Medler	16 May 2023
Standards	Induction training: John Medler	16 May 2023
Finance	External provider / Sam Knowles - all Member induction training	17 July 2023
Statement of Accounts	Chief Finance Officer PSPS Detailed session	11 September 2023
Treasury Management	1/ Induction training - Treasury and Investment Manager. 2/ Member Treasury Management Training - Link Group virtual	16 May 2023 22 October 2024
Audit	Induction training - Internal Audit Manager	16 May 2023
Cyber Security	ICT	Online modules October 2023
Risk Report training	Suzanne Rolfe / Corey Gooch	22 October 2025

Future Topics	Plans for Delivery	How and When
Self-Assessment Exercise 2026/27:	In house – Rebecca James	Committee self-assessment exercise to take place in Q3 2026/2027.