Appendix 1

AUDITED FINANCIAL STATEMENTS

For the Year Ended 31 March 2025

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FINANCIAL STATEMENTS

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NARRATIVE REPORT 2024/25

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

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

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

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

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

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

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

1. The Statement of Accounts

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

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

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

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2025. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local

Authority Accounting in the United Kingdom 2024/25, which in turn is underpinned by International Financial Reporting Standards.

The main financial statements are:

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

The Supplementary Financial Statements are:

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

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

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

Financial Management

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

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

The council achieves effective financial management through:

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

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

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

2. Our District

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

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

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

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

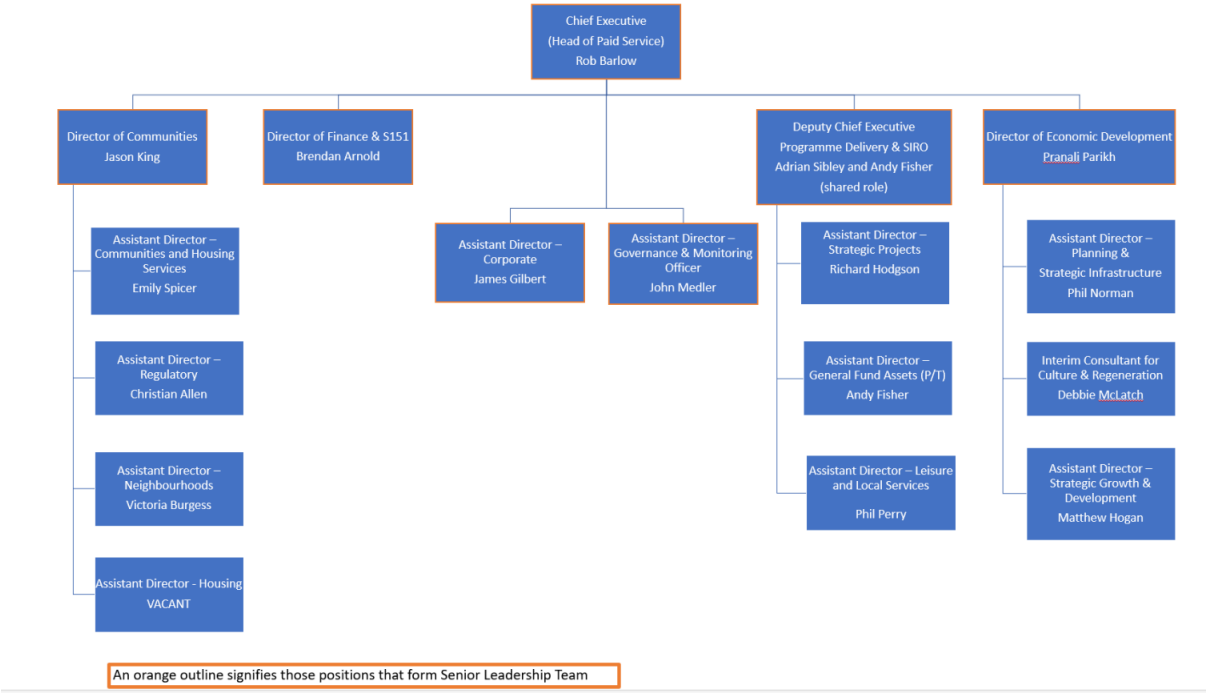
3. South Holland District Council

Organisational Structure

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

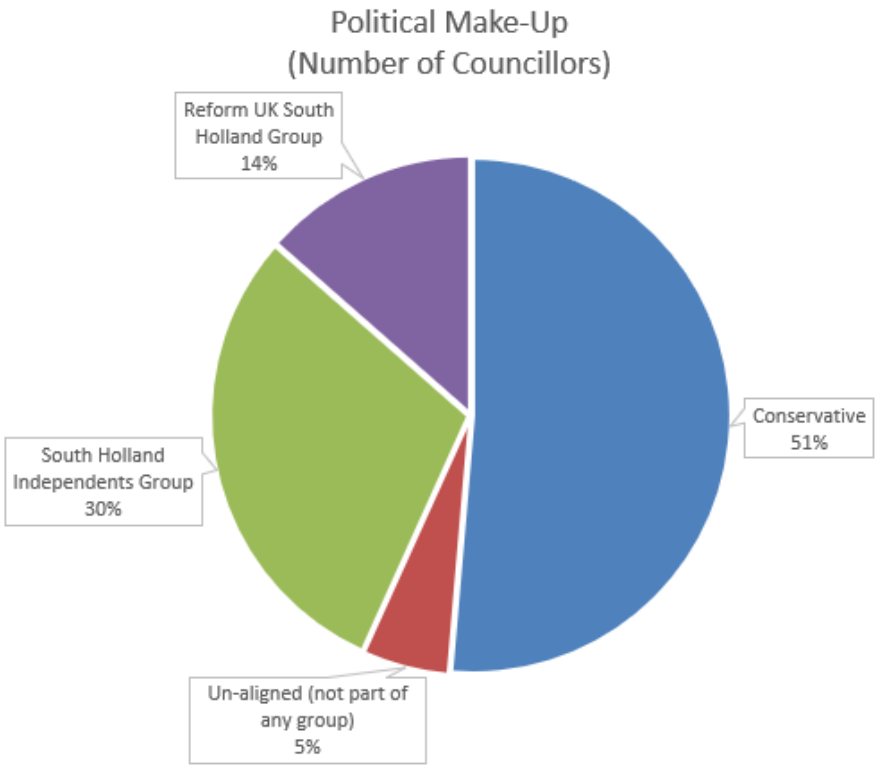
The Council is organised into three directorates:

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



Political structure

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



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

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

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

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

Staffing

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

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

4. Council Priorities, Corporate Strategy and Performance

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

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

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

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

The Partnership priorities

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

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

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

How South Holland District Council performed in 2024/25

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

This breaks down each quarter as follows:

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

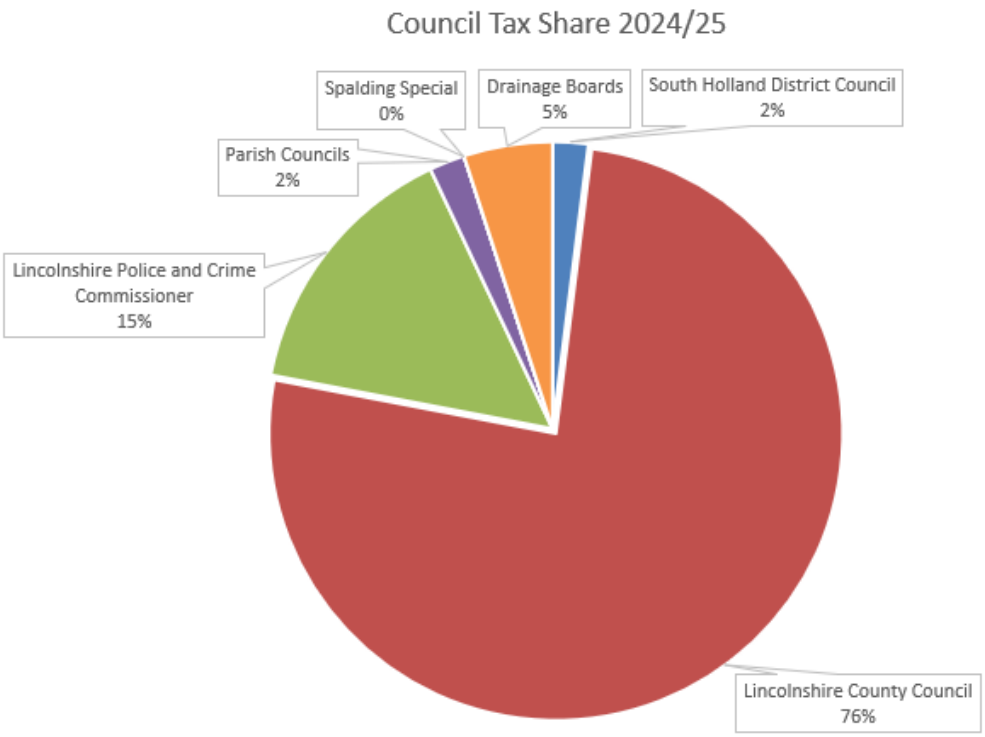
In 2024/25 the Council delivered the following actions from the Annual Delivery Plan (this is just a snapshot):

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

5. Financial Performance

Council Tax

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



Where the Money Came From

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

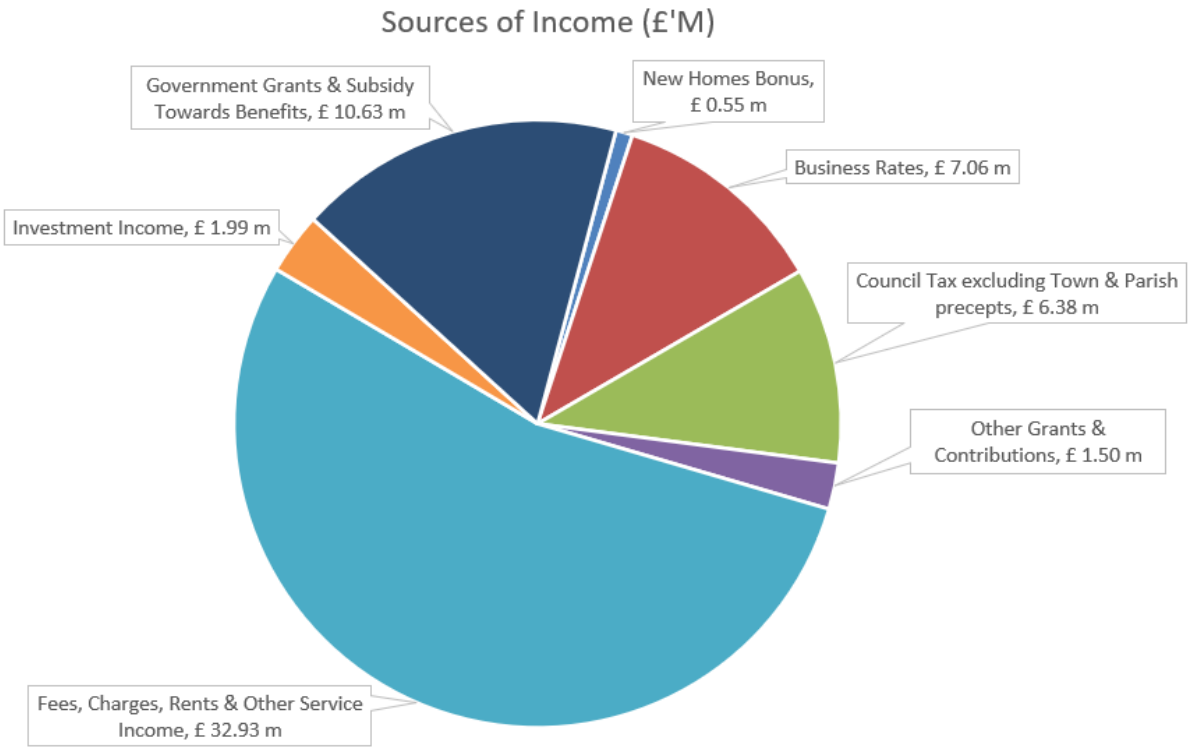
The majority of the income comes from Housing Benefit Subsidy grant (which is paid out to claimants) and other non-specific Government grants.

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

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

A total of £32.931m was received from fees, charges, rents, and other service income (54% of total income).

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



How the money was spent

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

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

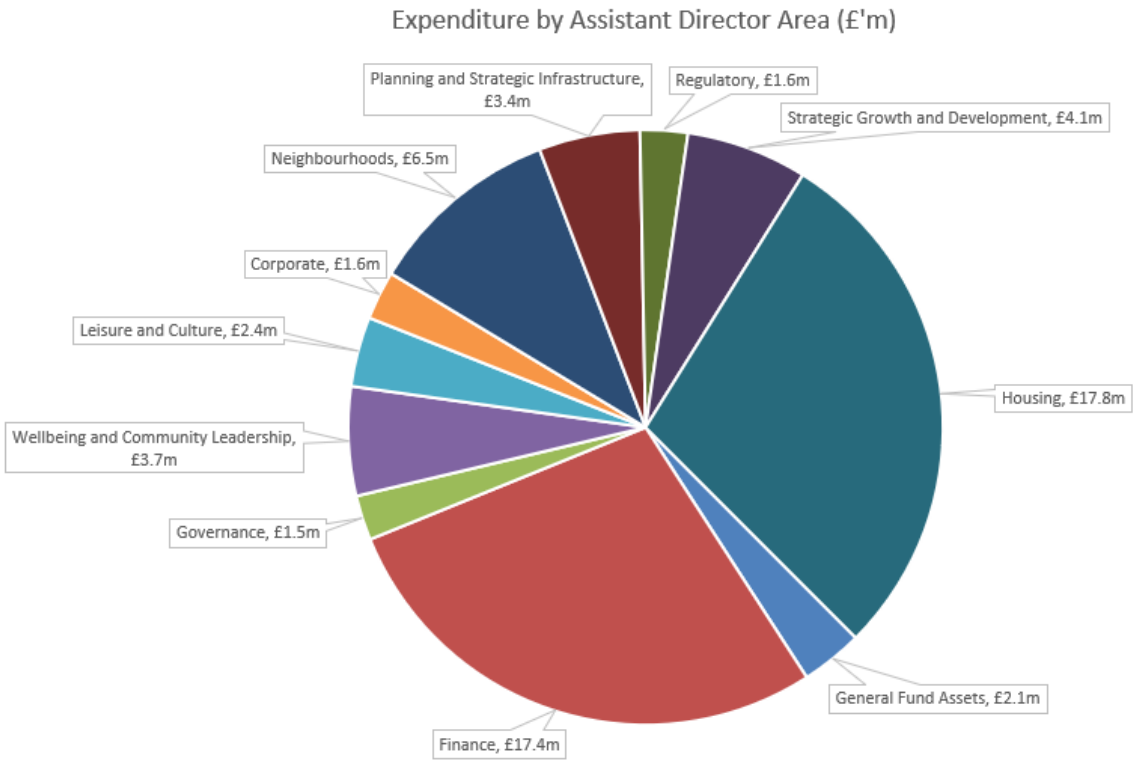
Running expenses and employee expenditure are included as part of the Assistant Director expenditure items.

Running expenses include costs relating to:

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

Employee’s expenditure includes costs relating to:

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



Financial Performance

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

General Fund

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

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

Capital Financial Performance

The capital outturn for 2024/25 reported to Cabinet by scheme is as follows:

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

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

Housing Revenue Account

HRA 2024/25 Outturn

HRA 2024/25 Outturn Service Area	Revised Budget 2024/25 £'000	Outturn 2024/25 £'000	Variance (underspend)/ overspend £'000
Rent Income – Dwellings	(18,308)	(18,448)	(140)
Charges for Services and Facilities	(1,275)	(1,269)	6
Contributions to Expenditure	(5)	-	5
Total Income	**(19,588)**	**(19,717)**	**(129)**
Repairs and Maintenance	4,883	4,580	(303)
Supervision and Management	4,246	4,072	(174)
Rents, rates, taxes, and other charges	90	83	(7)
Depreciation	5,040	5,410	370
Movement in Allowance for bad debts	50	99	49
Statutory recharge to the HRA for support services	3,306	3,321	14
Total Expenditure	**17,615**	**17,565**	**(50)**
Contribution from Operations	**(1,973)**	**(2,152)**	**(179)**
Investment Income	(556)	(390)	166
Interest Payable	2,348	2,348	-
Net (Surplus)/Deficit	**(181)**	**(194)**	**(13)**

Housing Revenue Account (HRA) Capital Programme

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

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

Collection Fund financial performance

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

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

Reserves and balances

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

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

*Includes £216k of the 2024/25 surplus
**Includes £100k of the 2024/25 surplus

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

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

Reserve	HRA Reserves Balance Balances at 1 April 2024 £'000	Contributions into Reserves £'000	Use of Reserves £'000	Balances at 31 March 2025 £'000
Housing Revenue Account (HRA)				
HRA General Reserve	15,395	194	(3,093)	12,496
Major Repairs Reserve	4,379	5,409	(7,286)	2,502
Insurance Reserve	200	-	-	200
Total	**19,974**	**5,603**	**(10,379)**	**15,198**

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

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

Pension fund

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

Cash flows

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

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

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

Current economic climate, outlook and risk

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

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

Appendix A - Budget Setting Report 2024/25

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

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

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

Future Opportunities

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

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

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

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

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

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

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

The Chief Financial Officer's Responsibilities

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

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

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

Certification by the Chief Financial Officer

I hereby certify that the 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 2025.

Russell Stone
Director of Finance & S151 Officer

Date:

Approval of the Financial Statements

The Governance and Audit Committee approved the audited Financial Statements on 13 November 2025.

Signed on behalf of South Holland District Council

Councillor Allan Beal
Chair of meeting approving the audited Financial Statements

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.

2023/24 Gross Expenditure £'000	2023/24 Gross Income £'000	2023/24 Net Expenditure £'000		2024/25 Gross Expenditure £'000	2024/25 Gross Income £'000	2024/25 Net Expenditure £'000
1,790	(847)	943	General Fund Assets	2,099	(981)	1,118
15,508	(12,984)	2,524	Finance	17,362	(12,635)	4,727
1,216	(105)	1,111	Governance	1,509	(511)	998
5,152	(3,584)	1,568	Wellbeing and Community Leadership	3,676	(2,207)	1,469
2,363	(833)	1,530	Leisure and Culture	2,353	(918)	1,435
2,124	(408)	1,716	Corporate	1,643	(200)	1,443
6,149	(936)	5,213	Neighbourhoods	6,544	(1,082)	5,462
3,368	(3,524)	(156)	Planning and Strategic Infrastructure	3,415	(4,950)	(1,535)
1,460	(696)	764	Regulatory	1,607	(1,015)	592
2,056	(1,776)	280	Strategic Growth and Development	4,084	(2,981)	1,103
50,668	(18,364)	32,304	Housing	17,769	(19,938)	(2,169)
91,854	**(44,057)**	**47,797**	**Cost of Services**	**62,061**	**(47,418)**	**14,643**
7,352	(3,333)	4,019	Other operating expenditure (Note 10)	4,807	(150)	4,657
6,286	(6,290)	(4)	Financing and investment income and expenditure (Note 11)	6,373	(6,140)	233
6,483	(26,764)	(20,281)	Taxation and non-specific grant income and expenditure (Note 12)	6,752	(31,027)	(24,275)
111,975	**(80,444)**	**31,531**	**(Surplus) or Deficit on the Provision of Services**	**79,993**	**(84,735)**	**(4,742)**
		(93,323)	Surplus on revaluation of property, plant and equipment assets			9,401
		579	(Surplus) or Deficit from investments in equity instruments designated at fair value through other comprehensive income			(348)
		3,250	Remeasurements of the net defined benefit liability			489
		(89,494)	**Other Comprehensive Income and Expenditure**			**9,542**
		(57,963)	**Total Comprehensive Income and Expenditure**			**4,800**

The notes to the accounts on pages 26 - 96 form an integral part of the Financial Statements.

MOVEMENT IN RESERVES STATEMENT

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

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

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

The notes to the accounts on pages 26 - 96 form an integral part of the Financial Statements.

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e., those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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

The notes to the accounts on pages 26 – 96 form an integral part of the Financial Statements.

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the Council.

2023/24 £'000	2023/24 £'000		2024/25 £'000	2024/25 £'000
	(31,531)	Net surplus/(deficit) on the provision of services		4,742
46,499		Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 25)	10,314	
(8,770)	37,729	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 25)	(5,040)	5,274
	6,198	Net cash flows from Operating Activities		10,016
	(7,597)	Investing Activities (Note 26)		(7,511)
	(2,296)	Financing Activities (Note 27)		7
	(3,695)	Net increase in cash and cash equivalents		2,512
	6,459	Cash and cash equivalents at the beginning of the reporting period		2,762
	(2)	Other Cash Movements		3
	2,762	**Cash and cash equivalents at the end of the reporting period (Note 19)**		**5,277**

The notes to the accounts on pages 26 - 96 form an integral part of the Financial Statements.

NOTES TO THE ACCOUNTS

NOTE 1 – ACCOUNTING POLICIES

1. General Principles

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

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

2. Accruals of Income and Expenditure

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

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

3. Cash and Cash Equivalents

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

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

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

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

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

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

5. Charges to Revenue for Non-Current Assets

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

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

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

6. Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

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

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

Business Improvement Districts

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

7. Employee Benefits

Benefits Payable during Employment

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

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

Termination Benefits

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

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

Post-Employment Benefits

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

The Local Government Pension Scheme

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

- The liabilities of the Lincolnshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e., an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.80% (4.90% in 2023/24), based on the indicative rate of return on high quality corporate bonds.
- The assets of the Lincolnshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.

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

Service Cost comprising:

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

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

Remeasurements comprising:

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

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

Discretionary Benefits

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

8. Events after the Reporting Period

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

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

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

9. Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

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

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

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

Financial Assets Measured at Fair Value through Profit of Loss

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

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

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

Financial Assets Measured at Fair Value through Other Comprehensive Income

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

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

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

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

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

10. Government Grants and Contributions

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

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

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

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

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

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

11. Heritage Assets

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

Civic Regalia and Works of Art:

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

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

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

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

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

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

12. Intangible Assets

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

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

- Computer software and licences – straight line basis

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

13. Interest in Companies and Other Entities

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

14. Joint Operations

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

15. Investment Property

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

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

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

16. Leases

The authority as a lessee

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

Initial measurement

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

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

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

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

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

Subsequent measurement

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

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

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

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

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

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

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

Low value and short lease exemption

As permitted by the Code, the authority excludes leases:

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

Lease expenditure

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

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

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

The authority as lessor

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

Finance leases

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

Lease rentals receivable are apportioned between:

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

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

The Council has no finance lease commitments as at 31 March 2025.

Operating leases

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

17. Material Items of Income or Expense

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

18. Overheads and Support Services

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

19. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising;

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

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

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

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

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

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

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

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

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

Where decreases in value are identified, they are accounted for by:

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

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

Impairment

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

Where impairment losses are identified, they are accounted for by:

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals and Non-Current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet, whether Property, Plant and Equipment or assets held for sale, is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance and Housing Revenue Account Balance in the Movement in Reserves Statement.

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

Infrastructure Assets

Infrastructure assets include sewage treatment works and street furniture.

Recognition

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

Measurement

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

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

Depreciation

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

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

Disposals and derecognition

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

The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

20. Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties, and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

21. Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required, or a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service.

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

22. Contingent Liabilities

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

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

23. Contingent Assets

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

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

24. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingences. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

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

25. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

26. VAT

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

NOTE 2 – ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

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

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

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

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

NOTE 3 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a large degree of uncertainty about future levels of funding for local government. However, the council has determined that this high level of uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

- The Council has examined its leases and classified them as either operating leases or finance leases. In some cases, the lease transaction is not always conclusive, and the Council uses judgements in determining whether the lease is a finance lease that transfers substantially all the risks and rewards incidental to ownership. With effect from 2024/25 financial accounts all lessee operational agreements (apart from those of less than 12 months or those of low value assets) are required to be shown on the balance sheet.

- One factor that has had a demonstrable impact on the accounts in the past five years concerns the assumptions surrounding pensions and the likelihood of legislative change and the impact of such change. The sensitivity analysis, shown in note 36, estimates the likely impact of changes to the assumptions used when reporting the pension liability.

- Investments - Investment in banks and other financial institutions are secure and will not suffer impairments. A certain amount of volatility in financial markets was apparent at the time the accounts were authorised for issue and expected credit losses were calculated based on information available at the time.

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

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

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

Pensions Assets and Liability

The estimation of the net defined benefit liability at 31 March 2025 was £3.801m (£4.044m liability at 31 March 2024) to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied.

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

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

Debt Impairment for Sundry Debtors and Housing Benefit Overpayments - Carrying Value at 31 March 2025 £1.705m

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

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

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

Business Rates

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

For appeals already lodged, this estimate has been calculated using the latest Valuation Office Agency list of outstanding appeals with an assessment being made of the likely impact of those appeals, taking into account

past national decisions together with any specific / local implications. This assessment has been undertaken by an external provider and reviewed by officers to reflect local circumstances. The Council's share of the provision as at 31 March 2025 is £0.129m (40% of £0.323m).

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

Fair Value Measurements

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

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

Property, Plant and Equipment – Property Assets - Carrying Value at 31 March 2025 £293.778m
Investment Property - Carrying Value at 31 March 2025 £2.460m

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

NOTE 6 – EXPENDITURE AND FUNDING ANALYSIS

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

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

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

NOTE 6A – NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

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

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

Adjustments for Capital Purposes
This column adds in depreciation and impairment, revaluation gains and losses and transfer to the Major Repairs Reserve for future capital investment in the service lines, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e., Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

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

- **For services** - this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.

- **For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other differences between amounts debited or credited to the Comprehensive Income and Expenditure Statement and amounts payable or receivable to be recognised under statute are as follows:

- **For services** the other differences column recognises adjustments to the General Fund and Housing Revenue Account for accumulated absences.

- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and business rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

NOTE 6B - SEGMENTAL INCOME

Trading Income received on a segmental basis is analysed below:

Service Segment	Income Area	2024/25 Income from Services £'000	2023/24 Income from Services £'000
Neighbourhoods	Markets	29	27
Regulatory	Licensing	123	99
General Fund Assets	Commercial Rents	329	308
Neighbourhoods	Green Waste	793	643
General Fund Assets	Car Parking	404	316
Planning and Strategic Infrastructure	Planning	1,488	897
Planning	Land Charges	86	82
Planning	Building Control	300	260
Total Income analysed on a segmental basis		**3,552**	**2,632**

NOTE 7 – EXPENDITURE AND INCOME ANALYSED BY NATURE

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

2023/24 £'000		2024/25 £'000
	Expenditure	
14,666	Employee benefits expenses	15,508
21,951	Other service expenses	25,260
10,893	Benefits expenditure	10,891
6,695	Depreciation, amortisation, impairment	6,982
2,348	Interest payments	2,350
4,298	Precepts and levies	4,712
107	Increase in impairment allowance	203
493	Changes in fair value of investment property	20
3	Payments to Housing Capital Receipts Pool	1
6,483	Business Rates tariff and levy	6,752
3,051	Loss on disposal of non-current assets	94
37,667	Loss on revaluation of non-current assets	3,435
3,320	Pensions interest cost	3,785
111,975	**Total Expenditure**	**79,993**
	Income	
(17,598)	Income from council tax and non-domestic rates	(18,309)
(7,217)	Government grants and contributions	(8,514)
(6,277)	Other grants and contributions	(8,077)
(29,466)	Fees, charges and other service income	(32,931)
(10,504)	Benefits income	(10,789)
(51)	Decrease in impairment allowance	(19)
(2,411)	Interest and investment income	(1,994)
-	Change in fair value of equity investments	-
(280)	Changes in fair value of investment property	(225)
-	Gain on entry – peppercorn lease	(77)
-	Gain on revaluation of non-current assets	-
(3,333)	Gain on disposal of non-current assets	(150)
(3,307)	Pensions interest income	(3,650)
(80,444)	**Total Income**	**(84,735)**
31,531	**(Surplus) or Deficit on the Provision of Services**	**(4,742)**

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

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

General Fund Balance

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

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function.

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

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

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

NOTE 9 – MOVEMENTS IN EARMARKED RESERVES

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

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

NOTE 10 – OTHER OPERATING EXPENDITURE

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

NOTE 11 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

NOTE 12 – TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE

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

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

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

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

Depreciation

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

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

Capital Commitments

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

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

Effects of Changes in Estimates

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

Revaluations

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

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

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

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

Fair Value Hierarchy – Surplus Assets

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

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

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

Significant Observable Inputs – Level 2

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

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

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

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

Highest and best use of Surplus Assets

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

Valuation Process for Surplus Assets

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

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

Infrastructure Assets

Movement on balances

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

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

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

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

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

NOTE 14 – HERITAGE ASSETS

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

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

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

Heritage assets recognised on the Council's Balance Sheet:

Civic Regalia and Works of Art:

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

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

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

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

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

NOTE 15 – INVESTMENT PROPERTY

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

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

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

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

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

Fair Value Hierarchy

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

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

Valuation Techniques Used to Determine Level 2 for Investment Properties

Significant Observable Inputs – Level 2

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

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

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

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

Highest and best use of Investment Properties

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

Valuation Process for Investment Properties

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

NOTE 16 – INTANGIBLE ASSETS

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

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

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

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

NOTE 17 – FINANCIAL INSTRUMENTS

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

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

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

Income, expense, gains and losses

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

Fair Value of Financial Assets

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

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

The authority is also the sole shareholder of South Holland Local Community Housing Interest Company. The fair value of the equity balance brought forward was £1.208m and this equity is categorised as Level 3 inputs due to there being no active market for the shares. The Company accounts reported capital and reserves balances of £1.250m as at 31 March 2025. This is presented in the Financial Assets table above, as fair value through other comprehensive income – designated equity instruments. The authority did not intend to dispose of the shares at the Balance Sheet date.

Transfers between Levels of the Fair Value Hierarchy

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

Changes in the Valuation Technique

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

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

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

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

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

The fair values calculated are as follows:

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

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

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

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

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

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

NOTE 18 – DEBTORS

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

NOTE 18A – DEBTORS FOR LOCAL TAXATION

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

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

NOTE 19 – CASH AND CASH EQUIVALENTS

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

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

NOTE 20 – ASSETS HELD FOR SALE

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

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

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

NOTE 21 – CREDITORS

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

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

NOTE 22 – PROVISIONS

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

The provision represents South Holland's share (40% of £0.323m) of the total provision for appeals against the rateable values set by the Valuation Office Agency (VOA) not settled as at 31 March 2025. The total provision has been recognised in the Collection Fund Statement (page 102).

NOTE 23 – USABLE RESERVES

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

NOTE 24 – UNUSABLE RESERVES

31 March 2024 £'000		31 March 2025 £'000
141,444	Revaluation Reserve	128,339
87,738	Capital Adjustment Account	96,053
(4,044)	Pensions Reserve	(3,801)
38	Deferred Capital Receipts Reserve	34
748	Collection Fund Adjustment Account	439
(80)	Accumulated Absences Account	(108)
1,961	Financial Instruments Revaluation Reserve	2,309
227,805	**Total Unusable Reserves**	**223,265**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

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

Pensions Reserve

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

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

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

Capital Adjustment Account

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

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

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

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

Deferred Capital Receipts Reserve

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

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

Collection Fund Adjustment Account

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

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

Accumulated Absences Account

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

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

Financial Instruments Revaluation Reserve

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

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

NOTE 25 – CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

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

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

2023/24 £'000		2024/25 £'000
6,532	Depreciation	6,949
37,667	Impairment and downward valuations	3,434
-	Impairment and revaluation losses/(gains) on HRA non dwellings	-
163	Amortisation of intangible assets	33
(303)	(Increase)/decrease in interest debtors	517
698	(Increase)/decrease in creditors	(1,738)
(602)	Increase/(decrease) in debtors	41
(731)	Movement in pension liability	(732)
(81)	Contribution to/(from) provisions	(9)
-	Adjustment for movements in fair value of investments classified as Fair Value through Other Comprehensive Income	-
2,943	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	2,102
213	Movement in Investment Property Values	(206)
-	Gain on entry – peppercorn lease	(77)
46,499		**10,314**
	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
-	Proceeds from short-term and long-term investments	4,668
(5,545)	Capital Grants credited to surplus or deficit on the provision of services	(7,551)
(3,225)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,157)
(8,770)		**(5,040)**

NOTE 26 – CASH FLOW STATEMENT – INVESTING ACTIVITIES

2023/24 £'000		2024/25 £'000
(21,558)	Purchase of property, plant and equipment, investment property and intangible assets	(16,015)
(25,566)	Purchase of short term and long term investments	(20,380)
(1,026)	Other payments for investing activities	(805)
3,227	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,972
31,500	Proceeds from sale of short term investments	20,332
5,826	Other receipts from investing activities	7,385
(7,597)	**Net cash flows from investing activities**	**(7,511)**

NOTE 27 – CASH FLOW STATEMENT – FINANCING ACTIVITIES

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

NOTE 28 - RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

NOTE 29 – MEMBERS' ALLOWANCES

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

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

NOTE 30 – OFFICERS' REMUNERATION

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

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

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

2024/25 Job Title	Salary, fees, and allowances £	Expenses Allowances £	Pension Contribution £	Severance Payments £	Total £	SHDC Costs Only £
* Chief Executive Officer	165,282	337	36,993	-	**202,612**	**62,810**
* Deputy Chief Executive (Programme Delivery) & Assistant Director General Fund Assets	111,289	1,472	26,354	-	**139,115**	**43,126**
* Deputy Chief Executive (Programme Delivery & SIRO)	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 (Communities)	131,128	-	30,980	-	**162,108**	**50,254**
* Assistant Director (Governance and MO)	92,778	1,330	21,540	-	**115,648**	**35,851**

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

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

Costs relating to the Interim Director of Finance, who commenced in March 2025, totalled £22,848, of which South Holland District Council contributed £7,083.

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

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

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

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

NOTE 31 – EXTERNAL AUDIT COSTS

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

	2024/25 £'000	2023/24 £'000
Statutory Audit Services		
Fees payable to KPMG with regard to external audit services carried out for the year by the appointed auditor for the year	155	140
Fees payable to KPMG with regard to external audit services carried out for the year by the appointed auditor for prior years	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	8	34
Fees payable to KPMG with regard to certification of grants and claims	98	15
	290	**189**

NOTE 32 – GRANT INCOME

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

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

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

Grants Received in Advance - Capital

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

NOTE 33 – RELATED PARTIES

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

Central Government

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

Details of material transactions with Central Government are shown below. 2023/24 comparators shown in brackets.

• Funding from Government	Note 32	£25.046m	(£21.906m)
• Non-Domestic Rates Share Payable	Collection Fund	£12.710m	(£12.119m)
• Debtors	Note 18	£1.905m	(£1.098m)
• Creditors	Note 21	£0.415m	(£1.147m)

Members

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

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

- payments totalling £65,353 to Crowland Parish Council
- payments totalling £32,330 to The Friends of Chain Bridge Forge
- payments totalling £40,000 to Long Sutton Youth Shed Ltd
- payments totalling £53,289 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 £8,843 to South Holland Voluntary Car Scheme
- payment of £550 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 2024/25 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 105-113.

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 2024/25, 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, Assistant Directors along with a number of shared officers.

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

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 £24,742 (£33,819 in 2023/24).

Pension Fund – The Council paid an employer's contribution of £2.545m into Lincolnshire County Council's Superannuation Fund (£2.489m in 2023/24). Under the requirements of IAS19 the actuarial estimate shows a contribution of £2.579m payable in 2025/26. 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 £4.712m in 2024/25 (£4.298m in 2023/24).

Entities Controlled or Significantly Influenced by the Council

Public Sector Partnership Services Ltd (formerly Compass Point Business Services)
Joint merged service organisation arrangements for the shared provision of a number of back office services with East Lindsey District Council were implemented with effect from 1 August 2010, delivered through Public Sector Partnership Services Ltd (PSPS, formerly Compass Point Business Services (CPBS) (East Coast) Ltd). The company added a further shareholder on 1 April 2021 in Boston Borough Council, and the Council accounts for this as an associate within the Group Accounts from 2021/22. The net balance outstanding between the Council and the Company at the 31 March 2025 was £13,634 (31 March 2024 nil).

Two officers and two councillors were directors of PSPS Ltd during the year. During 2024/25 payments totalling £5.508m were paid to PSPS (£5.0m 2023/24), and receipts from PSPS were £191,225 (£156,888 in 2023/24).

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

South Holland Homes and Welland Homes Ltd

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

NOTE 34 – CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR). This is a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

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

NOTE 35 – LEASES

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

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

Definition of a lease

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

The Council as a Lessee

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

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

Leases classified as operating leases under IAS 17

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

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

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

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

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

Leases classified as finance leases under IAS 17

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

As a lessor

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

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

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

Sale-and-leaseback

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

Authority as Lessee

Right of Use Assets

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

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

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

Transactions under leases

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

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

Maturity analysis of lease liabilities

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

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

Council as Lessor – *Operating Leases*

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

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

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

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

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

NOTE 36 – DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, there is a commitment to make the payments and to disclose them at the time that employees earn their future entitlement.
The Council participates in the Local Government Pension Scheme, administered by Lincolnshire County Council. This is a funded defined benefit scheme, meaning that the employer and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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

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

Transactions Relating to Post-employment Benefits

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

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

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

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

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

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

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

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

Reconciliation of Asset Ceiling

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

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

The calculations of asset ceiling is based on following factors:

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

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

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

Basis for estimating Assets and Liabilities

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

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

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

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

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

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

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

Impact on the Council's Cash Flows

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

Employer contributions payable to the scheme in 2025/26 are estimated to be £2.579m.

Other Considerations

Virgin Media Ltd vs NTL Trustees On 25 July 2024, the Court of Appeal dismissed the appeal in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others. The appeal was brought by Virgin Media Ltd against aspects of the High Court's ruling handed down in June 2023 relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. 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 draft legislation will need to be agreed by both Houses of Parliament before it

passes into law. Following the publication of draft legislation, we do not now expect the ruling to give rise to any additional liabilities.

NOTE 37 – CONTINGENT LIABILITIES

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

NOTE 38 – CONTINGENT ASSETS

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

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

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

Key risks

The Council's activities expose it to a variety of financial risks. The key risks are:

- **credit risk** – the possibility that other parties might fail to pay amounts due to the Council.
- **liquidity risk** – the possibility that the Council might not have funds available to meet its commitments to make payments.
- **re-financing risk** – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **market risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

Overall procedures for managing risk

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

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.
This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Liquidity Risk

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

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

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

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

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

Refinancing and maturity risk

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

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

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's Day to day cash flow needs, and the spread of longer-term investments.

Market Risk

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

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

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

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

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

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

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

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

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

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

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

NOTE 40 – TRUST FUNDS

The Council is custodian trustee for:

IVO Day Care Centre

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

Weston St Mary's Village Hall

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

Ayscoughfee Hall and Gardens (registered charity 515905)

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

Sir Halley Stewart Playing Field (registered charity 1084450)

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

Ayscoughfee Hall and Gardens £4.226m last revalued as at 31 March 2025.
Sir Halley Stewart Playing Field £0.160m last revalued as at 31 March 2025.

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

NOTE 41 – GOING CONCERN

Introduction and Accounting and Audit Requirement

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

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

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

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

Current Financial Position

General Fund

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

Housing Revenue Account (HRA)

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

Medium Term Financial Plan Update

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

Balance Sheet

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

Cash Flow

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

Governance Arrangements

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

Regulatory and Control Environment

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

Material Uncertainties

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

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

SUPPLEMENTARY FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT

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

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

MOVEMENT ON THE HRA STATEMENT

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

Adjustments between accounting basis and funding basis under statute

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

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

NOTES TO THE HOUSING REVENUE ACCOUNT

NOTE 1 – PURPOSE OF HRA STATEMENT

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

NOTE 2 – HOUSING STOCK

The Council was responsible for managing 3,752 dwellings at 31 March 2025 (3,792 at 31 March 2024). The stock is analysed below by number of bedrooms. The Council has an equity share in 51 shared ownership properties, with the Council's equity share being equivalent to 31.7 dwellings.

Analysis of Housing Stock at 31 March 2025	1 Bed	2 Bed	3 Bed	3+ Bed	Total
HRA Housing Stock					
Houses	28	371	1,414	16	1,829
Bungalow	669	991	-	-	1,660
Flats	110	153	-	-	263
Shared Ownership	1	31	19	-	51
Total	**808**	**1,546**	**1,433**	**16**	**3,803**

NOTE 3 – RENT ARREARS

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

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

NOTE 4 – ASSET VALUES

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

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

NOTE 5 – VACANT POSSESSION

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

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

NOTE 6 – DEPRECIATION

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

NOTE 7 – CAPITAL EXPENDITURE AND FINANCING

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

NOTE 8 – CAPITAL RECEIPTS FROM DISPOSAL OF ASSETS

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

NOTE 9 – MAJOR REPAIRS RESERVE

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

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

COLLECTION FUND STATEMENT

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

NOTES TO THE COLLECTION FUND STATEMENT

NOTE 1 – PURPOSE OF COLLECTION FUND STATEMENT

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

NOTE 2 – COUNCIL TAX RECEIVABLE

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

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

The council tax base was calculated as follows:

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

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

NOTE 3 – NON-DOMESTIC RATES RECEIVABLE

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

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

NOTE 4 – NON-DOMESTIC RATES PROVISION FOR APPEALS

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

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

NOTE 5 – COLLECTION FUND DEFICIT/ (SURPLUS)

As at 31 March 2025, the net surplus on the Collection Fund is £1.304m (Net surplus £2.245m at 31 March 2024).

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

The balance on the Collection Fund is allocated as follows:

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

GROUP ACCOUNTS

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

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2023/24 Gross Expenditure £'000	2023/24 Gross Income £'000	2023/24 Net Expenditure £'000		2024/25 Gross Expenditure £'000	2024/25 Gross Income £'000	2024/25 Net Expenditure £'000
1,790	(847)	943	General Fund Assets	2,099	(981)	1,118
15,508	(12,984)	2,524	Finance	17,362	(12,635)	4,727
1,216	(105)	1,111	Governance	1,509	(511)	998
5,124	(3,569)	1,555	Wellbeing and Community Leadership	3,648	(2,194)	1,454
2,363	(833)	1,530	Leisure and Culture	2,353	(918)	1,435
2,124	(408)	1,716	Corporate	1,643	(200)	1,443
6,149	(936)	5,213	Neighbourhoods	6,544	(1,082)	5,462
3,368	(3,524)	(156)	Planning and Strategic Infrastructure	3,415	(4,950)	(1,535)
1,460	(696)	764	Regulatory	1,607	(1,015)	592
2,056	(1,776)	280	Strategic Growth and Development	4,084	(2,981)	1,103
50,668	(18,335)	32,333	Housing	17,769	(19,910)	(2,141)
91,826	**(44,013)**	**47,813**	**Cost of Services**	**62,033**	**(47,377)**	**14,656**
7,352	(3,333)	4,019	Other operating expenditure	4,807	(150)	4,657
7,149	(6,600)	549	Financing and investment income and expenditure	6,606	(6,776)	(170)
6,483	(26,764)	(20,281)	Taxation and non-specific grant income and expenditure	6,752	(31,027)	(24,275)
112,810	**(80,710)**	**32,100**	**(Surplus)/Deficit on the Provision of Services**	**80,198**	**(85,330)**	**(5,132)**
-	-	-	Excess of fair value of net assets over the cost of investments of associates	-	-	-
-	53	53	Share of the (Surplus)/Deficit on the provision of services by associates	-	(224)	(224)
8	-	8	Tax expenses of associates and subsidiaries	78	-	78
112,818	**(80,657)**	**32,161**	**Group (Surplus)/Deficit on the Provision of Services**	**82,353**	**(87,631)**	**(5,278)**
		(93,323)	Surplus on revaluation of property, plant and equipment assets			9,401
		3,250	Remeasurements of the net defined benefit liability			489
		(90,073)	**Other Comprehensive Income and Expenditure**			**9,890**
		(57,912)	**Total Comprehensive Income and Expenditure**			**4,612**

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

GROUP MOVEMENT IN RESERVES STATEMENT

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

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

A description of the nature and purpose of each of the usable reserves can be found in Note 9 on page 53. Unusable reserves can be found in Note 24 on pages 68 - 72. The accompanying notes form an integral part of the Financial Statements.

GROUP BALANCE SHEET

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

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

GROUP CASH FLOW STATEMENT

2023/24 £'000	2023/24 £'000		2024/25 £'000	2024/25 £'000
	(32,100)	Net surplus on the provision of services		5,132
47,115		Adjustments to net surplus or deficit on the provision of services for non-cash movements	10,031	
(8,823)	38,292	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(4,977)	5,054
	6,192	Net cash flows from Operating Activities		10,186
	(8,659)	Investing Activities		(7,484)
	(1,285)	Financing Activities		(18)
	(3,752)	Net increase/(decrease) in cash and cash equivalents		2,684
	7,199	Cash and cash equivalents at the beginning of the reporting period		3,445
	(2)	Other movements		6
	3,445	**Cash and cash equivalents at the end of the reporting period**		**6,135**

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

South Holland Homes and Welland Homes

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

Public Sector Partnership Services Limited

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

Explanatory Notes to the Group Accounts

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

1. ACCOUNTING POLICIES

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

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

2. GROUP INVESTMENT PROPERTY

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

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

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

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

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

Fair Value Hierarchy

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

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

Valuation Techniques Used to Determine Level 2 for Investment Properties

Significant Observable Inputs – Level 2

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

3. GROUP CASH AND CASH EQUIVALENTS

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

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

4. ADDITIONAL INFORMATION

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

Contingent Liabilities

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

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

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

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

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

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

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

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

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

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

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

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

4.2 Welland Homes Ltd

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.3 Public Sector Partnership Services Limited

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

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

Voting Rights

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

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

Chartered Institute of Public Finance and Accountancy (CIPFA)
CIPFA is the leading professional accountancy body for public services

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

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

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

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

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

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

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

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

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

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

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

Ministry of Housing, Communities and Local Government (MHCLG)
The CLG is a key Department within Central Government with the overriding responsibility for determining the allocation of general resources to local authorities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

National Non-Domestic Rates (Business Rates)
This is one of the main sources of local taxation to local authorities. NDR is the levy on business property, based on a national rate in the pound applied to the rateable value of the property.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Right of Use Asset
An asset representing the lessee's right to use the leased asset for the lease term.

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

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

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

ANNUAL GOVERNANCE STATEMENT
For the Year Ended 31 March 2025

1. Scope of Responsibility

1.1 South Holland District Council (SHDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. SHDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, SHDC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

1.3 The Council has approved and adopted a code of corporate governance. This is consistent with the principles of the latest CIPFA / SOLACE Framework *Delivering Good Governance in Local Government guidance*. This statement explains how the Council has met the requirements of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement. SHDC_LOCAL_CODE_OF_CORPORATE_GOVERNANCE.pdf (sholland.gov.uk)

2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at the Council for the year ended 31 March 2025 and up to the date of approval of the annual Accounts.

3. The Governance Framework

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

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

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

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

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

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

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

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

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

4 Review of Effectiveness

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

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

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

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

5 Update to Significant Governance Issues 2024/25

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

6 Internal Audit Report 2024/25

6.1 The Council's Combined Assurance report is a key element of its governance and assurance arrangements. It provides the Senior Leadership & Governance & Audit Committee with better understanding on the assurances across all the Council's critical services, key risks, partnerships, and projects – identifying any areas for greater oversight, improvement and assurance gaps. Overall, there is a positive realistic assurance picture for the Council but one that reflects the complex environment in which it operates, recognising that some areas will remain Amber.

- Red Assurance – Up from 0% to 1%
- Amber Assurance – Down from 42% to 37%
- Green Assurance – Up from 58% to 62%

6.2 The Internal Audit Annual Report 2024/25 includes an opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it. It is the auditor's opinion that "the frameworks of governance, risk management and management controls provide adequate assurance."

7 Summary

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

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

Rob Barlow, Chief Executive

DATE:

Cllr Nick Worth, Leader of the Council

DATE: