



## **UNAUDITED FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2026**

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## NARRATIVE REPORT 2025/26

This report seeks to provide a summary and a straightforward explanation of, often complicated, local government finance arrangements. It aims to summarise the key events during the year, their associated financial impact and make the Financial Statements easier to understand. The Narrative Report, together with the Annual Governance Statement and the auditor's report, are outside the scope of the formal Accounts, but all the documents constitute the Council's Financial Report for 2025/26.

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

- understand the financial position of the Council and its outturn for 2025/26.
- have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner.
- be assured that the financial position of the Council is secure.

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

- An explanation of the Financial Statements
- The way we achieve best value for council taxpayers' money through effective Financial Management
- Information about South Holland as a place
- Information about the Council's structure and management
- A summary of Performance for the Council 2025/26
- Overview of the Council's finances
- Future financial challenges that the Council faces

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

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

### The Financial Statements

The accounts are available on the Council's website at [www.sholland.gov.uk](http://www.sholland.gov.uk)

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

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

The Financial Statements sets out the Council's income and expenditure for the year, and its financial position at 31 March 2026. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority

Accounting in the United Kingdom 2025/26, which in turn is underpinned by International Financial Reporting Standards.

The main financial statements are:

### The Primary Financial Statements Include:

- **The Comprehensive Income and Expenditure Statement:** This records the Council's income and expenditure, with the top section providing analysis by Service Director area and the lower section detailing corporate transactions and funding.
- **The Movement in Reserves Statement:** This is a summary of the changes to the Council's reserves over the course of the year. The reserves are either "usable", which can be applied to fund expenditure or reduce local taxation, or "unusable" which must be set aside for specific purposes in the future.
- **The Balance Sheet:** A "snapshot" detailing our assets, liabilities, cash balances, and reserves as at the year-end.
- **The Cash Flow Statement:** This explains the changes in the Council's cash balances throughout the year.
- **Accounting Policies and Notes to the Accounts:** These outline the key assumptions, methodologies, and significant estimates underlying the financial data.
- **The Expenditure and Funding Analysis:** This analysis shows how annual expenditure is supported by funding sources (government grants, Council Tax, business rates), and how these resources are allocated across Council services.

The Supplementary Financial Statements are:

- **The Collection Fund:** This separate account details the statutory receipts from Council Tax and Business Rates, along with related payments to precepting authorities and the Government.
- **The Housing Revenue Account:** This reflects the statutory requirement for the Council to maintain a separate account providing details of receipts of housing rents and other housing related income, and any associated expenditure on the administration of the housing stock and repairs to it.
- **Group Accounts:** The Council has produced Group Accounts for 2025/26, consisting of a Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement, consolidating the transactions relating to the council's subsidiary companies Welland Homes and South Holland Homes together with its share of Public Sector Partnership Services Limited (PSPSL), which is accounted for as an associate.

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

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

### Financial Management

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

The Council's approach to these challenges is set out in the 2026/27 Budget and the Medium-Term Financial Plan, approved by Council on 26 February 2026. These presented a balanced position after a wide-ranging review of activities and proactively sought reductions in costs and more efficient ways of working to ensure the Councils position remained stable. Within the capital programme, funding has been allocated to support growth in the district, specifically for commercial investments, more affordable housing, investment in new technology and improvements to private sector housing.

The council achieves effective financial management through:

- Regular and informative financial management reports aligned to service performance. These are available on demand for service managers and produced quarterly for Cabinet.

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

The Government's transparency agenda encourages local authorities to make public data openly available. Details of transparency items such as the Council's spend on items over £250, contracts and pay, and benefits for senior officers can be found on the Council's website:

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

## **Our District**

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

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

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

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

## **South Holland District Council**

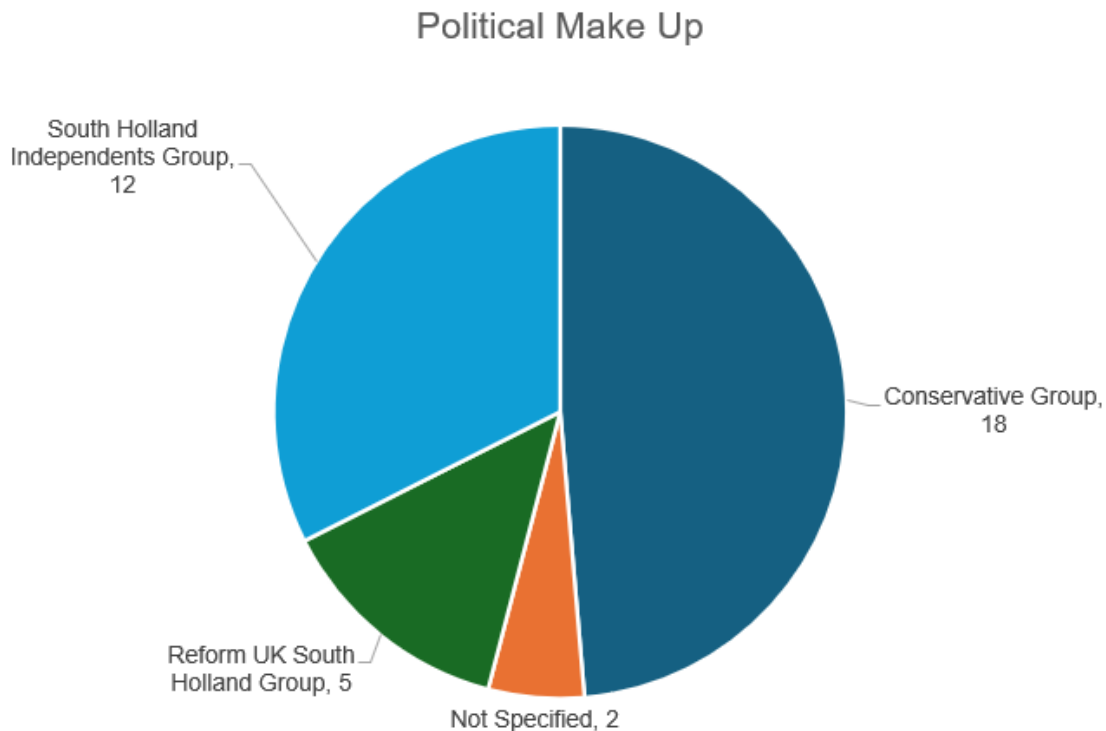
### **Organisational Structure**

The Council is organised into directorates:

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

## Political Structure

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



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

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

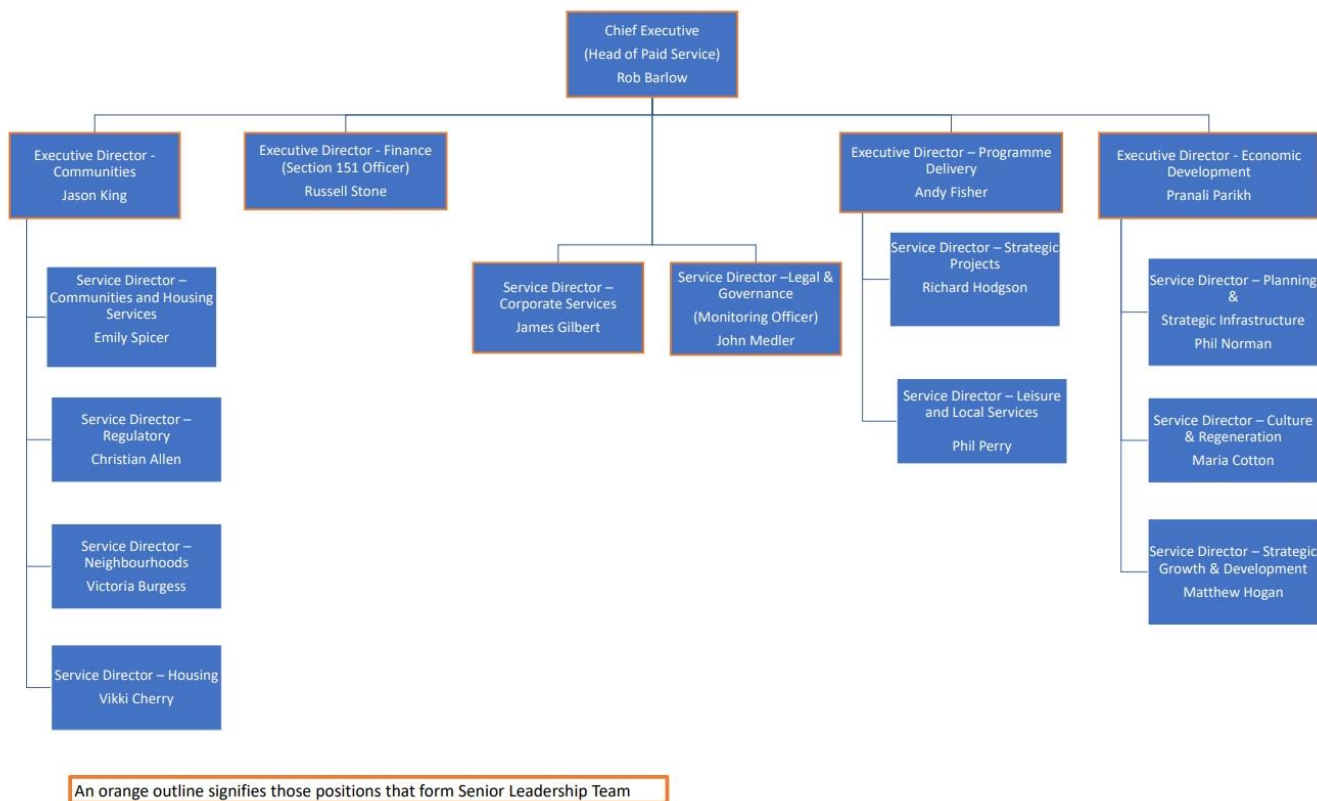
All Councillors meet as the Council, here councillors decide the Council’s overall policies and set the budget and council tax each year. The Cabinet is made up of the Leader, Deputy Leader and Portfolio Holders, each Portfolio Holder has specific responsibilities over an area of the Council’s activities.

Cabinet Members are held to account by a system of scrutiny, which is also set out in the Constitution. Scrutiny of Cabinet decisions for 2025/26, including the setting of a balanced budget for 25/26, has been undertaken by the two scrutiny committees in a joint meeting of the Policy Development Panel and Performance Management Panel.

## Staffing

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

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



## Council Priorities, Corporate Strategy and Performance

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

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

The Sub-Regional Strategy focuses on four priorities:

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

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

## How South Holland District Council Performed in 2025/26

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

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

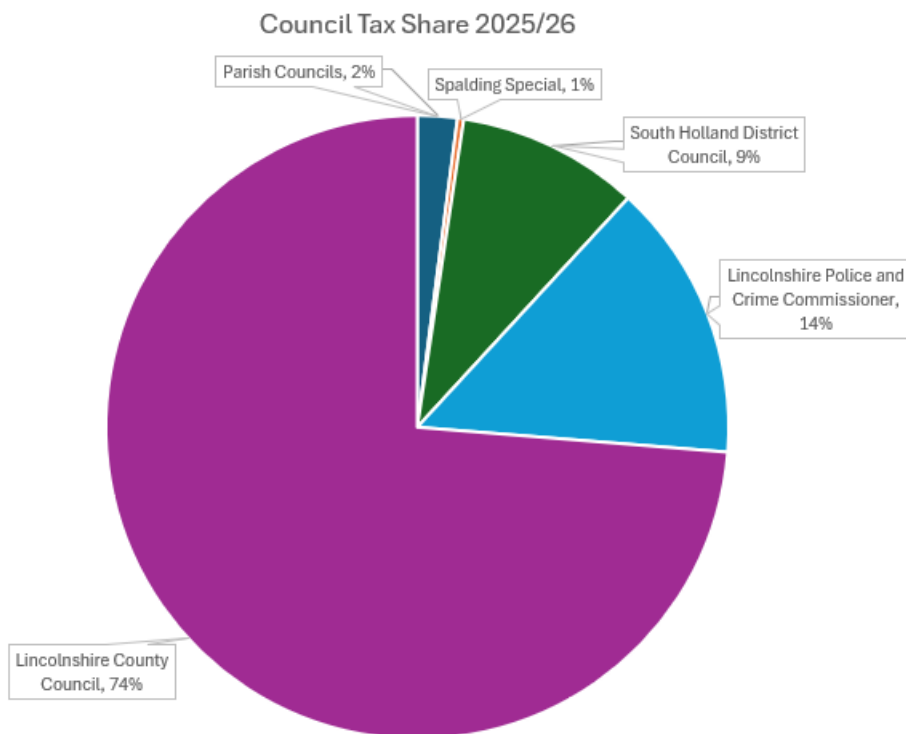
- Continued work with Spalding Towns Board for Pride in Place.
- Delivery of a subregional Leisure Offer, new contract formalised within 2026/26 with start date in 2026/27. Linked to the South Holland Health and Wellbeing Hub project that is ongoing with works due to complete in 2026/27.

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

## Financial Performance

### Council Tax

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



### Where the Money Came From

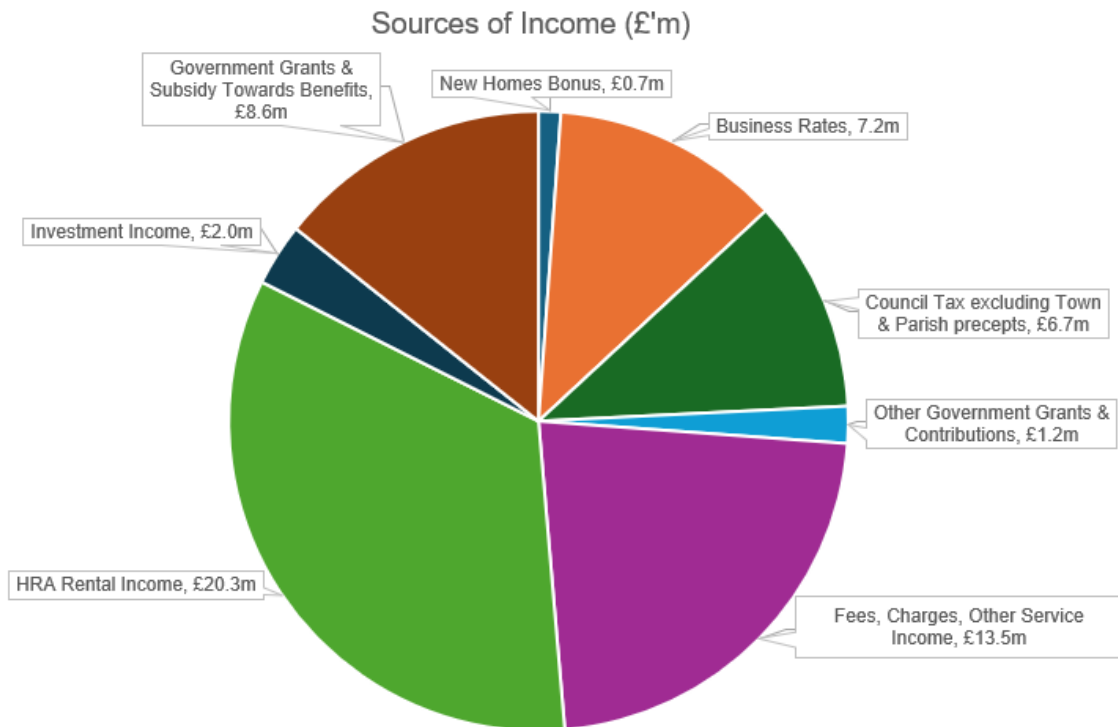
South Holland receives income from many sources, as shown in the chart below. Income is received from council tax (received from taxpayers levied by the Council for South Holland), from the Parishes, from Business Rates and Government grants.

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

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

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

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



### How the Money Was Spent

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

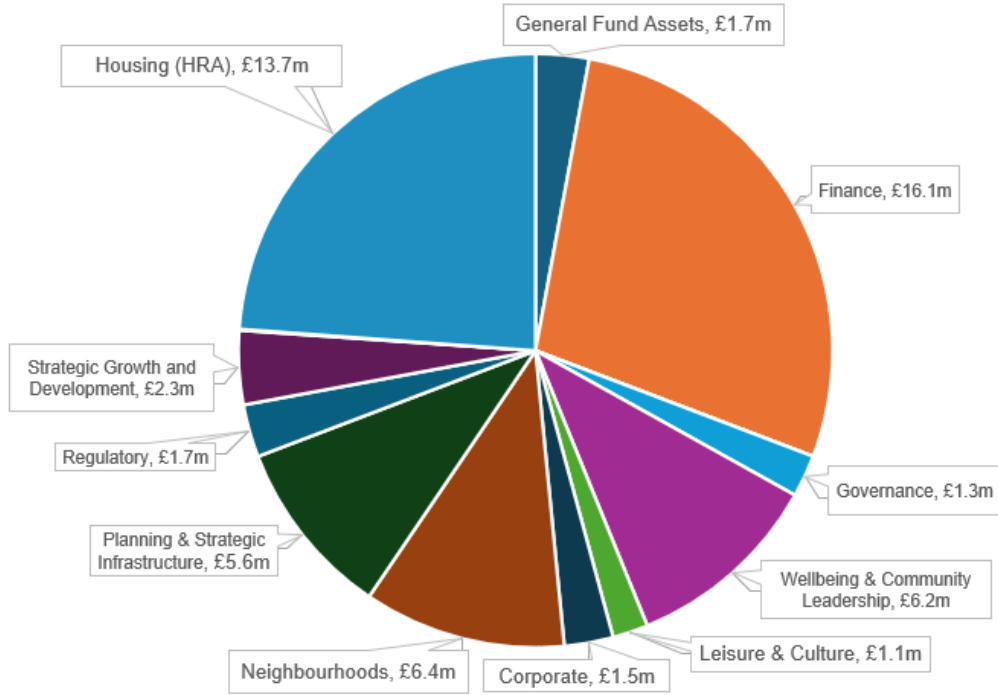
Running costs include expenditure on:

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

Employee costs include:

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

**Expenditure by Service Director (£'m)**



**Financial Performance**

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

**General Fund**

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

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

## Capital Financial Performance

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

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

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

## Housing Revenue Account

HRA 2025/26 Outturn

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

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

## Collection Fund Financial Performance

The balance on the Council Tax Collection Fund at 31 March 2026 showed a £0.172m surplus. This will be shared between the District, Lincolnshire County Council and Lincolnshire Police and Crime Commissioner in proportion with each authority's relative precept.

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

## Reserves and Balances

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

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

\*Includes £0.258m being the General Fund surplus

\*\*Includes £3.130m being the HRA surplus

The HRA contribution into reserves is the HRA surplus for the year, and the Major Repairs Reserve contribution into reserves is the depreciation charge for the year. The use of reserves is financing the HRA Capital Programme.

Below is an overview of each reserve:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Pension Fund

The accounts and notes with relation to the pension fund have been prepared in accordance with International Accounting Standard (IAS) 19. South Holland's Pension Fund liability included in the Balance Sheet as at 31 March 2026 stands at £0.530m compared with £3.801m the previous year, this represents the liability to the Lincolnshire Pension Fund. This amount is matched by a pension reserve also shown in the Balance Sheet and therefore has no impact on the Council's overall financial position at 31 March 2026. The IAS 19 Balance

Sheet position for the Council shows a reduced obligation and the net liability to the Council under IAS 19 pension deficit is higher in monetary terms at 31 March 2026. The actuary uses a set of demographic assumptions that are consistent with those used for the Lincolnshire Pension Fund. These are highlighted in Note 36. Following the results of the triennial review in 2025, the Council's budget includes both a pension contribution percentage and also a lump sum payment each year which is forecast to bring the pension scheme into a fully funded position over a defined term.

## Cash Flows

Investments held by the Council are used to fund day to day cash flow requirements, and achieving a return on investments helps to support the low levels of council tax, support the reserves expenditure and to fund capital expenditure. Short term investments maturing in 2025/26 and long term investments mature beyond this or are open-ended.

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

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

## Current Economic Climate, Outlook and Risk

The preparation of next year's budget has presented significant challenges. South Holland District Council is facing unprecedented inflationary pressures that are driving up operational costs and affecting major contracts, capital projects, and community investments. At the same time, changing needs among residents, customers, and businesses continue to create uncertainty.

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

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

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

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

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

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

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

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

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

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

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

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

### **Key Risks**

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

### **Future Opportunities**

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

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

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

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

## STATEMENT OF RESPONSIBILITIES

### The Council's Responsibilities

The Council is required to:

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

### The Chief Financial Officer's Responsibilities

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

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

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

### Certification by the Chief Financial Officer

I hereby certify that the audited Financial Statements give a 'true and fair' view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31 March 2026.

Russell Stone  
Executive Director, Finance and Section 151 Officer

Date:

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). The Council raises taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

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

The notes to the accounts on pages 25 - 95 form an integral part of the Financial Statements.

**MOVEMENT IN RESERVES STATEMENT**

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

2025/26	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	HRA Earmarked Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2025</b>	<b>2,078</b>	<b>8,675</b>	<b>12,496</b>	<b>200</b>	<b>2,502</b>	<b>8,356</b>	<b>6,201</b>	<b>40,508</b>	<b>223,265</b>	<b>263,773</b>
<b>Movement in Reserves during 2025/26</b>										
Total Comprehensive Income and Expenditure	16,045	-	22,028	-	-	-	-	38,073	5,081	43,154
Adjustments between accounting basis and funding basis under regulations (Note 8)	(15,199)	-	(18,753)	-	(2,186)	2,976	6,675	(26,487)	26,487	-
<b>Increase/(Decrease) in 2025/26</b>	<b>846</b>	<b>-</b>	<b>3,275</b>	<b>-</b>	<b>(2,186)</b>	<b>2,976</b>	<b>6,675</b>	<b>11,586</b>	<b>31,568</b>	<b>43,154</b>
Transfer to/(from) Earmarked Reserves	(846)	846	-	-	-	-	-	-	-	-
Transfer to/from Other Reserves	-	-	(3,557)	-	-	-	-	(3,557)	3,557	-
<b>Balance at 31 March 2026 carried forward</b>	<b>2,078</b>	<b>9,521</b>	<b>12,214</b>	<b>200</b>	<b>316</b>	<b>11,332</b>	<b>12,876</b>	<b>48,537</b>	<b>258,390</b>	<b>306,927</b>

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
<b>Balance at 31 March 2024</b>	<b>2,078</b>	<b>6,025</b>	<b>15,395</b>	<b>200</b>	<b>4,379</b>	<b>7,498</b>	<b>5,193</b>	<b>40,768</b>	<b>227,805</b>	<b>268,573</b>
<b>Movement in Reserves during 2024/25</b>										
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	-
<b>Increase/(Decrease) in 2024/25</b>	<b>2,650</b>	<b>-</b>	<b>(221)</b>	<b>-</b>	<b>(1,877)</b>	<b>858</b>	<b>1,008</b>	<b>2,418</b>	<b>(7,218)</b>	<b>(4,800)</b>
Transfer to/(from) Earmarked Reserves	(2,650)	2,650	-	-	-	-	-	-	-	-
Transfer to/from Other Reserves	-	-	(2,678)	-	-	-	-	(2,678)	2,678	-
<b>Balance at 31 March 2025 carried forward</b>	<b>2,078</b>	<b>8,675</b>	<b>12,496</b>	<b>200</b>	<b>2,502</b>	<b>8,356</b>	<b>6,201</b>	<b>40,508</b>	<b>223,265</b>	<b>263,773</b>

The notes to the accounts on pages 25 - 95 form an integral part of the Financial Statements.

**BALANCE SHEET**

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

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

The notes to the accounts on pages 25 – 95 form an integral part of the Financial Statements.

**CASH FLOW STATEMENT**

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

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

The notes to the accounts on pages 25 - 95 form an integral part of the Financial Statements.

## NOTES TO THE ACCOUNTS

### NOTE 1 – ACCOUNTING POLICIES

#### 1. General Principles

The Financial Statements summarise the Council's transactions for the 2025/26 financial year and its position at the year end of 31 March 2026. The Council is required to prepare an annual Financial Statements by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, supported by International Financial Reporting Standards (IFRS).

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

#### 2. Accruals of Income and Expenditure

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

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

#### 3. Cash and Cash Equivalents

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

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

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

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

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

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

## 5. Charges to Revenue for Non-Current Assets

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

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

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

## 6. Council Tax and Non-Domestic Rates

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

### ***Accounting for Council Tax and NDR***

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

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

### ***Business Improvement Districts***

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

## 7. Employee Benefits

### ***Benefits Payable during Employment***

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

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

### **Termination Benefits**

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

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

### **Post-Employment Benefits**

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

### **The Local Government Pension Scheme**

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

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

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

### **Service Cost comprising:**

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

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

#### Remeasurements comprising:

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

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

#### Discretionary Benefits

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

### 8. Events after the Reporting Period

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

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

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

### 9. Financial Instruments

#### Financial Liabilities

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

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

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

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

## **Financial Assets**

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

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

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

### ***Financial Assets Measured at Amortised Cost***

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

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

### ***Expected Credit Loss Model***

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

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

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

**Financial Assets Measured at Fair Value through Profit of Loss**

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

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

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

**Financial Assets Measured at Fair Value through Other Comprehensive Income**

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

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

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

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

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

**10. Government Grants and Contributions**

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

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

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

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

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

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

## 11. Heritage Assets

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

Civic Regalia and Works of Art:

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

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

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

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

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

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

## 12. Intangible Assets

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

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

- Computer software and licences – straight line basis

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

### 13. Interest in Companies and Other Entities

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

### 14. Joint Operations

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

### 15. Investment Property

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

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

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

### 16. Leases

#### The authority as a lessee

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

#### *Initial measurement*

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

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

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

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

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

### ***Subsequent measurement***

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

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

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

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

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

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

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

### ***Low value and short lease exemption***

As permitted by the Code, the authority excludes leases:

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

### ***Lease expenditure***

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

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

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

### **The authority as lessor**

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

#### ***Finance leases***

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

Lease rentals receivable are apportioned between:

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

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

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

#### ***Operating leases***

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

### **17. Material Items of Income or Expense**

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

## 18. Overheads and Support Services

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

## 19. Property, Plant and Equipment

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

### **Recognition**

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

### **Measurement**

Assets are initially measured at cost, comprising;

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

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

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

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

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

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

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

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

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

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

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

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

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

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

### ***Impairment***

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

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

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

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

### ***Depreciation***

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

Depreciation is calculated on the following bases:

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

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

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

### **Disposals and Non-Current Assets Held for Sale**

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

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

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

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

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

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

### **Infrastructure Assets**

Infrastructure assets include sewage treatment works and street furniture.

#### ***Recognition***

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

**Measurement**

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

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

**Depreciation**

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

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

**Disposals and derecognition**

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

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

**20. Fair Value Measurement**

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

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

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

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

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

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

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

- Level 3 – unobservable inputs for the asset or liability.

## 21. Provisions

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

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

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

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

## 22. Contingent Liabilities

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

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

## 23. Contingent Assets

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

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

## 24. Reserves

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

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

## 25. Revenue Expenditure Funded from Capital under Statute

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

Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## 26. VAT

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

## NOTE 2 – ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code) has introduced several changes in accounting standards which will be required from 1 April 2026.

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

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

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

## NOTE 3 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a large degree of uncertainty about future levels of funding for local government. However, the council has determined that this high level of uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- At the time the accounts were authorised for issue, the Council's valuers have provided values for the Council's assets taking into account what was known at the time. The Council's judgement was that there was not enough information to indicate that the assets were impaired and that Balance Sheet values should be reduced.
- It has been concluded that there is no appropriate index for particular assets that are not subject to revaluation in 2025/26, and there is no evidence to suggest that the increase in carrying amounts would have been material if an index had been available.
- The Council has examined its leases and classified them as either operating leases or finance leases. In some cases, the lease transaction is not always conclusive, and the Council uses judgements in determining whether the lease is a finance lease that transfers substantially all the risks and rewards incidental to ownership. With effect from 2024/25 financial accounts all lessee operational agreements (apart from those of less than 12 months or those of low value assets) are required to be shown on the Balance Sheet.

- One factor that has had a demonstrable impact on the accounts in the past five years concerns the assumptions surrounding pensions and the likelihood of legislative change and the impact of such change. The sensitivity analysis, shown in Note 36, estimates the likely impact of changes to the assumptions used when reporting the pension liability.
- Investments - Investment in banks and other financial institutions are secure and will not suffer impairments. A certain amount of volatility in financial markets was apparent at the time the accounts were authorised for issue and expected credit losses were calculated based on information available at the time.

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

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

The items in the Council's Balance Sheet at 31 March 2026 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

##### **Pensions Assets and Liability**

The estimation of the net defined benefit liability at 31 March 2026 was £0.530m (£3.801m liability at 31 March 2025) to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied.

During 2025/26, the actuaries advised that South Holland's net pension liability had decreased by £3.271m. This is made up of:

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

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

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

At 31 March 2026, the Council had a balance of sundry debtor and housing benefit overpayments of £1.369m. The Council's approach to review significant items suggested that an impairment allowance for doubtful debts of 50% (£0.690m) was appropriate. However, in the current economic climate it is not certain that the allowance will be sufficient.

If collection rates were to deteriorate, increasing the impairment for doubtful debts to 60% of the total debt would require an additional £0.131m to be set aside as an allowance.

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

and Expenditure in the Comprehensive Income and Expenditure Statement.

## **Business Rates**

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities need to account for any reduction in Business Rates income and repayment to ratepayers, in respect of successful appeals against business rates for current and earlier years. A provision has been made in the accounts based on the best estimate of the amount that the Council might need to repay as a result of successful appeals up to 31 March 2026.

For appeals already lodged, this estimate has been calculated using the latest Valuation Office Agency list of outstanding appeals with an assessment being made of the likely impact of those appeals, taking into account past national decisions together with any specific / local implications. This assessment has been undertaken by an external provider and reviewed by officers to reflect local circumstances. A three-stage appeals process was introduced on 1 April 2017, for appeals against the subsequent rating lists. The 2023 rating list closed on 31 March 2026. The Council has received notice of challenges lodged against the 2023 rating list which may or may not materialise into successful appeals, therefore, this element of the provision has been made based on officers' views of an external assessment of the potential losses arising, as a result of yet to be determined appeals being successful. The Council's share of the provision as at 31 March 2026 is £0.282m (40% of £0.705m).

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

## **Fair Value Measurements**

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

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

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

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

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

## **NOTE 5 – EVENTS AFTER THE BALANCE SHEET DATE**

The unaudited Financial Statements were authorised for issue by the Chief Finance Officer on 30 June 2026. Events taking place after 31 March 2026 are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2026, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

**NOTE 6 – EXPENDITURE AND FUNDING ANALYSIS**

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

2024/25				2025/26		
Net Expenditure Chargeable to the General Fund and HRA Balance £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund and HRA Balance £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
767	351	1,118	General Fund Assets	580	(24)	556
4,912	(185)	4,727	Finance	5,165	(220)	4,945
1,016	(18)	998	Governance & Monitoring	1,036	(28)	1,008
612	857	1,469	Communities & Housing	1,346	1,208	2,554
1,084	351	1,435	Leisure & Local Services	816	265	1,081
1,165	278	1,443	Corporate	1,092	192	1,284
5,028	434	5,462	Neighbourhoods	3,419	320	3,739
(1,350)	(185)	(1,535)	Planning and Strategic Infrastructure	1,351	(87)	1,264
662	(70)	592	Regulatory	726	(103)	623
808	295	1,103	Strategic Growth and Development	(59)	521	462
-	-	-	Pride in Place	37	-	37
(5,128)	2,959	(2,169)	Housing	(6,751)	170	(6,581)
<b>9,576</b>	<b>5,067</b>	<b>14,643</b>	<b>Net Cost of Services</b>	<b>8,758</b>	<b>2,214</b>	<b>10,972</b>
(12,005)	(7,380)	(19,385)	Other Income and Expenditure	(12,879)	(36,166)	(49,045)
<b>(2,429)</b>	<b>(2,313)</b>	<b>(4,742)</b>	<b>(Surplus) or Deficit</b>	<b>(4,121)</b>	<b>(33,952)</b>	<b>(38,073)</b>

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

**NOTE 6A – NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS**

2025/26				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
General Fund Assets	36	(60)	-	(24)
Finance	-	(220)	-	(220)
Governance & Monitoring	-	(28)	-	(28)
Communities & Housing	1,386	(178)	-	1,208
Leisure & Local Services	268	(3)	-	265
Corporate	154	38	-	192
Neighbourhoods	621	(301)	-	320
Planning and Strategic Infrastructure	-	(87)	-	(87)
Regulatory	3	(106)	-	(103)
Strategic Growth and Development	562	(41)	-	521
Pride in Place	-	-	-	-
Housing	504	(334)	-	170
<b>Net Cost of Services</b>	<b>3,535</b>	<b>(1,321)</b>	<b>-</b>	<b>2,214</b>
Other Income and Expenditure from the Funding Analysis	(36,493)	142	185	(36,166)
<b>Difference between General Fund (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (Surplus)/Deficit</b>	<b>(32,958)</b>	<b>(1,179)</b>	<b>185</b>	<b>(33,952)</b>

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

### 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:

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

**NOTE 7 – EXPENDITURE AND INCOME ANALYSED BY NATURE**

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

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

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

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

### **General Fund Balance**

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

### **Housing Revenue Account Balance**

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

### **Major Repairs Reserve**

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

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

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

2025/26	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments to Revenue Resources</b>					
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>					
• Pension costs	(881)	(298)	-	-	-
• Council Tax and Non-Domestic Rates	185	-	-	-	-
• Holiday pay	-	-	-	-	-
• Movements in the market value of Investment Properties	49	-	-	-	-
• Capital grants and contributions applied to capital financing	(10,544)	(915)	-	-	(682)
• Capital grants and contributions not applied to capital financing	(6,070)	(1,287)	-	-	7,357
• Premium/(discount) on premature repayment of borrowing	-	(16,534)	-	-	-
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	3,175	7,482	-	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>(14,086)</b>	<b>(11,552)</b>	-	-	<b>6,675</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(422)	(3,316)	3,738	-	-
Administrative costs of non-current asset disposals	15	52	(67)	-	-
Payments to the government housing receipts pool	(1)	-	1	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	(3,937)	-	3,937	-
Minimum Revenue Provision	(451)	-	-	-	-
Other income that cannot be credited to the CIES	-	-	-	-	-
Gain on entry – peppercorn lease	-	-	-	-	-
Capital expenditure financed from revenue balances	(254)	-	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(1,113)</b>	<b>(7,201)</b>	<b>3,672</b>	<b>3,937</b>	-
<b>Adjustments to Capital Resources</b>					
Use of Capital Receipts Reserve to finance capital expenditure	-	-	(699)	-	-
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	(6,123)	-
Use of capital grants to finance capital expenditure	-	-	-	-	-
Cash payments in relation to deferred capital receipts	-	-	3	-	-
<b>Total Adjustments to Capital Resources</b>	-	-	<b>(696)</b>	<b>(6,123)</b>	-
<b>Total Adjustments</b>	<b>(15,199)</b>	<b>(18,753)</b>	<b>2,976</b>	<b>(2,186)</b>	<b>6,675</b>

2024/25	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments to Revenue Resources</b>					
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>					
• Pension costs	(544)	(188)	-	-	-
• Council Tax and Non-Domestic Rates	309	-	-	-	-
• Holiday pay	17	11	-	-	-
• Movements in the market value of Investment Properties	(206)	-	-	-	-
• Capital grants and contributions applied to capital financing	(2,992)	(3,552)	-	-	-
• Capital grants and contributions not applied to capital financing	(1,466)	458	-	-	1,008
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	3,911	10,373	-	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>(971)</b>	<b>7,102</b>	-	-	<b>1,008</b>
<b>Adjustments between Revenue and Capital Resources</b>					
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)	-	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(1,240)</b>	<b>(7,204)</b>	<b>2,156</b>	<b>5,409</b>	-
<b>Adjustments to Capital Resources</b>					
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	-	-
<b>Total Adjustments to Capital Resources</b>	-	-	<b>(1,298)</b>	<b>(7,286)</b>	-
<b>Total Adjustments</b>	<b>(2,211)</b>	<b>(102)</b>	<b>858</b>	<b>(1,877)</b>	<b>1,008</b>

**NOTE 9 – MOVEMENTS IN EARMARKED RESERVES**

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts transferred from earmarked reserves to meet General Fund and HRA expenditure in 2025/26.

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

**NOTE 10 – OTHER OPERATING EXPENDITURE**

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

**NOTE 11 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

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

**NOTE 12 – TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE**

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

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

2025/26	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Movements on balances</u></b>							
<b>Cost or Valuation</b>							
<b>At 1 April 2025</b>	<b>256,980</b>	<b>28,055</b>	<b>8,380</b>	<b>886</b>	<b>750</b>	<b>3,450</b>	<b>298,501</b>
Additions	10,079	9,641	734	-	-	1,125	21,579
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(1,472)	486	-	-	137	-	(849)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(734)	194	-	-	-	-	(540)
Derecognition – disposals	(1,538)	-	(599)	-	(30)	-	(2,167)
Assets reclassified (to)/from Held for Sale	(113)	(764)	-	-	-	-	(877)
Other movements in Cost or Valuation	772	(15,101)	1,758	(388)	(265)	13,224	-
<b>At 31 March 2026</b>	<b>263,974</b>	<b>22,511</b>	<b>10,273</b>	<b>498</b>	<b>592</b>	<b>17,799</b>	<b>315,647</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2025</b>	-	-	<b>(5,152)</b>	<b>(146)</b>	-	-	<b>(5,298)</b>
Depreciation charge	(3,685)	(766)	(919)	0	(20)	-	(5,390)
Depreciation written out to the Revaluation Reserve	3,318	486	-	-	-	-	3,804
Depreciation written out to the Surplus/Deficit on the Provision of Services	345	67	-	-	20	-	432
Derecognition – disposals	22	-	583	-	-	-	605
Other movements in depreciation and impairment	-	141	(83)	83	-	(141)	-
<b>At 31 March 2026</b>	-	<b>(72)</b>	<b>(5,571)</b>	<b>(63)</b>	-	<b>(141)</b>	<b>(5,847)</b>
<b>Net Book Value</b>							
<b>At 31 March 2025</b>	<b>256,980</b>	<b>28,055</b>	<b>3,228</b>	<b>740</b>	<b>750</b>	<b>3,450</b>	<b>293,203</b>
<b>At 31 March 2026</b>	<b>263,974</b>	<b>22,439</b>	<b>4,702</b>	<b>435</b>	<b>592</b>	<b>17,658</b>	<b>309,800</b>

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
<b><u>Movements on balances</u></b>							
<b>Cost or Valuation</b>							
<b>At 1 April 2024</b>	<b>264,046</b>	<b>28,697</b>	<b>8,390</b>	<b>1,196</b>	<b>764</b>	<b>1,268</b>	<b>304,361</b>
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)	-
<b>At 31 March 2025</b>	<b>256,980</b>	<b>28,055</b>	<b>8,380</b>	<b>886</b>	<b>750</b>	<b>3,450</b>	<b>298,501</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2024</b>	-	-	<b>(4,446)</b>	<b>(146)</b>	-	<b>(5)</b>	<b>(4,597)</b>
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
<b>At 31 March 2025</b>	-	-	<b>(5,152)</b>	<b>(146)</b>	-	-	<b>(5,298)</b>
<b>Net Book Value</b>							
<b>At 31 March 2024</b>	<b>264,046</b>	<b>28,697</b>	<b>3,944</b>	<b>1,050</b>	<b>764</b>	<b>1,263</b>	<b>299,764</b>
<b>At 31 March 2025</b>	<b>256,980</b>	<b>28,055</b>	<b>3,228</b>	<b>740</b>	<b>750</b>	<b>3,450</b>	<b>293,203</b>

## Depreciation

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

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

## Capital Commitments

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

## Effects of Changes in Estimates

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

## Revaluations

The Council carries out a programme that ensures that all Property, Plant and Equipment required to be measured at current value is regularly revalued. The authority has adopted a 5 year rolling programme of revaluations in 2025/26, with annual indexation applied to assets during the four intervening years. Council dwellings continue to be revalued on an annual basis. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors Global Standards, incorporating the ISVC International Valuation Standards.

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

Revaluations during 2025/26 were undertaken by Ed Cox MRICS, the South East Lincolnshire Partnership's qualified valuer, and Andy Smith BSc MRICS IRRV, RICS Registered Valuer (Savills).

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

### Fair Value Hierarchy – Surplus Assets

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

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

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

#### Significant Observable Inputs – Level 2

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

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

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

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

#### Highest and best use of Surplus Assets

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

## Valuation Process for Surplus Assets

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

## Infrastructure Assets

### Movement on balances

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

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

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

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

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

## NOTE 14 – HERITAGE ASSETS

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

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

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

Heritage assets recognised on the Council's Balance Sheet:

Civic Regalia and Works of Art:

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

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

- Chain Bridge Forge – recorded at existing use value as determined by the Council's internal valuer, Ed Cox MRICS, and was last valued on 31 March 2026.
- Nature reserve – recorded at Historic Cost.

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

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

## NOTE 15 – INVESTMENT PROPERTY

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

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

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

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

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

## Fair Value Hierarchy

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

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

## Valuation Techniques Used to Determine Level 2 for Investment Properties

### Significant Observable Inputs – Level 2

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

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

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

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

### Highest and best use of Investment Properties

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

### Valuation Process for Investment Properties

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

## NOTE 16 – INTANGIBLE ASSETS

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

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The carrying amount of intangible assets is amortised on a straight-line basis, over 1 to 10 years. The amortisation of £36,000 was charged to an overhead account and then absorbed across service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

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

**NOTE 17 – FINANCIAL INSTRUMENTS**

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

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

Financial Liabilities	Non-Current				Current				Total	
	Long-term Borrowings		Long-term Creditors		Short-term Borrowings		Short-term Creditors			
	31	31	31	31	31	31	31	31	31	31
	March	March	March	March	March	March	March	March	March	March
	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost										
External borrowing	(67,456)	(50,000)	-	-	(26)	(74)	-	-	(67,482)	(50,074)
Trade creditors	-	-	-	-	-	-	(5,641)	(6,781)	(5,641)	(6,781)
<b>Total financial liabilities</b>	<b>(67,456)</b>	<b>(50,000)</b>	<b>-</b>	<b>-</b>	<b>(26)</b>	<b>(74)</b>	<b>(5,641)</b>	<b>(6,781)</b>	<b>(73,123)</b>	<b>(56,855)</b>

**Income, expense, gains and losses**

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

**Fair Value of Financial Assets**

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

The authority is the sole shareholder of Welland Homes Limited, which is the Council's wholly owned Housing Development Company. The fair value of the equity balance brought forward was £4.829m. The Company accounts reported capital and reserves balances of £4.835m as at 31 March 2026. This is presented in the Financial Assets table above, as fair value through other comprehensive income – designated equity instruments. The authority did not intend to dispose of the shares at the Balance Sheet date.

The authority is also the sole shareholder of South Holland Local Community Housing Interest Company. The fair value of the equity balance brought forward was £1.250m and this equity is categorised as Level 3 inputs due to there being no active market for the shares. The Company accounts reported capital and reserves balances of £1.278m as at 31 March 2026. This is presented in the Financial Assets table above, as fair value through other comprehensive income – designated equity instruments. The authority did not intend to dispose of the shares at the Balance Sheet date.

**Transfers between Levels of the Fair Value Hierarchy**

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

**Changes in the Valuation Technique**

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

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

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

- For loans from the PWLB payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment highlighting the impact of the alternative valuation;
- No early repayment or impairment is recognised;

- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The long term PWLB HRA borrowing of £67.456m which was brought forward from previous years was repaid in 2025/26 at a discount of £18.371m and replaced with £50m of new PWLB HRA borrowing.

The fair values calculated are as follows:

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

For long term borrowing, the fair value is lower than the carrying amount because the authority's portfolio of loans includes fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2026) arising from a commitment to pay interest to lenders below current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £49.036m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the reduced level of interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty Interest rates. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £50m would be valued at £49.036m. If the Council were to prematurely repay the loans to the PWLB a premium would be payable based on rates as at 31 March 2026. The exit price for the PWLB loans including the premium and accrued interest would be £50.522m.

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

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

**NOTE 18 – DEBTORS**

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

**NOTE 18A – DEBTORS FOR LOCAL TAXATION**

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

31 March 2025 £'000		31 March 2026 £'000
536	Less than one year	695
1,189	More than one year	1,420
<b>1,725</b>	<b>Total</b>	<b>2,115</b>

**NOTE 19 – CASH AND CASH EQUIVALENTS**

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

31 March 2025 £'000		31 March 2026 £'000
1,747	Bank current accounts	2,804
3,530	Deposits with Banks on Instant Access	1,021
<b>5,277</b>	<b>Cash and Cash Equivalents categorised as Current Assets</b>	<b>3,825</b>
-	Bank current accounts	-
-	<b>Cash and Cash Equivalents categorised as Current Liabilities</b>	-
<b>5,277</b>	<b>Total Cash and Cash Equivalents</b>	<b>3,825</b>

**NOTE 20 – ASSETS HELD FOR SALE**

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

The balance outstanding at 31 March 2026 has significantly decreased from the prior year due to less RTB applications being at the accepted stage by tenants who are eligible to purchase them.

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

**NOTE 21 – CREDITORS**

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

**NOTE 22 – PROVISIONS**

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

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

**NOTE 23 – USABLE RESERVES**

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

**NOTE 24 – UNUSABLE RESERVES**

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

**Revaluation Reserve**

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

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

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

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

**Pensions Reserve**

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

balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2024/25 £'000		2025/26 £'000
<b>(4,044)</b>	<b>Balance at 1 April</b>	<b>(3,801)</b>
(489)	Remeasurements of the net defined benefit liability	2,092
(1,887)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,563)
2,619	Employer's pensions contributions and direct payments to pensioners payable in the year	2,742
<b>(3,801)</b>	<b>Balance at 31 March</b>	<b>(530)</b>

### Capital Adjustment Account

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

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

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

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

## Deferred Capital Receipts Reserve

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

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

## Collection Fund Adjustment Account

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

2024/25 £'000		2025/26 £'000
<b>748</b>	<b>Balance at 1 April</b>	<b>439</b>
(309)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(185)
<b>439</b>	<b>Balance at 31 March</b>	<b>254</b>

## Accumulated Absences Account

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

2024/25 £'000	2024/25 £'000	2025/26 £'000	2025/26 £'000
	<b>(80)</b>		<b>(108)</b>
80	<b>Balance at 1 April</b>	108	
(108)	Settlement or cancellation of accrual made at the end of the preceding year	(109)	
	Amounts accrued at the end of the current year		
	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(1)
	<b>(108)</b>		<b>(109)</b>
	<b>Balance at 31 March</b>		

## Financial Instruments Adjustment Account

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

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

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

## Financial Instruments Revaluation Reserve

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

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

## NOTE 25 – CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

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

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

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

#### NOTE 26 – CASH FLOW STATEMENT – INVESTING ACTIVITIES

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

#### NOTE 27 – CASH FLOW STATEMENT – FINANCING ACTIVITIES

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

**NOTE 28 - RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

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

**NOTE 29 – MEMBERS’ ALLOWANCES**

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

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

**NOTE 30 – OFFICERS’ REMUNERATION**

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

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

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

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

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

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

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

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

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

The Council terminated the contracts of 6 employees in 2025/26 incurring liabilities of £63,555 (£65,000 in 2024/25). The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the following table.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25
£0-£20,000	1	1	4	7	5	8	30,950	30,756
£20,001 - £40,000	1	-	-	1	1	1	32,605	34,244
<b>Total cost included in bandings and in CIES (£)</b>							<b>63,555</b>	<b>65,000</b>

### NOTE 31 – EXTERNAL AUDIT COSTS

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

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

**NOTE 32 – GRANT INCOME**

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

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

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

**Grants Received in Advance - Capital**

	2025/26	2024/25
	£'000	£'000
<b>Long Term Liabilities</b>		
MHCLG – Gypsy and Travellers	(196)	(196)
Local Authority Housing Fund	-	-
<b>Total</b>	<b>(196)</b>	<b>(196)</b>

**NOTE 33 – RELATED PARTIES**

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

**Central Government**

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

Details of material transactions with Central Government are shown below. 2024/25 comparators shown in brackets.

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

**Members**

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

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

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

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

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

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

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

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

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

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

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

### **Management Team Officers**

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

### **Other Public Bodies**

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

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

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

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

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

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

### **Entities Controlled or Significantly Influenced by the Council**

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

Joint merged service organisation arrangements for the shared provision of a number of back office services with East Lindsey District Council were implemented with effect from 1 August 2010, delivered through Public Sector Partnership Services Ltd (PSPS, formerly Compass Point Business Services (CPBS) (East Coast) Ltd). The company added a further shareholder on 1 April 2021 in Boston Borough Council, and the Council accounts for this as an associate within the Group Accounts from 2021/22. The net balance outstanding between the Council and the Company at the 31 March 2026 was nil (31 March 2025 £13,634).

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

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

**South Holland Homes and Welland Homes Ltd**

The Council has two wholly owned subsidiary companies, South Holland Local Housing Community Interest Company and Welland Homes Ltd. Information and transactions for the year are set out in the group accounts. One officer was the company secretary for Welland Homes Ltd during 2025/26 and South Holland Homes does not have a formal company secretary, although the company secretarial duties were carried out.

**NOTE 34 – CAPITAL EXPENDITURE AND CAPITAL FINANCING**

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

	2025/26 £'000	2024/25 £'000
<b>Opening Capital Financing Requirement</b>	<b>84,778</b>	<b>83,716</b>
Adjustment to opening balance: IFRS 16 Leases	-	26
<b>Capital Investment</b>		
Property, Plant and Equipment	21,946	16,728
Intangible Assets	-	23
Revenue Expenditure Funded from Capital under Statute	1,629	1,763
Long Term Investments – Welland Homes	-	380
Long Term Debtor – Welland Homes	-	751
Leases	15	-
<b>Sources of finance</b>		
Capital receipts	(699)	(1,301)
Government grants and other contributions	(12,142)	(6,544)
Major Repairs Reserve	(6,123)	(7,285)
<b>Sums set aside from revenue:</b>		
Direct revenue contributions	(3,811)	(3,088)
Minimum Revenue Provision	(451)	(391)
<b>Closing Capital Financing Requirement</b>	<b>85,142</b>	<b>84,778</b>
<b>Explanation of movements in year</b>		
Adjustment to opening balance: IFRS 16 Leases	-	26
Minimum Revenue Provision	(451)	(391)
Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	815	1,427
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>364</b>	<b>1,062</b>

**NOTE 35 – LEASES**

In 2024/25, the Authority applied IFRS 16 Leases as adopted by the Code of Accounting Practice. The main impact of the new requirements is that, for arrangements previously accounted for as operating leases (i.e. without recognising the leased property as an asset and future rents as liability), a right-of-use asset and a lease liability are to be brought into the Balance Sheet at 1 April 2024. Leases for items of low value and short term leases (less than 12 months) are exempt from the new arrangements.

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

### Definition of a lease

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

### The Council as a Lessee

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

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

The weighted average rate of the Incremental Borrowing Rate (IBR) is 5.19% across the Authority's portfolio.

### As a lessor

The Authority was not party to any sublease arrangements as lessor as at 1 April 2025.

### Sale-and-leaseback

The Authority did not have any Sale and Leaseback transactions as at 1 April 2025.

### Authority as Lessee

#### Right of Use Assets

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

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

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Total £'000
<b>Balance at 1 April 2025</b>	103	-	103
Additions	-	15	15
Revaluations	-	-	-
Depreciation and Amortisation	-	(4)	(4)
Disposals	-	-	-
<b>Balance at 31 March 2026</b>	<b>103</b>	<b>11</b>	<b>114</b>

## Transactions under leases

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

	2025/26 £'000	2024/25 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
Interest expense on lease liabilities	2	1
<b>Cash Flow Statement</b>		
Total cashflow for leases	5	1
Cash payments for interest portion of lease liabilities	2	1

## Maturity analysis of lease liabilities

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

	2025/26 £'000	2024/25 £'000
Less than one year	4	-
One to five years	8	-
More than five years	-	-
<b>Total undiscounted liabilities</b>	<b>12</b>	<b>-</b>

## Council as Lessor – Operating Leases

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

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

	31 March 2026 £'000	31 March 2025 £'000
Not later than 1 year	496	451
Later than 1 year and not later than 5 years	421	903
Later than 5 years	87	69
	<b>1,004</b>	<b>1,423</b>

In addition, the Council received £119,325 as a charge for office space (£119,325 in 2024/25) from Public Sector Partnership Services Ltd in respect of the usage of office space only. No formal long term arrangement currently exists.

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

## NOTE 36 – DEFINED BENEFIT PENSION SCHEMES

### Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme, administered by Lincolnshire County Council. This is a funded defined benefit scheme, meaning that the employer and employees pay

contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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

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

### **Transactions Relating to Post-employment Benefits**

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

	Local Government Pension Scheme	
	2025/26 £'000	2024/25 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Cost of Services:</i>		
<i>Service cost comprising</i>		
Current service cost	1,358	1,683
Administration Costs	63	69
Past Service costs (including curtailments)	-	-
<i>Financing and Investment Income and Expenditure</i>		
Net interest expense	142	135
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,563</b>	<b>1,887</b>
<i>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>		
Remeasurement of net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(3,116)	759
Other actuarial gains/(losses) on assets	1,144	-
Actuarial (gains) and losses arising on changes in demographic assumptions	2,429	(186)
Actuarial (gains) and losses arising on changes in financial assumptions	(2,731)	(8,818)
Other experience	4,303	(159)
Impact of asset ceiling	(4,121)	8,893
<b>Total Remeasurements recognised in Other Comprehensive Income and Expenditure</b>	<b>(2,092)</b>	<b>489</b>
<b>Total Post-employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(529)</b>	<b>2,376</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	1,179	732
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
Employers' contributions payable to scheme	2,670	2,545
Contributions in respect of unfunded benefits	72	74

## Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme	
	2025/26 £'000	2024/25 £'000
Present value of the defined benefit obligation	(67,195)	(60,743)
Fair value of plan assets	82,811	76,119
Impact of asset ceiling	(15,616)	(18,655)
<b>Sub total</b>	-	<b>(3,279)</b>
Present value of the unfunded liabilities	(530)	(522)
<b>Net Liability arising from defined benefit obligation</b>	<b>(530)</b>	<b>(3,801)</b>

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

	Local Government Pension Scheme	
	2025/26 £'000	2024/25 £'000
Opening fair value scheme assets	76,119	75,671
Interest Income	4,425	3,650
Remeasurement gain/(loss)	-	-
The return on plan assets, excluding the amount included in the net interest expense	3,116	(759)
Other actuarial gains/(losses)	(1,144)	-
Contributions from employer	2,670	2,545
Contributions from employees into the scheme	679	648
Contributions in respect of unfunded benefits	72	74
Administration Cost	(63)	(69)
Benefits paid	(3,063)	(5,641)
<b>Closing fair value of scheme assets</b>	<b>82,811</b>	<b>76,119</b>

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

	Local Government Pension Scheme	
	2025/26 £'000	2024/25 £'000
Opening Balance at 1 April	61,265	70,409
Current Service Cost	1,358	1,683
Past Service Cost	-	-
Interest Cost	3,485	3,329
Contributions from scheme participants	679	648
<i>Remeasurements (gains) and losses:</i>		
Actuarial (gains) and losses arising on changes in demographic assumptions	2,429	(186)
Actuarial (gains) and losses arising from changes in financial assumptions	(2,731)	(8,818)
Other experience	4,303	(159)
Benefits paid	(3,063)	(5,641)
<b>Closing Balance at 31 March</b>	<b>67,725</b>	<b>61,265</b>

## Reconciliation of Asset Ceiling

	Local Government Pension Scheme	
	2025/26 £'000	2024/25 £'000
Opening Balance at 1 April	18,655	9,306
Interest on impact of asset ceiling	1,082	456
Actuarial losses/(gains)	(4,121)	8,893
<b>Closing Balance at 31 March</b>	<b>15,616</b>	<b>18,655</b>

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

The calculations of asset ceiling is based on following factors:

- There is no prospect of the Council having an unconditional right to a refund of surplus on the basis that such a payment would be at the discretion of the Fund.
- The Council is a scheduled body and assumed to participate indefinitely.
- Primary contributions are considered to be a minimum funding requirement (MFR)
- The MFR exceeds the current cost of accrual and so the potential economic benefit from future contributions reductions is nil. Therefore the surplus is restricted to nil.
- An additional liability of £3.279m is recognised in respect of the Council's obligation to pay future deficit contributions, thereby increasing or generating an irrecoverable surplus.

**Local Government Pension Scheme assets comprised:**

	2025/26		2024/25	
	Quoted prices in active markets £'000	% of Total assets	Quoted prices in active markets £'000	% of Total assets
Cash and Cash Equivalents	1,656	2%	2,284	3%
<u>Equity Instruments</u>				
UK	6,625	8%	6,090	8%
Overseas	33,953	41%	30,447	40%
<u>Debt Securities</u>				
Corporate Bonds - UK	9,937	12%	9,895	13%
Corporate Bonds - Overseas	-	-	-	-
Fixed Interest Government - UK	-	-	-	-
Fixed Interest Government - Overseas	-	-	-	-
Index Linked Government - UK	-	-	-	-
Index Linked Government - Overseas	-	-	-	-
Property	3,312	4%	3,806	5%
Private equity	-	-	-	-
<u>Others</u>				
Hedge Fund	-	-	-	-
Infrastructure	-	-	-	-
Bonds	-	-	-	-
Commodities	-	-	-	-
Credit Diversified Income	8,281	10%	7,612	10%
Other Diversified Alternatives	-	-	-	-
Private Debt	-	-	-	-
Forward Currency Contracts	-	-	-	-
<b>Total</b>	<b>63,764</b>	<b>77%</b>	<b>60,134</b>	<b>79%</b>

	2025/26		2024/25	
	Unquoted prices in active markets £'000	% of Total assets	Unquoted prices in active markets £'000	% of Total assets
Cash and Cash Equivalents	-	-	-	-
<u>Equity Instruments</u>				
UK	-	-	-	-
Overseas	-	-	-	-
<u>Debt Securities</u>				
Corporate Bonds - UK	-	-	-	-
Corporate Bonds - Overseas	-	-	-	-
Fixed Interest Government - UK	-	-	-	-
Fixed Interest Government - Overseas	-	-	-	-
Index Linked Government - UK	-	-	-	-
Index Linked Government – Overseas	-	-	-	-
Property	3,312	4%	1,522	2%
Private equity	4,969	6%	5,329	7%
<u>Others</u>				
Hedge Fund	4,969	6%	4,567	6%
Infrastructure Bonds	4,141	5%	3,806	5%
Commodities	-	-	-	-
Credit Diversified Income	-	-	-	-
Other Diversified Alternatives	-	-	-	-
Private Debt	1,656	2%	761	1%
Forward Currency Contracts	-	-	-	-
<b>Total</b>	<b>19,047</b>	<b>23%</b>	<b>15,985</b>	<b>21%</b>

### Basis for estimating Assets and Liabilities

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

The Local Government Pension Scheme liabilities have been estimated by Barnett Waddingham, an independent firm of actuaries, estimates for the Lincolnshire Pension Fund being based on the latest full valuation of the scheme as at 31 March 2025. The next actuarial valuation of the Fund will be carried out as at 31 March 2028.

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

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

	Local Government Pension Scheme	
	2025/26	2024/25
<i>Mortality assumptions:</i>		
Longevity at 65 for current pensioners (years):		
- Men	21.6	19.5
- Women	23.5	22.7
Longevity at 65 for future pensioners (years):		
- Men	23.2	20.8
- Women	25.3	24.1
Rate of increase in salaries	3.90%	3.90%
Rate of increase in pensions	2.90%	2.90%
Rate for discounting scheme liabilities	6.10%	5.80%

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

	Impact on the Defined Benefit Obligation in the Scheme	
	Present Value of Obligation £'000	Projected Service Cost £'000
0.1% decrease in Discount Rate	68,614	1,441
0.1% increase in the Salary Increase Rate	67,763	1,393
0.1% increase in the Pension Increase Rate	68,629	1,445
1 year increase in life expectancy obligation	70,421	1,440

### Impact on the Council's Cash Flows

The contributions paid by the Council are set by the Fund Actuary at each triennial actuarial valuation, the most recent being 31 March 2025. The employer's contribution rate, over the period to 31 March 2025, has been stabilised. The employer's contributions rate, over the period to 31 March 2026 was 23.8%.

Employer contributions payable to the scheme in 2026/27 are estimated to be £2.018m.

### Other Considerations

Virgin Media Ltd vs NTL Trustees On 25 July 2024, the Court of Appeal dismissed the appeal in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others. The appeal was brought by Virgin Media Ltd against aspects of the High Court's ruling handed down in June 2023 relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. On 2 September 2025, the Government published draft amendments to the Pensions Scheme Bill which would give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historical benefit changes met the necessary standards. The bill received Royal Assent on 29 April 2026, and is now an Act of Parliament

(law). Following the publication of the legislation, we do not expect the ruling to give rise to any additional liabilities.

## NOTE 37 – CONTINGENT LIABILITIES

At 31 March 2026 the Council identified no material contingent liabilities.

## NOTE 38 – CONTINGENT ASSETS

At 31 March 2026 the Council has identified the following material contingent assets:

### Decent Homes Loans

The Council has, for a number of years, been giving property owners loans to enable them to improve their homes to meet a decent standard. These loans have been registered with Land Registry and will only become repayable, together with interest and a proportion of the increased property value, once the dwelling is sold or otherwise disposed of. The disposal and therefore repayment could be many years in the future. Loans outstanding as at 31 March 2026 are £433,000 (£451,000 at 31 March 2025).

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

### Key risks

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

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

### Overall procedures for managing risk

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

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

### Credit Risk

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

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

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

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

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

The full Investment Strategy for 2025/26 was approved by Council on 27 February 2025 and is available on the Council's website.

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

The following analysis summarises the Council's maximum exposure to credit risk as at 31 March 2026. The table (composite defaults from Fitch & Moody's and Standard & Poor's) gives details of global corporate finance average cumulative default rates for the period to December 2025. Defaults shown are by long term rating category on investments out to one year, which were the most commonly held investments during the year.

	Credit Risk Rating	Gross Carrying Amount	Potential Credit Risk
	%	£'000	£'000
Local Authorities	0.00	26,933	-
<b>Total</b>		<b>26,933</b>	<b>-</b>

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

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

	Amount at 31 March 2026 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2026 %	Estimated maximum exposure to default and uncollectability at 31 March 2026 £'000	Estimated maximum exposure at 31 March 2025 £'000
	A	B	C	(A x C)	
Debtors	4,724	5.04%	5.04%	238	3,824

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

The Council does not generally allow credit for its customers, such that £378,334 of the £4.724m trade debtor balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2026 £'000	31 March 2025 £'000
Less than three months	4	182
Three to six months	-	89
Six months to one year	69	27
More than one year	305	179
<b>TOTAL</b>	<b>378</b>	<b>477</b>

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

### Liquidity Risk

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

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

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

	31 March 2026 £'000	31 March 2025 £'000
Less than one year	74	26
Less than ten years	50,000	-
More than ten years	-	67,456
	<b>50,074</b>	<b>67,482</b>

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

### Refinancing and maturity risk

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

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

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

## Market Risk

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

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

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

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

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

	£'000
Increase in interest receivable on variable rate investments	82
Impact on Surplus or Deficit on the Provision of Services	<b>82</b>
Share of overall impact credited to the HRA	33

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

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

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

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

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

**NOTE 40 – TRUST FUNDS**

The Council is custodian trustee for:

***IVO Day Care Centre***

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

***Weston St Mary's Village Hall***

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

***Ayscoughfee Hall and Gardens (registered charity 515905)***

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

***Sir Halley Stewart Playing Field (registered charity 1084450)***

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

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

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

Trust Fund Revenue Account	2025/26			2024/25		
	Expenditure £'000	Income £'000	Net £'000	Expenditure £'000	Income £'000	Net £'000
Ayscoughfee Hall and Gardens	622	(102)	<b>520</b>	414	(45)	<b>369</b>
Sir Halley Stewart Playing Field	1	(6)	<b>(5)</b>	16	(8)	<b>8</b>

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

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

The provisions in the 2025/26 Code section 3.4 (Presentation of Financial Statements) on the going concern accounting requirements, reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, it would not be appropriate for their financial statements to be prepared on anything other than a going concern basis.

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

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

## Current Financial Position

### General Fund

The Council underspent on the General Fund revenue budget in 2025/26 by £0.258m. As at 31 March 2026 the Council held a General Fund Balance of £2.078m and held Earmarked Reserves totalling £9.521m. The Earmarked Reserves balance has increased by £0.845m during the year. The adequacy of reserves and balances and the ongoing requirement for specified earmarked reserves, is reviewed on a regular basis.

### Housing Revenue Account (HRA)

The financial performance in 2025/26 resulted in a net underspend of £3.130m on the HRA revenue budget. As at 31 March 2026 the Council held an HRA Balance of £12.214m. The level of adequate reserves and balances and the ongoing requirement for specified earmarked reserves, is reviewed on an annual basis. The Section 151 Officer is satisfied that the Council's 2025/26 financial outturn for both General Fund and HRA, does not present any material uncertainties regarding the Council's ability to continue as a going concern.

### Medium Term Financial Plan Update

The Council sets a five year Medium Term Financial Plan (MTFP) annually. An updated plan which included budget proposals for 2026/27 alongside financial plans for the following four years was considered by Council on 26 February 2026. The financial position and the operating environment of the Council is actively monitored throughout the year to ensure plans remains deliverable.

### Balance Sheet

The Council's net assets as at the 31 March 2026 amounted to £306.927m and Usable Reserves totalled £48.537m. We are satisfied that there are no material liabilities or underlying issues regarding the strength of the Council's Balance Sheet which present any material uncertainties regarding the Council's ability to continue as a going concern.

### Cash Flow

The Council maintains short and long term cash flow projections, and manages its cash, investments and borrowing in line with the Council approved Treasury Management Strategy. As at the 31 March 2026 the Council has long term borrowing commitments of £50m, held £26.933m in short term investments and had £3.825m in Cash and Cash Equivalents. The Council has adequate financial resources to meet its immediate financial obligations. We are satisfied that there are no significant issues regarding the strength of the Council's underlying cash flow which present any material uncertainties regarding the Council's ability to continue as a going concern.

### Governance Arrangements

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

### Regulatory and Control Environment

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

## **Material Uncertainties**

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

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

## SUPPLEMENTARY FINANCIAL STATEMENTS

## HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT

2024/25 £'000		2025/26 £'000
	<b>Expenditure</b>	
5,347	Repairs and maintenance	5,094
6,337	Supervision and management	6,951
83	Rents, rates, taxes and other charges	97
5,409	Depreciation of non-current assets (Note 6)	3,937
3,173	Revaluation of non-current assets	504
82	Debt management expenses	82
<b>20,431</b>	<b>Total Expenditure</b>	<b>16,665</b>
	<b>Income</b>	
(18,448)	Dwelling and non-dwelling rents	(18,834)
(1,490)	Charges for services & facilities	(1,493)
-	Contribution towards expenditure	(1)
-	Revaluation of non-current assets	-
<b>(19,938)</b>	<b>Total Income</b>	<b>(20,328)</b>
	<b>Net (income)/expenditure of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>	
<b>493</b>		<b>(3,663)</b>
633	HRA share of Corporate and Democratic Core	641
<b>1,126</b>	<b>Net (income)/expenditure for HRA Services</b>	<b>(3,022)</b>
	<b>HRA Share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement</b>	
(4)	(Gain)/loss on sale of HRA non-current assets	(223)
2,347	Interest payable and similar charges	2,344
98	Movement in the allowance for bad debts	55
(390)	Interest and investment income	(644)
-	Discount on premature repayment of borrowing	(18,372)
35	Net interest on the net defined benefit liability	36
(3,093)	Capital grants and contributions	(2,202)
<b>119</b>	<b>(Surplus)/Deficit for the year on HRA services</b>	<b>(22,028)</b>

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

**MOVEMENT ON THE HRA STATEMENT**

2024/25 £'000		2025/26 £'000
<b>15,395</b>	Balance on the HRA at the end of the previous reporting period	<b>12,496</b>
(119)	Surplus/(Deficit) for the year on the HRA Income and Expenditure Statement	22,028
(2,678)	Capital expenditure funded from the HRA Balance	(3,557)
(102)	Adjustments between accounting basis and funding basis under statute	(18,753)
<b>12,496</b>	<b>Balance on the HRA at the end of the current reporting period</b>	<b>12,214</b>

**Adjustments between accounting basis and funding basis under statute**

2024/25 £'000		2025/26 £'000
(4)	(Gain)/loss on sale of HRA non-current assets	(222)
11	Employee Benefits	-
-	Discount on premature repayment of borrowing	(16,534)
(188)	HRA Share of contributions to or from the Pension Reserve	(298)
-	Capital expenditure financed from Revenue Balances	-
(5,409)	Transfers to the Major Repairs Reserve	(3,937)
(3,552)	Application of Capital Grants to Capital Adjustment Account	(916)
458	Transfer to Capital Grants Unapplied	(1,287)
5,409	Funding of depreciation from Capital Adjustment Account	3,937
3,173	Reversal of Revaluation movement on HRA Property	504
<b>(102)</b>	<b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b>	<b>(18,753)</b>

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

## NOTES TO THE HOUSING REVENUE ACCOUNT

### NOTE 1 – PURPOSE OF HRA STATEMENT

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

### NOTE 2 – HOUSING STOCK

The Council was responsible for managing 3,726 dwellings at 31 March 2026 (3,752 at 31 March 2025). The stock is analysed below by number of bedrooms. The Council has an equity share in 51 shared ownership properties, with the Council's equity share being equivalent to 31.0 dwellings.

Analysis of Housing Stock at 31 March 2026	1 Bed	2 Bed	3 Bed	3+ Bed	Total
HRA Housing Stock					
Houses	29	367	1,394	15	1,805
Bungalow	668	991	-	-	1,659
Flats	114	148	-	-	262
Shared Ownership	1	31	19	-	51
<b>Total</b>	<b>812</b>	<b>1,537</b>	<b>1,413</b>	<b>15</b>	<b>3,777</b>

### NOTE 3 – RENT ARREARS

Rent arrears at 31 March 2026 amounted to £1,068,000 (£926,000 in 2024/25) and are analysed as follows:

	31 March 2026 £'000	31 March 2025 £'000
<b>Rent Arrears Due From</b>		
Residential - Current Tenants	505	442
- Former Tenants	549	472
Non Residential - Garages	14	12
<b>Total</b>	<b>1,068</b>	<b>926</b>
These arrears include all charges due from tenants: rents, service charges and other charges.		
Allowance for bad debts	(659)	(569)

**NOTE 4 – ASSET VALUES**

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

	31 March 2026 £'000	31 March 2025 £'000
<b>Property, Plant and Equipment</b>		
Council Dwellings	263,974	256,980
Other Land and Buildings	443	434
Infrastructure – Housing Sewerage	517	418
Vehicles, Plant and Equipment	2,058	364
Surplus Assets	18	18
Community Assets	48	48
	<b>267,058</b>	<b>258,262</b>
<b>Non-operational assets</b>		
Assets Under Construction	11	1,029
<b>Intangible Assets</b>	34	67
<b>Assets Held for Sale</b>	267	1,679
<b>Total</b>	<b>267,370</b>	<b>261,037</b>

**NOTE 5 – VACANT POSSESSION**

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

	2025/26 £'000	2024/25 £'000
Vacant possession value	620,085	605,975

**NOTE 6 – DEPRECIATION**

	2025/26 £'000	2024/25 £'000
<b>Depreciation</b>		
Council dwellings	3,683	5,151
Other Land and Buildings	11	11
Infrastructure - Housing Sewerage	100	55
Vehicles, Plant & Equipment	106	158
	<b>3,900</b>	<b>5,375</b>
<b>Amortisation</b>		
Intangible Assets	34	34
<b>Total</b>	<b>3,934</b>	<b>5,409</b>

**NOTE 7 – CAPITAL EXPENDITURE AND FINANCING**

	2025/26 £'000	2024/25 £'000
<b>Expenditure</b>		
Improvements and enhancements to Council Dwellings	9,603	11,397
New Build – Council Dwellings	-	-
Improvements to wastewater treatments	199	113
Purchase of Units	1,641	2,504
Vehicles, Plant & Equipment	533	761
Information systems	-	41
<b>Total Expenditure</b>	<b>11,976</b>	<b>14,816</b>
<b>Financing</b>		
Capital receipts	699	1,301
Major Repairs Reserve	6,123	7,286
Housing Revenue Account	3,557	2,677
Grants and Contributions	1,597	3,552
<b>Total Financing</b>	<b>11,976</b>	<b>14,816</b>

**NOTE 8 – CAPITAL RECEIPTS FROM DISPOSAL OF ASSETS**

	2025/26 £'000	2024/25 £'000
Sale of Council Houses under the Right to Buy Scheme	3,231	990
Repayment of RTB Discount	9	13
Shared Ownership Sales Proceeds	76	806
<b>Total from Disposals</b>	<b>3,316</b>	<b>1,809</b>

**NOTE 9 – MAJOR REPAIRS RESERVE**

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

	2025/26 £'000	2024/25 £'000
<b>Balance at 1 April</b>	<b>2,502</b>	<b>4,379</b>
Transfers from the HRA		
Depreciation	3,937	5,409
Funding set-aside for Capital Investment	-	-
Financing of Capital Investment	(6,123)	(7,286)
<b>Balance at 31 March</b>	<b>316</b>	<b>2,502</b>

**COLLECTION FUND STATEMENT**

2024/25				2025/26		
Council Tax £'000	Non-Domestic Rates £'000	Total £'000		Council Tax £'000	Non-Domestic Rates £'000	Total £'000
(65,722)	-	(65,722)	<b>Income</b>			
	(25,673)	(25,673)	Council Tax receivable (Note 2)	(69,121)	-	(69,121)
			Non-Domestic Rates receivable (Note 3)	-	(27,721)	(27,721)
			Contributions towards previous year's Collection Fund deficit			
			Central Government	-	-	-
			South Holland District Council	-	-	-
			Lincolnshire County Council	-	-	-
	(507)	(507)	Transitional Protection Payments	-	(113)	(113)
<b>(65,722)</b>	<b>(26,180)</b>	<b>(91,902)</b>	<b>Total Income</b>	<b>(69,121)</b>	<b>(27,834)</b>	<b>(96,955)</b>
			<b>Expenditure</b>			
			Precepts, demands and shares			
	12,710	12,710	Central Government	-	13,203	13,203
7,643	10,168	17,811	South Holland District Council	8,072	10,563	18,635
47,796	2,542	50,338	Lincolnshire County Council	50,223	2,641	52,864
9,210	-	9,210	Police and Crime Commissioner for Lincolnshire	9,828	-	9,828
			Transitional Protection Payments	-	-	-
			Impairment of debts/appeals			
812	49	861	Increase/(decrease) in allowance for impairment	817	260	1,077
	(21)	(21)	Increase/(decrease) in provision for appeals (Note 4)	-	382	382
	108	108	Cost of Collection Allowance	-	108	108
	429	429	Renewable Energy	-	481	481
			Contributions towards previous year's Collection Fund surplus			
52	383	435	South Holland District Council	39	240	279
	479	479	Central Government	-	300	300
324	96	420	Lincolnshire County Council	243	60	303
63	-	63	Police and Crime Commissioner for Lincolnshire	47	-	47
<b>65,900</b>	<b>26,943</b>	<b>92,843</b>	<b>Total Expenditure</b>	<b>69,269</b>	<b>28,238</b>	<b>97,507</b>
<b>178</b>	<b>763</b>	<b>941</b>	<b>(Surplus)/Deficit arising during year</b>	<b>148</b>	<b>404</b>	<b>552</b>
(498)	(1,747)	(2,245)	<b>(Surplus)/Deficit at beginning of year</b>	(320)	(984)	(1,304)
<b>(320)</b>	<b>(984)</b>	<b>(1,304)</b>	<b>(Surplus)/Deficit at end of year (Note 5)</b>	<b>(172)</b>	<b>(580)</b>	<b>(752)</b>

## NOTES TO THE COLLECTION FUND STATEMENT

### NOTE 1 – PURPOSE OF COLLECTION FUND STATEMENT

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

### NOTE 2 – COUNCIL TAX RECEIVABLE

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

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

The council tax base was calculated as follows:

Band	No. of properties on Valuation List	No. of chargeable dwellings	Ratio	Band D equivalent dwellings
A (with Disabled Relief)		41	5/9	23
A	16,732	12,510	6/9	8,340
B	9,783	8,353	7/9	6,497
C	10,681	9,570	8/9	8,507
D	4,772	4,648	9/9	4,648
E	2,147	2,006	11/9	2,452
F	447	422	13/9	610
G	122	117	15/9	195
H	17	11	18/9	21
Band D Equivalents				31,293
Allowance for non-collection (1.29%)				(403)
<b>District Tax Base</b>				<b>30,890</b>

The basic amount of council tax for a band D property including an average parish charge, £2,205.31 (2024/25 £2,135.36), is then multiplied by the ratio specified for the particular band to give an individual amount due.

### NOTE 3 – NON-DOMESTIC RATES RECEIVABLE

Under the arrangements for non-domestic rates, the Council collects rates for its area based on local rateable values (determined by the Valuation Office Agency, an executive agency of HM Revenue and Customs) multiplied by the multiplier (determined by the Government). For 2025/26 there are two multipliers, the non-domestic rating multiplier of 55.5p and the small business non-domestic rating multiplier of 49.9p.

The Council's total Non-Domestic Rates Rateable Value at 31 March 2026 was £67.141m (31 March 2025 £66.422m).

**NOTE 4 – NON-DOMESTIC RATES PROVISION FOR APPEALS**

The Collection Fund provides for a provision for appeals against the Rateable Value set by the Valuation Office Agency (VOA) not settled at 31 March 2026.

	<b>Business Rate Appeals</b>	
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April 2025</b>		<b>(323)</b>
Amounts used in 2025/26		-
Additional provisions made in 2025/26	(648)	
Unused amounts reversed in 2025/26	266	
		(382)
<b>Balance at 31 March 2026</b>		<b>(705)</b>

**NOTE 5 – COLLECTION FUND DEFICIT/ (SURPLUS)**

As at 31 March 2026, the net surplus on the Collection Fund is £0.752m (£1.304m at 31 March 2025).

The Council Tax surplus is apportioned to the relevant precepting bodies based on the following year's Council Tax requirement. The Business Rates deficit relating to 2025/26 is apportioned to South Holland (40%), Central Government (50%) and Lincolnshire County Council (10%).

The balance on the Collection Fund is allocated as follows:

<b>2024/25</b>			<b>2025/26</b>	
<b>Council Tax</b>	<b>Non-Domestic Rates</b>		<b>Council Tax</b>	<b>Non-Domestic Rates</b>
<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
	(492)	Central Government		(290)
(38)	(394)	South Holland District Council	(20)	(232)
(236)	(98)	Lincolnshire County Council	(127)	(58)
(46)		Police and Crime Commissioner for Lincolnshire	(25)	
<b>(320)</b>	<b>(984)</b>	<b>(Surplus)/deficit</b>	<b>(172)</b>	<b>(580)</b>

**GROUP ACCOUNTS**

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

**GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

2024/25				2025/26		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
2,099	(981)	1,118	General Fund Assets	1,673	(1,117)	556
17,362	(12,635)	4,727	Finance	16,086	(11,141)	4,945
1,509	(511)	998	Governance & Monitoring	1,326	(318)	1,008
3,648	(2,194)	1,454	Communities & Housing	6,179	(3,565)	2,614
2,353	(918)	1,435	Leisure & Local Services	1,115	(34)	1,081
1,643	(200)	1,443	Corporate	1,535	(251)	1,284
6,544	(1,082)	5,462	Neighbourhoods	6,354	(2,615)	3,739
3,415	(4,950)	(1,535)	Planning and Strategic Infrastructure	5,615	(4,351)	1,264
1,607	(1,015)	592	Regulatory	1,656	(1,033)	623
4,084	(2,981)	1,103	Strategic Growth and Development	2,321	(1,859)	462
-	-	-	Pride in Place	37	-	37
17,769	(19,910)	(2,141)	Housing	13,748	(20,299)	(6,551)
<b>62,033</b>	<b>(47,377)</b>	<b>14,656</b>	<b>Cost of Services</b>	57,645	(46,583)	11,062
4,807	(150)	4,657	Other operating expenditure	5,157	(671)	4,486
6,606	(6,776)	(170)	Financing and investment income and expenditure	7,586	(25,488)	(17,902)
6,752	(31,027)	(24,275)	Taxation and non-specific grant income and expenditure	6,785	(42,613)	(35,828)
<b>80,198</b>	<b>(85,330)</b>	<b>(5,132)</b>	<b>(Surplus)/Deficit on the Provision of Services</b>	77,173	(115,355)	(38,182)
-	-	-	Excess of fair value of net assets over the cost of investments of associates	-	-	-
-	(224)	(224)	Share of the (Surplus)/Deficit on the provision of services by associates	-	(140)	(140)
78	-	78	Tax expenses of associates and subsidiaries	21	-	21
<b>80,276</b>	<b>(85,554)</b>	<b>(5,278)</b>	<b>Group (Surplus)/Deficit on the Provision of Services</b>	77,194	(115,495)	(38,301)
		9,401	Surplus on revaluation of property, plant and equipment assets			(2,954)
		489	Remeasurements of the net defined benefit liability			(2,092)
		<b>9,890</b>	<b>Other Comprehensive Income and Expenditure</b>			(5,046)
		<b>4,612</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(43,347)</b>

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

### GROUP MOVEMENT IN RESERVES STATEMENT

2025/26	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	HRA Earmarked Reserve	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Reserves of Subsidiaries	Authority's Share of Reserves of Associates	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2025</b>	<b>2,078</b>	<b>8,675</b>	<b>12,496</b>	<b>200</b>	<b>2,502</b>	<b>8,356</b>	<b>6,201</b>	<b>40,508</b>	<b>222,314</b>	<b>262,822</b>	<b>1,407</b>	<b>-</b>	<b>264,229</b>
<b>Adjustment to opening balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,410)</b>	<b>(1,410)</b>	<b>953</b>	<b>457</b>	<b>-</b>
<b>Movement in Reserves during 2025/26</b>													
Total Comprehensive Income and Expenditure	16,045	-	22,028	-	-	-	-	38,073	5,046	43,119	110	128	43,357
Adjustments between accounting basis & funding basis under regulations	(15,199)	-	(18,753)	-	(2,186)	2,976	6,675	(26,487)	26,487	-	-	-	-
Adjustments between group accounts and authority accounts	-	-	-	-	-	-	-	-	-	-	(76)	-	(76)
<b>Net (Increases)/Decreases before transfers</b>	<b>846</b>	<b>-</b>	<b>3,275</b>	<b>-</b>	<b>(2,186)</b>	<b>2,976</b>	<b>6,675</b>	<b>11,586</b>	<b>31,533</b>	<b>43,119</b>	<b>34</b>	<b>128</b>	<b>43,281</b>
Transfer to/from Reserves	(846)	846	(3,557)	-	-	-	-	(3,557)	3,557	-	-	-	-
<b>Balance at 31 March 2026 carried forward</b>	<b>2,078</b>	<b>9,521</b>	<b>12,214</b>	<b>200</b>	<b>316</b>	<b>11,332</b>	<b>12,876</b>	<b>48,537</b>	<b>255,994</b>	<b>304,531</b>	<b>2,394</b>	<b>585</b>	<b>307,510</b>

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
<b>Balance at 31 March 2024</b>	<b>2,078</b>	<b>6,025</b>	<b>15,395</b>	<b>200</b>	<b>4,379</b>	<b>7,498</b>	<b>5,193</b>	<b>40,768</b>	<b>226,919</b>	<b>267,687</b>	<b>1,179</b>	<b>268,866</b>
<b>Movement in Reserves during 2024/25</b>												
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)
<b>Net (Increases)/Decreases before transfers</b>	<b>2,650</b>	<b>-</b>	<b>(221)</b>	<b>-</b>	<b>(1,877)</b>	<b>858</b>	<b>1,008</b>	<b>2,418</b>	<b>(7,283)</b>	<b>(4,865)</b>	<b>228</b>	<b>(4,637)</b>
Transfer to/from Earmarked Reserves	(2,650)	2,650	(2,678)	-	-	-	-	(2,678)	2,678	-	-	-
<b>Balance at 31 March 2025 carried forward</b>	<b>2,078</b>	<b>8,675</b>	<b>12,496</b>	<b>200</b>	<b>2,502</b>	<b>8,356</b>	<b>6,201</b>	<b>40,508</b>	<b>222,314</b>	<b>262,822</b>	<b>1,407</b>	<b>264,229</b>

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

**GROUP BALANCE SHEET**

<b>31 March 2025 £'000</b>		<b>31 March 2026 £'000</b>
293,778	Property, Plant and Equipment	310,509
103	Right of Use Asset	114
101	Heritage Assets	102
15,017	Investment Property	15,175
91	Intangible Assets	55
151	Long Term Debtors	153
457	Liabilities in Associates	585
<b>309,698</b>	<b>Long Term Assets</b>	<b>326,693</b>
20,332	Short Term Investments	26,933
2,229	Assets Held for Sale	1,296
8,413	Short Term Debtors	10,301
6,135	Cash and Cash Equivalents	4,551
<b>37,109</b>	<b>Current Assets</b>	<b>43,081</b>
-	Cash and Cash Equivalents	-
(26)	Short Term Borrowing	(74)
-	Short Term Lease Liabilities	(4)
(8,491)	Short Term Creditors	(8,764)
(129)	Provisions	(282)
<b>(8,646)</b>	<b>Current Liabilities</b>	<b>(9,124)</b>
(67,456)	Long Term Borrowing	(50,000)
(5,836)	Other Long Term Liabilities	(2,440)
-	Long Term Lease Liabilities	(35)
(444)	Long Term Provisions	(469)
(196)	Grants Receipts in Advance – Capital	(196)
<b>(73,932)</b>	<b>Long Term Liabilities</b>	<b>(53,140)</b>
<b>264,229</b>	<b>Net Assets</b>	<b>307,510</b>
43,876	<b>Usable Reserves</b>	52,068
220,353	<b>Unusable Reserves</b>	255,442
<b>264,229</b>	<b>Total Reserves</b>	<b>307,510</b>

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

**GROUP CASH FLOW STATEMENT**

2024/25 £'000	2024/25 £'000		2025/26 £'000	2025/26 £'000
	5,132	Net surplus on the provision of services		38,182
10,031		Adjustments to net surplus or deficit on the provision of services for non-cash movements	5,737	
(4,977)	5,054	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(29,636)	(23,899)
	10,186	Net cash flows from Operating Activities		14,283
	(7,484)	Investing Activities		2,236
	(18)	Financing Activities		(18,094)
	2,684	Net increase/(decrease) in cash and cash equivalents		(1,575)
	3,445	Cash and cash equivalents at the beginning of the reporting period		6,135
	6	Other movements		(9)
	<b>6,135</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>4,551</b>

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

**South Holland Homes and Welland Homes**

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

**Public Sector Partnership Services Limited**

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

**Explanatory Notes to the Group Accounts**

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

**1. ACCOUNTING POLICIES**

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

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

## 2. GROUP INVESTMENT PROPERTY

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

2024/25		2025/26
£'000		£'000
(843)	Rental Income from investment property	(908)
288	Direct operating expenses arising from investment property	393
(568)	Net (gains)/losses from fair value adjustments	(52)
<b>(1,123)</b>	<b>Net (gain)/loss</b>	<b>(567)</b>

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

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

2024/25		2025/26
£'000		£'000
13,360	Balance at start of the year	15,017
1,089	Additions resulting from acquisitions	113
-	Transfers to/from Property, Plant and Equipment	-
568	Net gains/(losses) from fair value adjustments	45
<b>15,017</b>	<b>Balance at end of the year</b>	<b>15,175</b>

### Fair Value Hierarchy

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

Fair Value Level 2		Fair Value Level 2
2024/25		2025/26
£'000		£'000
2,460	Commercial Industrial Units	2,524
12,557	Residential Investment Property	12,651
<b>15,017</b>	<b>Balance at end of the year</b>	<b>15,175</b>

### Valuation Techniques Used to Determine Level 2 for Investment Properties

#### Significant Observable Inputs – Level 2

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

## 3. GROUP CASH AND CASH EQUIVALENTS

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

31 March 2025 £'000		31 March 2026 £'000	
2,605	Bank current accounts	3,530	
3,530	Deposits with Banks on Instant Access	1,021	
<b>6,135</b>	<b>Cash and Cash Equivalents categorised as Current Assets</b>	<b>4,551</b>	
-	Bank current accounts	-	
-	<b>Cash and Cash Equivalents categorised as Current Liabilities</b>	-	
<b>6,135</b>	<b>Total Cash and Cash Equivalents</b>	<b>4,551</b>	

#### 4. ADDITIONAL INFORMATION

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

##### Contingent Liabilities

There are no contingent liabilities for 2025/26 relating to the interests in the companies and joint venture or in the entities themselves that are not disclosed elsewhere in the Accounts.

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

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

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

In 2025/26 the Council collected rent of £31,584 on behalf of the Company and charged management, support fees and other expenses of £12,239. There was an outstanding balance of £12,239 due to the Council at 31 March 2026 (£28,524 31 March 2025). There was an outstanding balance due to South Holland Homes from the Council of £31,584 (£2,392 31 March 2025).

**Retained Surplus/Deficit** - In 2025/26 the company made a profit after tax of £28,816 (2024/25 £41,218). This is included in the Group Comprehensive Income and Expenditure Statement.

**Assets and Liabilities** – At 31 March 2026, South Holland Homes held fixed assets valued at £1,064,000 and current assets totalling £614,063. Liabilities consisted of short term creditors of £22,575 and long term creditors of £267,000 and a provision for a deferred tax liability of £110,411.

**Commitments under capital contracts** - At 31 March 2026 the company had no commitments under capital contracts (31 March 2025 nil).

**Audit fees** - Accountancy and audit fees were incurred at a cost of £3,720.

**Inter-organisation Balances** - Group accounting regulations require that inter-organisation balances be removed. The following balances were removed in 2025/26:

- Debtors £31,584 (2024/25 £2,392)
- Creditors £12,239 (2024/25 £28,524)

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

## 4.2 Welland Homes Ltd

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

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

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

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

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

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

During 2022/23, Welland Homes purchased a further 7 properties for rental to private tenants at market value. The Council committed to providing financial support in the form of a £1,111,243 loan facility, of which £1,045,130 was drawn down during the year. As above, £28,286 was also drawn down in respect of the previous years loan facility. In respect of loans, there was a balance of £4,783,448 outstanding to the Council as at 31 March 2022 (£3,738,318 at 31 March 2021).

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

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

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

During 2025/26, Welland Homes did not purchase any further properties for rental, and no further loan draw downs were taken. There was a loan balance of £6,546,095 outstanding to the Council as at 31 March 2026 (£6,546,095 at 31 March 2025).

The Council charged £280,562 interest to Welland Homes during the year and a further £30,635 of expenses was recharged.

**Retained Surplus/Deficit** - In 2025/26 the company made a profit after tax of £72,645 (2024/25 £306,881 loss). This is included in the group Comprehensive Income and Expenditure Statement. The majority of the decline in profits was due to the reduced gains on property revaluations compared to the previous year. The company also made charitable donations of £211,373 (2024/25 £100,373).

**Assets and Liabilities** - At 31 March 2026, Welland Homes held fixed assets valued at £11,587,000 and current assets totalling £153,565. Liabilities consisted of short-term creditors of £21,163, long term creditors of £6,546,095 and a provision for a deferred tax liability of £359,176.

**Commitments under capital contracts** - At 31 March 2026 the company had no commitments under capital contracts. (31 March 2025 nil).

**Audit fees** - Accountancy and audit fees were incurred at a cost of £4,920.

**Inter-organisation Balances** - Group accounting regulations require that inter-organisation balances be removed. The following balances were removed in 2025/26:

Creditors: Amounts falling due within one year – (nil) (2024/25 nil)  
 Long term creditors – £6,546,095 (2024/25 £6,546,095)

**Inter-organisation transactions**- Group accounting regulations require that inter-organisation transactions be removed. The following transactions were removed in 2025/26:

Management and support fees and other expenses £30,635 (2024/25 £27,973)  
 Loan Interest £280,562 (2024/25 £253,936)

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

### 4.3 Public Sector Partnership Services Limited

In 2025/26, the Company's statement of comprehensive income shows a surplus for the year of £415k. Of this, the Council's proportion of £212k is included in the Group Comprehensive Income and Expenditure Statement. At 31 March 2026, the net worth of PSPS Ltd was £1.951m. South Holland's share of the net worth, £585k, has been incorporated into the Group Balance Sheet.

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

### Voting Rights

At 31 March 2026, South Holland held 3 seats out of 8 on the Board of Directors, therefore holding 37.5% of the voting rights of the company. This therefore provides the Council with significant influence over PSPS Ltd.

## **GLOSSARY OF TERMS**

### **Accounting Period**

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

### **Accruals Basis**

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

### **Actuarial Gains and Losses**

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

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

### **Appointed Auditors**

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

### **Balance Sheet**

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

### **Balances**

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

### **Capital Adjustment Account**

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

### **Capital Expenditure**

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

### **Capital Receipts**

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

### **Carrying Amount**

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

### **Cash Flow Statement**

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

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the leading professional accountancy body for public services

### **Collection Fund**

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

### **Community Assets**

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

### **Contingent Liabilities or Assets**

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

### **Council Tax**

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

### **Council Tax Requirement**

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

### **Creditors**

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

### **Current Service Cost**

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

### **Curtailement**

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

### **Debtors**

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

### **Deferred Capital Receipts**

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

### **Defined Benefit Scheme**

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

### **Ministry of Housing, Communities and Local Government (MHCLG)**

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

### **Depreciation**

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

### **Earmarked Reserves**

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

### **Events after the Balance Sheet Date**

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

### **Exceptional Items**

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

### **External Audit**

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

### **Expenditure**

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

### **Fair Value**

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

### **Finance Lease**

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

### **Financial Instruments**

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

### **General Fund**

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

### **Heritage Assets**

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

### **Housing Revenue Account**

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

### **Impairment**

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

### **Income**

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

### **Infrastructure Assets**

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

### **Intangible Assets**

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

### **Internal Borrowing**

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

### **International Financial Reporting Standards**

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

### **Joint Operation**

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

### **Liabilities**

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

### **Materiality**

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

### **National Non-Domestic Rates (Business Rates)**

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

### **Net Book Value (NBV)**

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

### **Net Debt**

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

### **Net Realisable Value (NRV)**

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

### **Non-Current Assets (Fixed Assets)**

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

### **Non-Operational Assets**

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

### **Operational Assets**

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

### **Operational Boundary**

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

### **Operating Lease**

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

### **Precept**

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

### **Prior Year Adjustment**

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

### **Provision**

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

### **Public Works Loan Board (PWLB)**

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

### **Related Parties**

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

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

### **Remuneration**

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

### **Reserves**

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

### **Revaluation Reserve**

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

### **Revenue Expenditure**

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

### **Revenue Expenditure Funded from Capital under Statute (REFCUS)**

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

### **Revenue Support Grant**

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

### **Right of Use Asset**

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

**Service Potential**

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

**Treasury Management**

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

**Treasury Management Strategy**

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

**ANNUAL GOVERNANCE STATEMENT**  
**For the Year Ended 31 March 2026**

To be added before publishing