

Governance and Audit Committee



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Wednesday, 18 February 2026 at 2.00 pm
Council Chamber - Council Offices, St. Peter's Hill,
Grantham. NG31 6PZ

Committee Councillor Tim Harrison (Chairman)
Members: Councillor Paul Wood (Vice-Chairman)

Councillor Robert Leadenhams, Councillor Bridget Ley, Councillor Habib Rahman,
Councillor Rhea Rayside, Councillor Paul Stokes, Councillor Mark Whittington,
Councillor Sue Woolley and Alan Bowling

Agenda

This meeting can be watched as a live stream, or at a later date, [via the SKDC Public-I Channel](#)

- 1. Apologies for absence**
- 2. Disclosure of interests**
Members are asked to disclose any interests in matters for consideration at the meeting.
- 3. Minutes of the meeting held on 21 January 2026** (Pages 3 - 9)
- 4. Updates from previous meeting** (Page 11)
To consider updates on Actions agreed at the meeting held on 21 January 2026.
- 5. Year-end report (ISA 260) 2024-25** (Pages 13 - 50)
Year end report from Council External Auditors regarding the statement of accounts for 2024-25.
- 6. Auditors Annual Report 2024-25** (Pages 51 - 71)
External Auditor's Annual Report providing a summary of the findings and key issues arising from our 2024-25 audit of South Kesteven District Council.

Published and dispatched by democracy@southkesteven.gov.uk on Tuesday, 10 February 2026.

01476 406080

Karen Bradford, Chief Executive
www.southkesteven.gov.uk

7. **Statement of Accounts 2024-25** (Pages 73 - 208)
The Statement of Accounts 2024/25 is presented to the Governance and Audit Committee for approval.

8. **Work Programme 2025 - 2026** (Pages 209 - 211)
To consider the Committee's Work Programme for 2025 – 2026.

9. **Any other business, which the chairman, by reasons of special circumstances, decides is urgent.**

Meeting of the Governance and Audit Committee

Wednesday, 21 January 2026, 2.00
pm



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Committee Members present

Councillor Tim Harrison (Chairman)
Councillor Robert Leadenham
Councillor Bridget Ley
Councillor Habib Rahman
Councillor Rhea Raysia
Councillor Paul Stokes
Councillor Mark Whittington
Councillor Elvis Stooke
Alan Bowling

Cabinet Members present

Councillor Ashley Baxter
Councillor Philip Knowles

Other Members present

Councillor Anna Kelly
Councillor Ian Selby

Officers

Richard Wyles, Deputy Chief Executive and Section 151 Officer
Emma Whittaker, Assistant Director (Planning & Growth)
David Scott, Assistant Director of Finance and Deputy Section 151 Officer
Jeremy Barlow, Building Control Manager
James Welbourn, Democratic Services Manager
Joshua Mann, Democratic Services Officer
Gurpreet Dulay, Internal Auditor
Matt Humphrey, RSM Partner

52. Apologies for absence

Apologies for absence were received from Councillors Paul Wood and Sue Woolley.

Councillor Paul Wood was substituted by Councillor Elvis Stooke.

53. Disclosure of interests

No interests were disclosed.

54. Minutes of the meeting held on 13 November 2025

The minutes of the meeting held 13 November 2025 were AGREED as an accurate record.

55. Internal Audit Progress Report

The Internal Audit Progress Report was introduced by the Internal Auditors.

The report covered the following:

	Design Opinion	Effectiveness Opinion
Treasury Management	- Moderate	Substantial
Building Control	- Substantial	Moderate
IT Strategy	- Moderate	Moderate

Treasury Management

Areas of strength identified included – oversight and reporting of prudential indicators and policy thresholds.

Areas of weakness identified included – governance approval of Treasury Management practices.

Building Control

Areas of strength identified included – mature and embedded performance monitoring arrangements with robust and transparent financial management.

Areas of weakness identified included – a lack of documented improvement processes following EMBC survey results.

IT Strategy

Areas of strength identified included – the adoption of a streamlined ICT strategy allowing innovative working.

Areas of weakness identified included - the individual themes of the Strategy did not set out how they are linked to the wider corporate objective.

During discussions, Members commented on the following:

- A Member requested greater detail about SKDC's response to issues identified by the audits in future progress reports.
- It was confirmed that the relationship between the new IT Strategy and the Corporate Plan was still being developed to ensure that all actions were aligned as the IT Strategy was still in its infancy.
- Following the Building Control audit, it was confirmed that the Developers' Forum was in the process of being developed.
- A Member did note concern that excessive resources would be spent chasing building control feedback. The Assistant Director (Planning and Growth) confirmed that SKDC were looking at options requiring fewer resources.

The Internal Audit Progress Report was noted by the Committee.

56. Indicative Internal Audit Plan 2026/27

The Indicative Internal Audit Plan 2026/27 was introduced by the Internal Auditor.

The Indicative Internal operational plan 2026/27 covered the following areas, outlining which quarter they would be reviewed in, a description of the review and a reason for its inclusion:

Core Assurance -

- Accounts receivable
- Asset management strategy – general fund
- Planning services
- Procurement cards
- Rent collection
- Sickness and absence management
- Renters' Right Act – Response to new
- Statutory Responsibilities

Soft Controls –

- Equality, diversity, and inclusion

Future Focused Assurance -

- LGR Programme Governance and Readiness Review

Flexible Audit Resource - To be allocated during the year as required but could include the examples shown below –

- Contingency/ Flexible resource

Contract Management –

- Planning / liaison / management
- Recommendation follow ups
- Governance & Audit Committee.

During discussions, Members commented on the following:

- A Member queried whether there were plans for the Internal Auditors to complete a cyber security review. It was confirmed this review was completed in March 2024 and the matter remained on the Risk Register for review.
- Clarification was sought as why 20 days had been allocated to the procurement cards review. The Section 151 Officer confirmed that these timeframes were set by the Internal Auditors and the scoping was still in its infancy.

- Reassurance was given by the Internal Auditors about the flexibility of the plan. Contingency days had been built in and regular progress reports would continue to update the Committee.

The Indicative Internal Audit Plan 2026/27 was noted by the Committee.

57. 2026/27 Treasury Management Strategy Statement

The 2026/27 Treasury Management Strategy Statement (TMSS) was presented by the Leader of the Council.

The Council was required to produce an annual Treasury Management Strategy Statement, outlining the Council's borrowing and investment policies that SKDC would follow during 2026/27.

Appendix 3 confirmed there were no proposed changes to the current limits or specified counterparty investment strategies and outlined the Council's Ethical Investment Strategy, following its review.

As part of ongoing monitoring, the treasury management practices were reviewed and updated during the year to reflect operational changes. These were undertaken by senior finance officers to reflect current working practices with the exception of those which were formally included within the annual TMMS and require member approval.

The Council's Capital Strategy was to be considered by Full Council as part of the annual budget setting process on 26 February 2026.

During discussions, the following points were made:

- The Section 151 Officer confirmed that the Strategy Statement was written to set out the indicative programme outlined at the 13 January 2026 Budget OSC rather than setting reserve levels. Within the Strategy Statement the Section 151 Officer noted that SKDC had been advised to borrow from internal resources rather than the higher-interest external rates.
- A Member requested a written response from officers in response to his concerns about reserve levels. The Leader also offered to meet with the Member and the Section 151 officer to discuss the concerns.

ACTION

Following discussions, it was proposed, seconded, and AGREED to recommend that Full Council approves the Treasury Management Strategy Statement 2026/27.

58. Review of the Financial Regulations

The review of Financial Regulations was presented by the Cabinet Member for Corporate Governance and Licensing.

The proposed changes to the Financial Regulations included:

Revenue Reserves - Discretionary and Governance

Clarification was provided on the definition of reserves between discretionary and governance reserves. This clarification was provided in section 11.2 of the revised Financial Regulations.

Authorised Limits – Appendix A of the Financial Regulations

Due to the number of changes including levels and authorisations, the current approved Financial Regulations was provided at Appendix A for comparative purposes.

Virements – the process whereby unallocated budgets could be moved between cost centres where additional costs may be incurred during the year. In respect of revenue, it was only permissible to move budgets between staffing costs or other expenditure to avoid salary budgets being adversely affected. In respect of capital, the virement levels were updated to reflect the levels of budgeted expenditure levels for capital schemes. The authorisation levels were updated to ensure there was no service disruption whilst virements requests are being considered.

Additions to Budget Framework – this authority allowed for in-year budget framework changes where a proposal arose outside of the annual budget setting process. Authority for these changes were either a Cabinet or a Council decision subject to the financial amendment levels.

Approval to use the Reserves – this section was updated to allow for the use of the discretionary reserves in accordance with the criteria of each reserve. The authorisation and financial levels were updated and included consultation with the Leader, Cabinet Member for Finance and Chief Executive.

Authorised Signatories – this section was in respect to raising order and approving invoices. This was a key internal control and ensures there are clear segregation of duties between officers.

Bad Debt levels – these levels were updated to enable Team Leaders to authorise write offs of specific debt levels before the write off request was escalated to the Head of Service.

During discussions, Members commented on the following:

- A Member noted concerns about the accessibility of reserves that section 11 of the regulations granted. The Section 151 Officer confirmed that officer delegation reports were published for any delegated spending from discretionary reserves.
- It was queried why the emergency payments plan had not been updated, but it was confirmed by the Section 151 Officer that this was because the current level still worked efficiently.
- In response to concern about the risk to the Council of increasing the responsibility of certain high-ranking officers, the Leader responded that this reflects the seniority of the positions and shows trust in the staff.
- It was confirmed that bad debt was regularly audited by the Internal Auditors and write offs were undertaken in accordance with the Financial Regulations levels.
- The Section 151 Officer agreed to produce an update about the effectiveness of the Financial Regulations following a six-month period.

Following discussions, it was proposed, seconded, and AGREED to recommend that Full Council approves the updated Financial Regulations.

59. Strategic Risk Register

The Review of the Strategic Risk Register was introduced by the Cabinet Member for Corporate Governance and Licencing.

The Corporate Management Team had undertaken an assessment of the effectiveness of the strategic risk controls as identified in the Strategic Risk Register. The assessment led to the following judgements with regards the strategic risk controls:

Effective – Controls and enablers were deemed to exist, be consistently applied, and achieve the outcome expected.

Partially Effective – There were improvements that could be made with regards to strengthening the controls and enablers, with improvement actions at a macro level identified.

Not Effective – Controls were not performing as required and improvement actions at a more detailed level identified.

In completing the exercise all strategic risk controls were deemed effective or partially effective. None were deemed ineffective.

Appendix A outlined specific details of the individual risks and these were ranked on a risk matrix.

During discussions, Members commented on the following:

- A Member noted concern about the two red-rated risks and suggested that devolution should be classed as red too. The Member also noted concern about the volume of risks. The Chairman interjected that Full Council was a more appropriate forum to analyse this.
- Support was given for the process of risks being assigned actions within the register.

Following discussions, it was proposed, seconded, and AGREED to approve the updated Strategic Risk Register.

60. Work Programme 2025 - 2026

It was noted that the 18 February 2026 meeting had been confirmed.

Members noted the Work Programme 2025-26.

61. Any other business, which the chairman, by reasons of special circumstances, decides is urgent.

Following a funding dispute between SKDC and Lincolnshire County Council, the Chairman requested assurances about the following questions and suggested a review by the Internal Auditors:

1. Whether SKDC had adequate governance and documentation in place where SKDC relied on funding commitments from partner authorities?
2. Whether reliance on external partner funding was appropriately identified and managed as a risk?
3. Whether there were clear controls to ensure that member decisions and public communications were not based on funding that was not formally secured?
4. Whether any lessons should be taken for future partnership or devolution related agreements?

The Section 151 Officer confirmed that an Internal Audit review was not necessary and reassurance could be given from officer level. The Committee indicated support for this.

The meeting concluded at 15.44.

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Action Sheet

To provide members with an update on actions agreed at the 21 January 2026 meeting of the Governance and Audit Committee.

Min no.	Agenda Item	Action(s)	Assigned to	Comments/status	Deadline
57	2026/27 Treasury Management Strategy Statement	A Member requested a written response from officers in response to his concerns about reserve levels. The Leader also offered to meet with the Member and the Section 151 officer to discuss the concerns.	Section 151 Officer	CLOSED	

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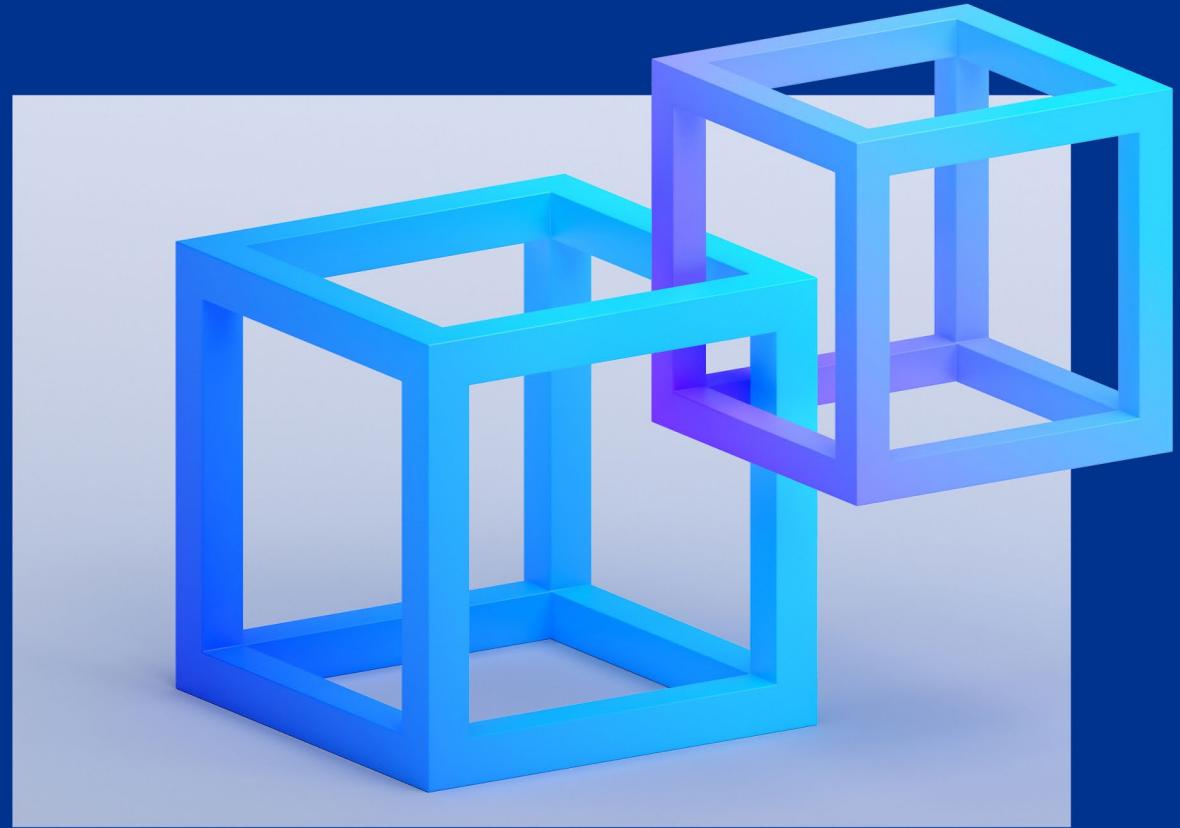
South Kesteven District Council

Year End Report to the Governance & Audit
Committee

Year end report for the year ended 31 March 2025

DRAFT

9 February 2026



Introduction

To the Governance & Audit Committee of South Kesteven District Council

We are pleased to have the opportunity to meet with you on the 18th February 2026 to discuss the results of our audit of the consolidated financial statements of South Kesteven District Council (the 'Council') as at and for the year ended 31 March 2025.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan and strategy report, presented on the 18th June 2025. We will be pleased to elaborate on the matters covered in this report when we meet.

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when:

- Audits are executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality management; and,
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Salma Younis (Salma.Younis@KPMG.co.uk), the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with the response, please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Tim Cutler. (tim.culter@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access KPMG's complaints process here: [Complaints](#).

The engagement team

Subject to the approval of the statement of accounts, we expect to be in a position to sign our audit opinion on the approved statement of accounts and auditor's representation letter by 27 February 2026, provided that the outstanding matters noted on page 4 of this report are satisfactorily resolved.

There have been no significant changes to our audit plan and strategy other than those described on page 5.

We expect to issue an unmodified Auditor's Report.

We draw your attention to the important notice on page 3 of this report, which explains:

- The purpose of this report
- Limitations on work performed
- Restrictions on distribution of this report

Yours sincerely,

Salma Younis

9 February 2026

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Important notice

This report is presented under the terms of our audit under Public Sector Audit Appointments (PSAA) contract..

The content of this report is based solely on the procedures necessary for our audit.

Purpose of this report

This Report has been prepared in connection with our audit of the consolidated financial statements of South Kesteven District Council (the 'Council'), prepared in accordance with International Financial Reporting Standards ('IFRSs') as adapted Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, as at and for the year ended 31 March 2025.

This Report has been prepared for the Council's Governance & Audit Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Council's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit

Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status. Page 4 'Our Audit Findings' outlines the outstanding matters in relation to the audit. Our conclusions will be discussed with you before our audit report is signed.

Restrictions on distribution

The report is provided on the basis that it is only for the information of the Governance & Audit Committee of the Council; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.



Our audit findings

Significant audit risks	Page 6-17
Significant audit risks	Our findings
Valuation of land and buildings	We critically assessed the key underlying assumptions underpinning the valuation on which the carrying value of land and buildings is based. We have concluded that the assumptions used in the valuation of land and buildings are balanced.
Valuation of investment property	We critically assessed the key underlying assumptions underpinning the valuation on which the carrying value of investment properties is based. We have concluded that the assumptions used in the valuation of investment properties are balanced.
Management override of controls	From our testing we have not identified any instances of management override of control.
Valuation of post retirement benefit obligations	No issues identified from the testing over the valuation. KPMG actuaries have assessed the assumptions used and concluded these are within our reasonable range.
Other audit risks	Page 15
Other audit risks	Our findings
IFRS 16 adoption	We have performed procedures over IFRS 16 adoption and we have noted no issues.

Uncorrected Audit Misstatements	Page 29	
Understatement/ (overstatement)	£'000	%
Revenues	0	0
Surplus for the year	189	1.47
Total assets	0	0
Total taxpayers' equity	189	0.04

Misstatements in respect of Disclosures	Page 29-30
Misstatement in respect of Disclosures	Our findings
Leases	Council as a Lessor - Operating leases note omitted from first draft of the accounts.
Officers' Remuneration	Identified the need to disclose Head of HR salary in note.

Number of Control deficiencies	Page 31-33
Significant control deficiencies	0
Other control deficiencies	1
Prior year control deficiencies remediated	3

Outstanding matters

Our audit is substantially complete, except for the following outstanding matters:

- Internal quality review of testing
- Review of updated statement of accounts
- Receipt of signed management representation letter
- Finalise audit report and sign

We do not expect any significant changes to conclusions of the audit however. Where necessary, we will communicate these to Governance and Audit Committee.

Key changes to our audit plan

We have not made any changes to our audit plan as communicated to you on 18 June 2025, other than as follows:

Risk	Effect on audit plan	Effect on audit strategy and plan
Significant Risk – Valuation of Land and Buildings	<p>In our Audit Plan, we communicated that the significant risk for land and buildings valued on a DRC basis was over the BCIS indices assumptions. However, after reviewing valuer calculations and assumptions used, we have revised this approach as we do not believe there is a significant risk over BCIS assumption as these are derived from independent, externally available data sources. We have identified a significant risk linked to the obsolescence assumption which is driven by useful economic life and remaining useful economic life. There is a higher level of estimation uncertainty with these assumptions that requires valuer judgement.</p> <p>In our Audit Plan, we communicated that the significant risk for valuation of Council Dwellings focused on the assumption of beacon groupings. However, after further consideration of methods, assumptions and data used in the valuation, we have assessed the application of beacon methodology as significant due to the high degree of estimation uncertainty. For example, if the valuer applies the beacon value to the incorrect value beacon group, all assets within the beacon may be misstated which may lead to material misstatement depending on the size of the beacon group.</p>	<ul style="list-style-type: none"> • We have agreed performed an assessment over the obsolescence method and useful economic lives of assets and challenged management on judgements made, where necessary. • We have confirmed that the application of the methods, assumptions and data used in appropriate and in line with the CIPFA Code. • See page 7-8 which outlines the significant risk, response and findings to explain the effect of this change.



Significant risks and Other audit risks

We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.

Our risk assessment draws upon our historic knowledge of the business, the industry and the wider economic environment in which South Kesteven District Council operates.

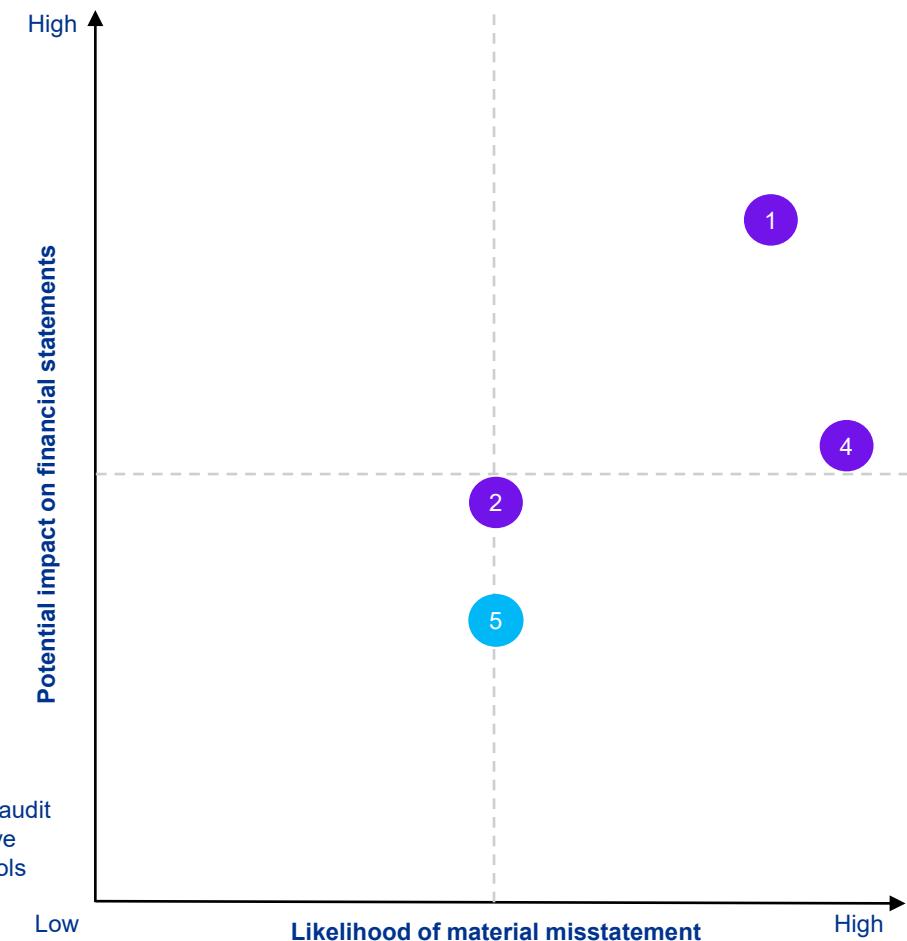
We also use our regular meetings with senior management to update our understanding and take input from local audit teams and internal audit reports.

See the following slides for the cross-referenced risks identified on this slide.

- Significant risks**
 1. Valuation of land and buildings
 2. Valuation of investment property
 3. Management override of controls^a
 4. Valuation of post retirement benefit obligations

- Other audit risks**
 5. Adoption of IFRS 16

Key: # Significant financial statement audit risks # Other audit risk



^a A significant risk that auditing standards require us to assess on all audit engagements. Not always included in the graph except where we have also identified an entity-specific risk of management override of controls

Audit risks and our audit approach

1

Valuation of land and buildings

The carrying amount of revalued Land & Buildings differs materially from the fair value



Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle, with land and buildings outside the full revaluation subject to a desktop review.

This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value.

A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the District Valuer Services (DVS) which is the specialist property arm of the Valuation Office Agency (VOA).

Total value of council dwellings and other land and buildings as at 31 March 2025 was £350.9m and £68.3m respectively.

See page overleaf.

Key:

○ Prior year

■ Current year



Audit risks and our audit approach (cont.)

1

Valuation of land and buildings (cont.)

The carrying amount of revalued Land & Buildings differs materially from the fair value



Significant audit risk

Continued from previous page.

We have focused our significant risk over the obsolescence and useful economic lives for land and buildings valued on a DRC basis (specialised assets) and the rental rate & yield assumptions used for the EUV valuations (non-specialist assets).

For valuation of Council Dwellings, we have identified a significant risk over the application of the methods, assumptions and data.

Key:
 Prior year
 Current year



Our findings

- We concluded that the assumptions used in the valuation of land and buildings are balanced and did not identify any indications of management bias within the valuations.
- Auditing Standards requires auditors to identify a management review control (MRC) where there is a significant audit risk. There is a significant threshold that needs to be met in order to have a satisfactory MRC in place – particularly around the precision of the control. We note that although the Council has processes in place to help ensure that the valuation of land and buildings is based on best estimate, supported by reasonable assumptions, these processes do not meet the required threshold of an MRC. We raised this as a recommendation in the prior year - management accepted the residual risk and no further action was taken. Therefore, we have not re-raised the recommendation this year.
- During 2024/25, management identified several assets that had incorrect floor areas after a review was performed by the property manager. For example, voids above swimming pools were being counted as operational floor area. Hence incorrect floor areas had been used by the valuer in their calculation of the asset valuations. Management performed a wider assessment of their property portfolio to ensure no similar issues which could give rise to material misstatement in the valuation. We have reviewed this assessment and we are comfortable that there is no risk of material error as a result of inaccurate floor areas.
- We note that management have also implemented a rolling review programme of floor areas of all assets.
- We did not identify any audit misstatements as a result of the remaining audit procedures performed.

Audit risks and our audit approach

2

Valuation of investment property

The carrying amount of revalued investment property differs materially from the fair value



Significant audit risk

The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property. As at 31 March 2025, the value of investment properties was £12.158m (31 March 2024: £12.785m)

There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.

From our risk assessment of the elements within the valuations estimate we have focused our audit effort in relation to the significant risk over the income approach methodology and the yield assumptions.



Our response

We have performed the following procedures designed to specifically address the significant risk associated with the valuation:

- We critically assessed the independence, objectivity and expertise of District Valuer Services (DVS), the valuer used in developing the valuations at 31 March 2025;
- We inspected the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We challenged the appropriateness of the valuation; including any material movements from the previous valuations. We challenge key assumptions within the valuation as part of our judgement;
- We agreed the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code; and
- We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Key:

0 Prior year

● Current year



Audit risks and our audit approach (cont.)

2

Valuation of investment property (cont.)

The carrying amount of revalued investment property differs materially from the fair value



Significant audit risk

The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property. As at 31 March 2025, the value of investment properties was £12.158m (31 March 2024: £12.785m)

There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.

From our risk assessment of the elements within the valuations estimate we have focused our significant risk over the income approach methodology and the yield assumptions.



Our findings

- We concluded that the assumptions used in the valuation of investment properties are balanced and did not identify any indications of management bias within the valuations.
- Auditing Standards requires auditors to identify a management review control (MRC) where there is a significant audit risk. There is a significant threshold that needs to be met in order to have a satisfactory MRC in place – particularly around the precision of the control. We note that although the Council has processes in place to help ensure that the valuation of investment properties is based on best estimate, supported by reasonable assumptions, these processes do not meet the required threshold of an MRC. We raised this as a recommendation in the prior year - management accepted the residual risk and no further action was taken. Therefore, we have not re-raised the recommendation this year.
- We did not identify any audit misstatements as a result of the remaining audit procedures performed.

Key:

Prior year Current year



Audit risks and our audit approach

3

Management override of controls^(a)

Fraud risk related to unpredictable way management override of controls may occur



Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.



Our response

Our audit methodology incorporates the risk of management override as a default significant risk. We performed the following:

- Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluated the selection and application of accounting policies.
- In line with our methodology, we have evaluated the design and implementation of controls over journal entries and post closing adjustments.
- Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business or are otherwise unusual.
- We analysed all journals through the year and focus our testing on those with a higher risk, for example any journals posted by seldom users, on weekends or unusual combinations with revenue and borrowing accounts.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Key:

Prior year Current year



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Audit risks and our audit approach (cont.)

3

Management override of controls (cont.)^(a)

Fraud risk related to unpredictable way management override of controls may occur



Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.



Our findings

- Auditing Standards requires auditors to identify a management review control (MRC) where there is a significant audit risk and we identified a control deficiency in relation to journal posting. There is no approval process within the finance team and so any person with access to the ledger system (though this is limited to a subset of the finance team) can create and post journals to the ledger without the review of any other member within the team. This creates the opportunity for fraudulent expenditure to be posted to the ledger. We raised this as a recommendation in the prior year - management accepted the residual risk and no further action was taken. Therefore, we have not re-raised the recommendation this year.
- We identified 14 journal entries and other adjustments meeting our high-risk criteria – our examination identified 3 journals that were miscoded to the wrong account code but concluded these were isolated and had no net impact on the reported surplus.
- We have not identified any issues in relation to the Council's accounting policies and accounting estimates
- We evaluated accounting estimates and did not identify any indicators of management bias – see page 16.
- Our procedures did not identify any significant unusual transactions.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Key:

Prior year Current year



Audit risks and our audit approach

4

Valuation of post retirement benefit obligations (cont.)

An inappropriate amount is estimated and recorded for the defined benefit obligation



Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position.
- The effect of these matters is that, as part of our risk assessment, we determined that post-retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surpluses are complicated and requires actuarial involvement.

Key:

Prior year

Current year



Our response

We have performed the following procedures :

- Understood the processes the Council have in place to set the assumptions used in the valuation;
- Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirmed that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;
- Considered the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions;
- Where applicable, assessed the level of surplus that should be recognised by the entity;

Audit risks and our audit approach (cont.)

4

Valuation of post retirement benefit obligations (cont.)

An inappropriate amount is estimated and recorded for the defined benefit obligation



Significant audit risk

- The valuation of the post-retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post-retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surpluses are complicated and requires actuarial involvement.

Key:

Prior year

Current year



Our findings

- We concluded that controls in place to review the valuation were ineffective. Auditing standards requires controls to be designed with a certain level of recurrency and precision which is not part of management's process. We raised this deficiency in the prior year and noted that management accepted the residual risk. We have therefore not raised a formal recommendation for the current year, but note the deficiency remains.
- We have assessed the overall assumptions used by management as balanced relative to our central rates and within our reasonable range. All individual assumptions were assessed as balanced and within our reasonable range except for CPI inflation which is assessed as cautious but within our reasonable range.
- We have confirmed that the Fund's appointed actuaries, both individual and firm, hold appropriate professional qualifications, being Fellows of the Institute of Actuaries, and are therefore qualified to perform actuarial valuations and prepare IAS19 disclosure reports.
- We evaluated the appropriateness of the accounting treatment of the surplus in accordance with IFRIC 14. We agree with management's conclusion and the application of the asset ceiling. Combined with all of the above, we are satisfied with the net liability reported.
- We tested key input data used in the Defined Benefit Obligation (DBO) valuation, including benefits paid and contributions, no material variance noted.
- We have recommended the Council to update the narrative disclosure on Virgin Media case, where previously it was unclear whether the ruling would apply to LGPS. Following the publication of draft legislation, we do not now expect the ruling to give rise to any additional liabilities.

Audit risks and our audit approach

5

Adoption of IFRS 16

An inappropriate amount is estimated and recorded for lease liabilities and right of use assets



Other audit risk

The Council adopted IFRS 16 as per CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom (2024/25) with an implementation date of 1 April 2024.

We anticipate the following impact in the first year of implementation.

- Completeness of lease listing used in transition computations.
- Inadequate lease disclosures as per IFRS 16.
- Inaccurate computation of lease liabilities and right of use assets.
- Training needs for new/existing staff



Our response

We performed the following procedures in order to respond to the other audit risk identified:

- Obtained the full listings of leases and reconciled to the general ledger.
- Reviewed a sample of the lease agreements to determine the terms of the leases and confirmed correct classification.
- Reviewed the appropriateness of the discount rate used in the lease computations.
- Reviewed the transition adjustments posted by the Council.
- Reviewed the disclosures made on the financial statements against requirements of IFRS 16.



Our findings

Our audit findings were as follows:

- We confirmed the lease register reconciled back to the general ledger.
- We confirmed that the lease classification per the register is accurate.
- We confirmed that the discount rate used is appropriate.
- We did not identify any audit misstatements as a result of the procedures performed.

Key:

0 Prior year ● Current year



Key accounting estimates and management judgements- Overview

Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.

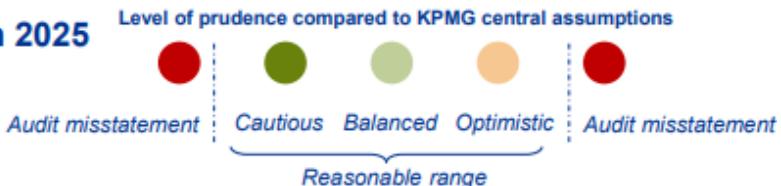


Asset/liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
Council Dwellings	Cautious Neutral Optimistic	350.9	11.4	Needs improvement Neutral Best practice	No issues identified from our testing, the assumptions used by the Council's valuer were considered balanced. The year-on-year change is driven by overall movement of 3.54% across the Council's housing portfolio.
Other Land & Buildings	Neutral	68.3	2.71	Neutral	No issues identified from our testing, the assumptions used by the Council's valuer were considered balanced. The year-on-year change is driven by additions of £1m and general increase in valuations.
Investment Properties	Neutral	12.2	-0.63	Neutral	No issues identified from our testing, the assumptions used by the Council's valuer were considered balanced.
LGPS gross Liability	Optimistic	112.4	-14.4	Neutral	We have assessed the overall assumptions used by management as balanced relative to our central rates and within our reasonable range (Refer KPMG assessment on next page). Disclosures are inline with the requirements of the standard. Only a few presentation recommendations were sent to management to update narratives.

Key:
█ Prior year █ Current year



South Kesteven District Council – LGPS participation - IAS 19 as at 31 March 2025



Overall assessment of assumptions for audit consideration						Balanced		
Underlying assessment of individual assumptions		Methodology	Consistent methodology to prior year?	Compliant methodology with accounting standard?	Employer	KPMG	Assessment	Key assumptions
Discount rate		AA yield curve	✓	✓	5.80%	5.74%	●	✓
CPI inflation		Deduction to inflation curve	✓	✓	2.90%	2.74%	●	✓
Pension increases		In line with CPI	✓	✓	2.90%	2.96%	●	
Salary increases		Employer best estimate	✓	✓	CPI plus 1%	In line with long-term remuneration policy	●	
Mortality	Base tables	In line with most recent Fund valuation	✓	✓	130%/120% of SAPS S3 tables for Males/Females	In line with Scheme best-estimate	●	✓
	Future improvements	In line with most recent Fund valuation, updated to use latest CMI model	✓	✓	CMI 2023, 1.25% long-term trend rate and default other parameters	CMI 2023, 1.25% long-term trend rate and default other parameters	●	✓
Other demographics		In line with most recent Fund valuation	✓	✓	Cash commutation	In line with Scheme experience	●	

Group audit scope

The table below details the group components and level of audit work performed to support the group audit opinion.

Group	Full audit / Audit of Balances
South Kesteven District Council (Parent)	Full audit
LeisureSK Limited	<p>Our group risk assessment procedures did not identify a significant risk attached to the account balances related to this subsidiary.</p> <p>Therefore, our audit procedures focused on risk assessment including a review of the trial balance, testing of cash and agreeing the consolidation of the subsidiary into the Group accounts.</p>



Other matters

Narrative report

We have read the contents of the Narrative Report and checked compliance with the requirements of the Annual Report and financial statements with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 ('the Code'). Based on the work performed:

- We have not identified any inconsistencies between the contents of the Narrative Report and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the statements of the Council. As Governance and Audit Committee members you confirm that you consider that the Narrative Report and financial statements taken as a whole are fair, balanced and understandable and provides the information necessary for regulators and other stakeholders to assess the Council's performance, model and strategy.

Annual Governance Statement

We have reviewed the Council's 2024/25 Annual Governance Statement and confirmed that:

- It complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and
- It is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

Whole of Government Accounts

As required by the National Audit Office (NAO) we carry out specified procedures on the Whole of Government Accounts (WGA) consolidation pack.

We have confirmed that, for South Kesteven District Council, the threshold at which detailed testing is required has not been exceeded. We have therefore completed our work on the Whole of Government Accounts and have no issues to report to the Governance and Audit Committee.

We will submit an updated assurance statement on completion of the audit and following review the final financial statements.

We are aware that we will not be able to issue the Audit Completion certificate until the WGA has been signed by the National Audit Office so this will continue to be outstanding.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

Audit Fees

Our scale fee for the 2024/25 audit, as set by PSAA is £165,842 plus VAT (£150,979 in 2023/24).

We have agreed scope variations with management, for IFRS 16 and ISA 600r amounting to £3,890 and £8,627 relating to delays and quality of evidence submitted for audit. In the prior year, we agreed a scope variation in relation to ISA315R (£11,790) and in relation to the delays in the VFM and audit work (£5,830).

We have also completed non audit work at the Council during the year on South Kesteven District Council on Housing Benefit Grant and Pooling Audits and have included on page 27 confirmation of safeguards that have been put in place to preserve our independence.

01

Value for money

Value for Money

We are required under the Audit Code of Practice to confirm whether we have identified any significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

In discharging these responsibilities we include a statement within the opinion on your accounts to confirm whether we have identified any significant weaknesses. We also prepare a commentary on your arrangements that is included within our Auditor's Annual Report, which is required to be published on your website alongside your annual report and accounts.

Commentary on arrangements

We have prepared our Auditor's Annual Report and a copy of the report is included within the papers for the Committee alongside this report. The report is required to be published on your website alongside the publication of the annual report and accounts.

Response to risks of significant weaknesses in arrangements to secure value for money

As noted on the right, we have identified one risk of a significant weakness in the Council's arrangements to secure value for money. Within our Auditor's Annual Report, we have set out our response to those risks.

We have no recommendations to report.

Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
Financial sustainability	No significant risks identified	No significant weaknesses identified
Governance	One significant risk identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

Further detail is set out in our Auditor's Annual Report.

Performance improvement observations

As part of our work we have identified one Performance Improvement Observation, which are suggestions for improvement but not responses to identified significant weaknesses – see page 22.

Value for Money: Performance improvement observations

The performance improvement observations raised as a result of our work in respect of identified or potential significant value for money risks in the current year are as follows:

Priority rating for observations		
<p>1 Priority one: Observations linked to issues where, if not rectified, these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p>	<p>2 Priority two: Observations linked to issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately, but the weakness remains in the system.</p>	<p>3 Priority three: Observations linked to issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	<p>2 Accounts preparation</p> <p>In 2023/24 and 2024/25 the draft statement of accounts were not produced in accordance with the reporting deadline.</p> <p>Recommendation</p> <p>We recommend management review the accounts production processes and timetable for 2025/26 to ensure they have necessary capacity to meet the regulatory deadline and reporting timetable.</p>	<p>Whilst the Council recognises the potential risk in missing the draft accounts deadline it has meet the statutory back stop dates for final accounts alongside having fully audited, unqualified accounts.</p> <p>The 2024/25 closedown was impacted with the changeover in financial systems so difficult decisions were taken in balancing resource requirements which did impact on draft accounts publication.</p> <p>2025/26 will be the first closedown on the new finance system and with new members of the finance team will bring its challenges. Management are putting in place additional support with the system implementation experts to help the team through this process.</p> <p>Officer and due date</p> <p>Assistant Director of Finance</p> <p>June 2026</p>	

Appendix

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Required communications

Type	Response
Our draft management representation letter	<input checked="" type="checkbox"/> We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2025.
Adjusted audit differences	<input checked="" type="checkbox"/> There was 1 adjusted audit differences with no net impact on the surplus. See page 30.
Unadjusted audit differences	<input checked="" type="checkbox"/> The aggregated surplus impact of unadjusted audit differences would be -£189k. In line with ISA 450 we request that you adjust for these items. However, they will have no effect on the opinion in the auditor's report, individually or in aggregate. See page 29
Related parties	<input checked="" type="checkbox"/> There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Governance and Audit Committee	<input checked="" type="checkbox"/> There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	<input checked="" type="checkbox"/> We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit. See page 31-33.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	<input checked="" type="checkbox"/> No actual or suspected fraud involving management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Issue a report in the public interest	<input checked="" type="checkbox"/> We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Type	Response
Significant difficulties	<input checked="" type="checkbox"/> No significant difficulties were encountered during the audit.
Modifications to auditor's report	<input checked="" type="checkbox"/> None
Disagreements with management or scope limitations	<input checked="" type="checkbox"/> The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	<input checked="" type="checkbox"/> No material inconsistencies were identified related to other information in the statement of accounts.
Breaches of independence	<input checked="" type="checkbox"/> No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
Accounting practices	<input checked="" type="checkbox"/> Over the course of our audit, we have evaluated the appropriateness of the Group's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	<input checked="" type="checkbox"/> There were no significant matters identified.
Certify the audit as complete	<input checked="" type="checkbox"/> We will not be able to issue the Audit Completion certificate until the WGA has been signed by the National Audit Office so this will continue to be outstanding. There are no other issues delaying this being issued.

Fees

Audit fee

Our fees for the year ending 31 March 2025 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2024/25 (£'000)	2023/24 (£'000)
Scale fee as set by PSAA	166	151
Fee variation approved by PSAA	-	18
Fee variation for financial statements audit agreed with management but subject to PSAA approval	13	-
TOTAL	179	169

Management have agreed scope changes of £3,890 for ISA 600r (Group standard) and IFRS 16 (leases standard) and overruns of £8,627 relating to delays and quality of evidence submitted for audit.

These will need to go to the PSAA for approval.

Billing arrangements

- Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Director and audit staff is not impaired.

To the Governance and Audit Committee members

Assessment of our objectivity and independence as auditor of South Kesteven District Council

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out on the table overleaf.

Confirmation of Independence (cont.)

Disclosure	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2025 £000	Value of Services Committed but not yet delivered £000
1	Housing Benefit Grant Certification	Management Self review Self interest	<ul style="list-style-type: none"> Separate teams Standard language on non-assumption of management responsibilities is included in our engagement letter. The engagement contract makes clear that we will not perform any management functions. The work is performed after the audit is completed and the work is not relied on within the audit file. Our work does not involve judgement and are statements of fact based on agreed upon procedures. 	Fixed	27.9	-
2	Pooling of Local Authority Housing Receipts audit	Management Self review Self interest	<ul style="list-style-type: none"> Separate teams Standard language on non-assumption of management responsibilities is included in our engagement letter. The engagement contract makes clear that we will not perform any management functions. The work is performed after the audit is completed and the work is not relied on within the audit file. Our work does not involve judgement and are statements of fact based on agreed upon procedures. 	Fixed	6	7.2

Confirmation of Independence (cont.)

Summary of fees

We have considered the fees charged by us to the Group and its affiliates for professional services provided by us during the reporting period.

Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0.2: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

2024/25	
	£'000
Total audit fee (including fee variations)	179
Other Assurance Services	34
Total Fees	213

Application of the FRC Ethical Standard 2019

Your previous auditors will have communicated to you the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit and Risk Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Risk Committee of the Group and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

Uncorrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Governance & Audit Committee with a summary of uncorrected audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Governance & Audit Committee, details of all adjustments greater than £90K are shown below:

Uncorrected audit misstatements (£'000s)				
No.	Detail	CIES Dr/(cr)	Balance Sheet Dr/(cr)	Comments
1	Dr Other service expenses	189		- We have identified 1 item of expenditure recorded in April 2025 which relate to 2024/25 and were incorrectly not accrued for.
	Cr Creditors	-	189	
2	Dr Cash	-	144	Debtors balances not cleared to reflect cash in transit as at 31 March 2025.
	Cr Debtors	-	144	
Total		189	189	

Corrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Governance & Audit Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Corrected audit misstatements (£'000s)				
No.	Detail	SOCL Dr/(cr)	SOFP Dr/(cr)	Comments
1	Dr Long-term Capital Grants Receipts in Advance	-	1,754	Classification error between long- and short-term liabilities, £1.754m moved from long-term liabilities to short term, no net impact.
	Cr Short-term Capital Grants Receipts in Advance	-	(1,754)	
Total		£0	£0	

Disclosure adjustments:

- Pension Audit Adjustments - Small number of presentational disclosure changes relating to defined benefit pension scheme disclosures
- Officers' Remuneration – Various presentational adjustments including the Head of HR to be added into the senior officer note following the permanent appointment of the role. Other adjustments were required to main table and the banding table.
- Leases – Council as a Lessor – Operating leases – Note was omitted from the first draft of accounts
- Narrative Report - Various presentational adjustments

Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations

- 1 **Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.
- 2 **Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
- 3 **Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	3	<p>Incorrect floor area measurements on DRC Assets</p> <p>During 2024/25, management identified a number of assets that had incorrect floor plans due to voids above swimming pools being counted as operational floor area, for example. Management performed a wider assessment of their property portfolio to ensure no similar issues which could rise to material misstatement of the valuation.</p> <p>There is a risk that the incorrect floor area measurements lead to incorrect valuation of PPE.</p> <p>Recommendation</p> <p>We note that management have performed an analysis to identify any assets as mentioned above and have implemented a rolling review programme of floor areas of all assets. We recommend management continue review floor areas in line with assets to ensure measurements are accurate.</p>	<p>Council Officers identified the issue regarding floor plans and pro-actively commissioned work to undertake the required assessments to ensure accurate plans were in place. A rolling programme is in place for all assets.</p> <p>Officer and due date</p> <p>Head of Property Services & ICT / Senior Financial Accountant</p> <p>March 2026</p>

Control Deficiencies

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
2	2	<p>Approval process of sale of employee annual leave entitlement</p> <p>We identified transactions which related to the sale of senior officer annual leave entitlement. At the time of our audit work, there was no formal policy in place which outlined the required approval process in place for this type of request.</p> <p>There is a risk of not having appropriate governance and oversight in relation to remuneration / leave requests relating to senior postholders.</p> <p>Recommendation</p> <p>We recommend management review their pay policy to ensure processes to be followed are clear in the scenario of an employee selling their annual leave entitlement in exceptional circumstances.</p>	<p>The Pay Policy Statement for 2026/27 includes a specific reference regarding the process for employees selling their annual leave entitlement in exceptional circumstances.</p> <p>This updated policy was approved by Council at their meeting on 29th January 2026.</p> <p>Officer and due date</p> <p>Senior HR Officer</p> <p>Completed</p>
3	2	<p>Quality of evidence and project management</p> <p>We encountered various delays during the audit due to insufficient evidence being provided for sample selected for testing, as well as delays due to Council staffing constraints.</p> <p>This led to audit delays and inefficiencies as additional time was required to obtain sufficient appropriate evidence.</p> <p>Recommendation</p> <p>We have proposed to hold a de-brief session with key members of the finance team to improve understanding of what the external audit involves, and the criteria to apply when providing audit evidence to support account balances.</p>	<p>The finance team have worked closely with audit colleagues to work through evidence requirements in a timely manner as much as possible to ensure the statutory backstop date is achieved.</p> <p>During the audit work there have been some delays regarding certain audit requests involving key members of staff across the organisation as a whole, which we are aware of and will be working closely with those teams to avoid this in the future.</p> <p>The council is committed to continuous improvement and working with KPMG so would welcome the opportunity to hold a lessons learnt debrief as we move into the 2025/26 closedown process.</p> <p>Officer and due date</p> <p>Assistant Director of Finance</p> <p>March 2026</p>



Control Deficiencies (cont.)

We have also followed up the recommendations from the previous years audit, in summary:

Total number of recommendations		Number of recommendations implemented	Number outstanding (repeated below):	
4		3	1	
#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (February 2026)
1	3	<p>Review of bank reconciliations</p> <p>We have performed a walkthrough of the bank reconciliation process and have identified that the monthly reconciliation is performed by the Senior Systems Accountant within the exchequer team. Given his seniority within the team, there is no appropriate personnel within the team to review the reconciliation he has performed.</p> <p>The reconciliation was therefore reviewed by the deputy director of Finance when necessary and therefore the review is not performed each month.</p> <p>We recommend that reconciliations are reviewed each month by an appropriately senior reviewer</p>	<p>Management accept this recommendation and will ensure all monthly bank reconciliations will be reviewed and approved by a senior officer.</p> <p>Officer: s151 Officer</p> <p>Due Date: March 2025</p>	<p>The recommendation was not implemented by 31 March 2025, but following the move to Unit 4 the Council have put in place a sign off process for bank reconciliations since August 2025.</p> <p>We will review this as part of the 2025/26 audit.</p>

FRC's areas of focus

The FRC released their [Annual Review of Corporate Reporting 2024/25](#) (the 'Review') in September 2025 which also incorporated the outcomes of two limited scope thematic (the 'thematics').

The Review and theatics identify where the FRC believes companies can improve their reporting. These slides give a high-level summary of the key topics covered. We encourage management and those charged with governance to read further on those areas which are significant to their entity.



Key expectations for 2025/26 annual reports

Overview

The Review identifies that the quality of reporting across FTSE 350 companies has been maintained however, there remains a quality gap between FTSE 350 and other companies.. The FRC continue to focus on proportionality and materiality in their work and fewer substantive queries and restatements have been identified in the current year.

For the 2025/26 reporting season, the reporting areas the FRC believe companies should focus on remain consistent with recent years, given stable reporting requirements and recurring themes.

The FRC's top three focus areas remain consistent with the previous period including 'Impairment of assets', 'Cash Flow Statements' and 'Financial Instruments'. The FRC also note that the lack of internal consistency within the annual report and accounts continues to be a key driver of queries.

Pre-issuance checks and restatements

The FRC expects companies to have in place a sufficiently robust self-review process to identify common technical compliance issues. Fewer queries would also be raised if there were clear, company-specific accounting policies for these key accounting matters.

The reviewer should take a step back and consider whether the annual report tells a consistent and coherent story throughout the narrative reporting and financial statements.

Risks and uncertainties

Geopolitical and economic risks remain high and, in this context, the FRC continue to push for clear and consistent disclosures about judgements, risks and uncertainties. Disclosures should be sufficient to allow users to understand the position taken in the financial statements, and how this position has been impacted by the wider risks and uncertainties discussed elsewhere in the annual report.

Narrative reporting

The FRC reminds preparers to consider the overarching requirements of the UK financial reporting framework in determining the information to be presented, particularly in relation to narrative reporting. Companies should focus on the requirement for a true and fair view, along with a fair, balanced, and comprehensive review of the company's development, position, performance, and future prospects.

The FRC does not expect companies to provide information that is not relevant and material to users, however, they should ensure that they carefully comply with all applicable requirements, including climate-related reporting requirements.

Companies should also consider including disclosures beyond the specific requirements of the accounting standards where this is necessary to enable users to understand the impact of particular transactions or other events and conditions on the entities financial position, performance and cash flows.

FRC's areas of focus (cont.)



Impairment of assets

Impairment remains a key topic for the FRC. There have been no restatements in the current year, but many disclosures have been identified as requiring improvement.

Disclosures should provide adequate information about key inputs and assumptions, and these should be consistent with events, operations and risks noted elsewhere in the annual report and accounts (the 'ARA'). These should be supported by a reasonably possible sensitivity analysis as required.

Forecasts should reflect the asset in its current condition when using a value in use approach and forecasts should not extend beyond five years without explanation.

Preparers should also ensure that goodwill is allocated to a monitored CGU or group of CGUs that is no larger than an operating segment.

Cash flow statements

Cash flow statements remain the most common cause of prior year restatements.

Companies must carefully consider the classification of cash flows and whether cash and cash equivalents meet the definitions and criteria in the standard. The FRC encourage a clear disclosure of the rationale for the treatment of cash flows for key transactions.

Cash flow netting is a frequent cause of restatements, and this was highlighted in the previous '[Offsetting in the financial statements](#)' thematic. Further, materially dissimilar classes of cash flows (e.g. purchases of tangible vs. intangible assets) should be presented separately.

Preparers should ensure the descriptions and amounts of cash flows are consistent with those reported elsewhere and that non-cash transactions are excluded but reported elsewhere if material.

Financial instruments

The number of queries on this topic remains high, with inappropriate application of offsetting requirements resulting in all identified restatements.

Companies are reminded that cash and overdraft balances should only be offset when they meet the qualifying criteria, including the intention to settle net or realise assets and liabilities simultaneously.

Companies should ensure sufficient explanation is provided of material financial instruments, including company-specific accounting policies.

Disclosures on risks should show the nature and extent of material risks, including credit risk, arising from financial instruments and the related risk management.

Expected credit loss provisions should explain the significant assumptions applied, including concentrations of risk where material.

Presentation

Companies should provide clear, company-specific material accounting policy information so users can understand unusual or complex transactions. Information on these transactions should be consistent with information elsewhere in the ARA.

Common restatement areas such as the classification of receivables as current or non-current, or the presentation of material financial asset impairment losses on the face of the income statement, should be identified by a thorough self-review.

Revenue

Questions raised in this area focussed on the clarity of the accounting policy and significant judgement disclosures.

For each material revenue stream, the accounting policy should cover the timing of revenue recognition, the basis for recognising revenue over time and the methodology. If the application of the accounting standards required significant judgement, this should also be disclosed.

Strategic report and Companies Act

The Strategic report must provide an unbiased discussion of all aspects of a company's development, position, performance and future prospects. In the case of a quoted company there should also be a clear description of its strategy and business model.

Companies should ensure they comply with all the statutory requirements for making distributions.

Judgements and estimates

Disclosures over judgements and estimates are particularly important during periods of economic and geopolitical uncertainty. Disclosures should include sufficient, appropriate detail and be written in simple language. Sensitivities or ranges of possible outcomes should be provided to allow users to understand these judgement and estimates.

Areas of estimation uncertainty with a significant risk of a material adjustment within one year should be distinguished from other estimates.



FRC's areas of focus (cont.)

Income taxes

Evidence supporting the recognition of deferred tax assets should be disclosed in sufficient detail and be consistent with information reported elsewhere in the ARA.

Where applicable, the effect of Pillar Two income taxes should be disclosed.

Consolidated financial statements

Disclosures of the factors affecting control judgements should be consistent with other disclosures in the ARA. The disclosure must meet the requirements of IFRS 10.

Climate

Compliance with Taskforce for Climate-related Financial Disclosures (TCFD) has improved. The FRC reviewed compliance with Companies Act 2006 Climate-related Financial Disclosures (UK-CFD) for the first time this period. As a result, companies are reminded that UK-CFD disclosures are mandatory and cannot be 'explained' or included in another document.

Disclosures should focus only on material climate-related information and should be concise and company specific. The impact of material climate factors should also be addressed within the financial statements.

Thematic reviews

The FRC has issued five thematic reviews this year. 'Climate-related Financial Disclosures by AIM and Large Private Companies' was issued in January 2025 and is considered further on slide [X]. The key findings of the other theamics are outlined below. The FRC expect to issue a further thematic on 'Reporting by the UK's smaller listed companies' before the end of 2025.

Supplier finance arrangement disclosures

The key recommendations from this limited-scope review are:

- Provide high quality disclosures on the use of supply-chain financing (SCF) proportionate to the risks faced.
- Explain how SCF impacts liabilities and cash flows disclosing any judgements if relevant.
- Describe how SCF impacts liquidity risk and how liquidity risk is managed.

Review of disclosures of a pension accounting surplus

Pension surplus disclosures may be of heightened interest if proposed changes to employer's access to surpluses go ahead.

This review identified divergent practice in whether to recognise an asset when pension scheme trustees have the right to enhance benefits or wind up the scheme without the company's consent. Companies should:

- Clearly describe the basis on which the surplus is recognised (or restricted) including the impact of any trustees power.
- Consider whether disclosures around the technical funding position would be helpful to users' understanding of the amounts recognised in the financial statements and future contributions.
- Describe the nature and scale of bulk annuity policies or insurance transactions and the accounting treatment applied.

Share-based payments

This thematic focussed on listed companies with significant share-based payment (SBP) arrangements. Companies are encouraged to:

- Clearly explain the valuation technique used and assumptions made, in determining the fair value of instruments granted.
- Disclose the accounting policy and judgements regarding the choice of settlement, including the implications of any cash-settlement.
- Provide material disclosures which are clear and concise, cross-referencing and aggregating to avoid duplication.
- Assess if excess tax deductions have been recognised directly in equity.
- Consider the effect of group arrangements on individual companies and distributable reserves.

Investment trusts, venture capital trusts and similar closed-ended entities

The accounting for these entities is typically straightforward, however this thematic asks these entities to:

- Explain valuation techniques and provide sufficient meaningful disclosures on unobservable inputs to level 3 measurements e.g. weighted averages when the range of inputs is wide.
- Disclose sensitivities for level 3 measurements, when required.
- Ensure that APMs are appropriately used, reconciled to the nearest GAAP measure or otherwise explained.
- Clearly explain the basis for significant judgements on whether the IFRS 10 investment entity definition is met.

KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every director and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight (and Risk) Committee, and accountability is reinforced through the complete chain of command in all our teams.

■ Commitment to continuous improvement

- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



■ Association with the right entities

- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members employed KPMG specialists and specific team members



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Auditor's Annual Report for South Kesteven District Council

Year-ended 31 March 2025

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10th February 2026

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Our audit report is made solely to the members of South Kesteven District Council ('the Council'), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the members of Council, as a body, for our audit work, for our auditor's report, for this Auditor's Annual Report, or for the opinions we have formed.

External auditors do not act as a substitute for the Council's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

01

Executive Summary

Executive Summary

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Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2024-25 audit of South Kesteven District Council (the 'Council'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office (the 'Code of Audit Practice') and is required to be published by the Council alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014 (the Act). Our responsibilities under the Act, the Code of Audit Practice and International Standards on Auditing (UK) ('ISAs (UK)') include the following:



Financial Statements - To provide an opinion as to whether the financial statements give a true and fair view of the financial position of the Council and of its income and expenditure during the year and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2024/25 ('the CIPFA Code').



Other information (such as the narrative statement) - To consider, whether based on our audit work, the other information in the Statement of Accounts is materially misstated or inconsistent with the financial statements or our audit knowledge of the Council.



Value for money - To report if we have identified any significant weaknesses in the arrangements that have been made by the Council to secure economy, efficiency and effectiveness in its use of resources. We are also required to provide a summary of our findings in the commentary in this report.



Other powers - We may exercise other powers we have under the Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to any valid objections received from electors.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

Financial statements and other information	We issued an unmodified opinion on the Council's financial statements on [Date]. This means that we believe the financial statements give a true and fair view of the financial performance and position of the Council.
Other information	We did not identify any material inconsistencies between the content of the other information, the financial statements and our knowledge of the Council
Value for money	We identified no significant weaknesses in respect of the arrangements the Council has put in place to secure economy, efficiency, and effectiveness in the use of its resources. Further details are set out on page 11.
Whole of Government Accounts	We are required to perform procedures and report to the National Audit Office in respect of the Council's consolidation return to HM Treasury in order to prepare the Whole of Government Accounts.
Other powers	As the National Audit Office has not yet informed us that we are not required to perform any further procedures, we are unable to confirm that we have concluded our work in this area.
	See overleaf.

Executive Summary

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There are several actions we can take as part of our wider powers under the Act:

Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Council is required to consider it and to bring it to the attention of the public.

We have not issued a Public Interest Report this year.

Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Council is taking. We may also apply to the courts for a declaration that an item of expenditure the Council has incurred is unlawful.

We have not applied to the courts.

Recommendations

We can make recommendations to the Council. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Act. If we do this, the Council must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Council does not need to take any action, however, should the Council provide us with a response, we will include it within this report.

We have not raised any other recommendations.

Advisory notice

We may issue an advisory notice if we believe that the Council has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Council is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

We have not issued an advisory notice this year.

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Council. Where we raise observations we report these to management and the Governance & Audit Committee. The Council is not required to take any action to these, however it is good practice to do so and we included any responses that the Council has given us in the Audit Plan presented at the June 2025 Governance and Audit Committee.

02

Audit of the financial statements

Audit of the financial statements

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KPMG provides an independent opinion on whether the Council's financial statements:

- Give a true and fair view of the financial position of the Council as at 31 March 2025 and of its income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

We conduct our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We also fulfil our ethical responsibilities under, and ensure we are independent of the Council in accordance with, UK ethical requirements including the FRC Ethical Standard. We are required to ensure that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Our audit opinion on the financial statements

We have issued an unqualified opinion on the Council financial statements on [\[Date\]](#).

The full audit report is included in the Council's Annual Report and Accounts for 2024/25 which can be obtained from the Council's website.

Further information on our audit of the financial statements is set out overleaf.

Audit of the financial statements: Council

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The table below summarises the key financial statement audit risks that we identified as part of our risk assessment and how we responded to these through our audit.

Valuation of land and buildings	Valuation of investment properties
The carrying amount of revalued land and buildings differs materially from the fair value	The carrying amount of revalued investment property differs materially from the fair value
Our procedures	Our procedures
<p>We critically assessed the independence, objectivity and expertise of the internal valuers;</p> <p>We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.</p> <p>We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;</p> <p>We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;</p> <p>We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations and challenge of key assumptions;</p> <p>We discussed with our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and</p> <p>Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation</p>	<p>We critically assessed the independence, objectivity and expertise of the internal valuers;</p> <p>We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.</p> <p>We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;</p> <p>We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;</p> <p>We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations and challenge of key assumptions;</p> <p>We discussed with our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and</p> <p>Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation</p>
Our findings	Our findings
We completed the procedures as described and we did not identify any material misstatements relating to this area.	We completed the procedures as described and we did not identify any material misstatements relating to this area.

Audit of the financial statements: Council

DRAFT

Management override of controls

Fraud risk related to unpredictable way management override of controls may occur

Our procedures

We assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.

We evaluated the selection and application of accounting policies.

In line with our methodology, we evaluated the design and implementation of controls over journal entries and post closing adjustments.

We assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.

We assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business or are otherwise unusual.

We analysed all journals through the year using data and analytics and focus our testing on those with a higher risk, such as unusual combinations with revenue and cash accounts.

Our findings

We completed the procedures as described and we did not identify any material misstatements relating to this area.

Valuation of post-retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation

Our procedures

We obtained an understanding of the pensions process for setting and approving the assumptions used in the DBO valuation;

We assessed Management's controls that ensure the appropriateness of actuarial assumptions for the preparation of the DBO accounting estimate;

We evaluated the competency, objectivity of the Fund actuaries and confirmed their qualifications and the basis for their calculations;

We performed inquiries of the Fund actuaries to assess the methodology and key assumptions used;

We challenged, with the support of KPMG pensions actuarial specialists, the key assumptions applied, the discount rate, inflation rate and mortality/life expectancy against externally derived data;

We vouched data provided by the audited entity to the Fund Administrator for use within the DBO accounting estimate calculation; and

We confirmed that the pensions disclosures adopted by the Council are in line with IAS19 and the SORP.

Our findings

We completed the procedures as described and we did not identify any material misstatements relating to this area

02

Value for Money

Value for Money

DRAFT

Introduction

We are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money'. We consider whether there are sufficient arrangements in place for the Council for the following criteria, as defined by the Code of Audit Practice:



Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance: How the Council ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We do not act as a substitute for the Council's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. We are also not required to consider whether all aspects of the Council's arrangements are operating effectively, or whether the Council has achieved value for money during the year.

Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council.

Summary of findings

Our work in relation to value for money is complete. However, we may make some minor changes to the commentary prior to issuing the final version of this report.

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	13	15	18
Identified risks of significant weakness?	✗ No	✓ Yes	✗ No
Actual significant weakness identified?	✗ No	✗ No	✗ No
2023-24 Findings	No significant weakness identified	No significant weakness identified	No significant weakness identified
Direction of travel	↔	↔	↔

Value for Money

National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

Local Government Reorganisation

The Government has announced proposals to restructure local government throughout England. County and District councils (and, in some cases, existing Unitary authorities) will be abolished and replaced with new, larger Unitary authorities, which will (in many cases) work together with peers in a regional or sub-regional Combined Authority. Authorities which are unaffected by these proposals may still see changes in local police and fire authorities and in the Councils they already work in collaboration with.

Restructuring has, in some cases, resulted in differing views on how services should be provided in their regions – with little consensus on how previously separate organisations will be knitted together. Councils will need to ensure that investment decisions are in the long-term interest of their regions, and that appropriate governance is in place to support decision making.

Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable.

Whilst the Government has indicated an intention to restore multi-year funding settlements, giving Councils greater certainty and ability to make longer-term investment decisions, the Government has also proposed linking grant funding to deprivation. For some authorities this presents a significant funding opportunity, whereas for others this reinforces existing financial sustainability concerns and creates new financial planning uncertainties.

Housing

Landlords, including Councils, are required to take action to ensure homes are compliant with fire safety legislation and new regulations to improve building safety. These regulations have increased the costs faced by landlords, caused loss of income where properties were void for repairs, and increased the risk of regulatory action should improvements not be made. The Regulator of Social Housing has also raised frequent concerns regarding the ability of Councils to comply with their consumer standards, in particular around treating tenants fairly and ensuring homes are safe. This has increased the cost of compliance, whilst housing budgets remain under significant financial strain. At the same time, Councils are also experiencing significant financial pressure in temporary accommodation budgets, due to high demands on services and difficulty in obtaining suitable accommodation.



Local context

South Kesteven District Council employs more than 500 staff and manages a combined revenue and capital budget exceeding £100m.

The Council delivers services across four main areas: Corporate, Governance and Public Protection; Finance, Property and Waste; Growth and Culture; and Housing and Projects.

The Council met its 2024/25 financial plan without drawing on the Budget Stabilisation reserve, supported by higher investment income and lower-than-expected fuel and utility costs. The Council maintains a healthy level of general fund reserves, helping to safeguard its financial position throughout the year.

Looking ahead to 2025/26, the Council expects cost and demand pressures to continue. Nevertheless, it aims to achieve a balanced budget without using the Budget Stabilisation reserve but requiring savings of £1.1m across 2025/26 and 2026/27.

At the end of March 2025, the General Fund reported a surplus of £1.1m, with reserves totalling £26.7m. The Housing Revenue Account recorded a surplus of £5.8m, with reserves of £8.8m.

Under its Capital Plan (including HRA), the Council spent £36.5m against an adjusted budget of £41.6 million, resulting in an underspend of £5.1m, mainly due to project delays.

No adverse findings from inspectorates have been reported during the year.

The Council submitted its proposal for LGR in November which included support for two new council areas, resulting in North Kesteven, South Kesteven and South Holland combining as one council and East and West Lindsey, Boston and Lincoln in the other.

A public consultation was launched in February 2026 and will last until the 26th March 2026.

Financial Sustainability

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How the Council plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

8

2024/25 Outturn

In February 2024, the Council approved a general fund revenue budget for the financial year 2024/25 of £19.744m, a balanced budget without planned use of the Budget Stabilisation Reserve.

Overall, there was an underspend on the General Fund of £1.1m. Key factors contributing to this positive outcome included additional planning fee (£303k) and car parking (£182k) income, underspends on fuel cost (£350k), as well as improved investment income (£444k) due to higher interest rates. At year-end, the Council's General Fund reserves remained above the stated prudent minimum.

We note that the Council has continued to underspend against its capital plan (excluding HRA) through 2024/25 due to phasing of the work, for example on the new depot project. The year end underspend was £3.424m. This has led to planned capital budget being carried forward into 2025/26. Capital performance has been reported to Cabinet and Finance and Economic Overview and Scrutiny committee through the year.

Process of identifying cost pressures

A comprehensive timetable is established by both the Executive and Council to facilitate robust scrutiny and challenge throughout each stage. Initial budgets are developed at the service level, with budget holders estimating requirements based on their directorate knowledge and regular planning meetings. These proposals are then submitted to the Finance team, who reviews and challenges underlying assumptions. Finance conducts a detailed analysis of individual budget lines, examining trends over the previous three years and discussing these with budget holders to identify early pressures or potential savings.

Identified savings are incorporated into the financial plan. Discussions with the Finance team and service areas confirm that demographic and inflationary pressures for each directorate are considered during the initial budget preparation. Prior to finalising budgets, communications are held to enable review and challenge of assumptions. The Budget Joint Overview and Scrutiny Committee provides cross-party oversight and challenge of both the budget and its proposals.

For 2024/25, the Council's budget did not require any savings to be delivered. Savings plans are typically developed as part of the wider budget setting process and are subject to the same level of scrutiny, challenge, and approval as the overall budget. Throughout the year, actions are identified where financial performance risks arise within individual services. While savings are not reported separately, significant in-year savings—such as those resulting from the corporate restructure—are detailed in reports on budget variances. This reflects the effectiveness of the Council's financial management arrangements.

Financial Sustainability

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2025/26 planning

Within the medium-term financial plan, the Council has identified outstanding savings targets for 2025/26 and 2026/27. According to the Corporate Plan to 2028, a total savings requirement of £1.1m has been set. The objectives of the Corporate Plan, including major capital projects, are incorporated into the budget setting process to ensure alignment.

The Council's Risk Management Policy outlines a clear process and reporting structure for managing risks. Key risks to financial sustainability have been identified, including potential future deficits, ongoing inflationary pressures, and the need for borrowing to fund capital projects. Mitigating actions include regular monitoring of overspends and sensitivity analysis to assess worst-case inflation scenarios. The Council also continues to develop savings plans and is modelling the impact of any future borrowing.

Leisure SK Ltd

The Council continues to provide support to its wholly owned subsidiary, Leisure SK Ltd. During 2023/24, LeisureSK operated at a deficit due to increased staffing costs, higher utility expenses, and issues related to irrecoverable VAT. For 2024/25, management prepared a budget that included an increased management fee of £450k from the Council. As a condition set by the Culture and Leisure Overview and Scrutiny Committee, LeisureSK was required to submit a recovery and mitigation plan to demonstrate that the management fee would be sufficient to maintain the company's cashflow. This plan was received and approved in September 2024.

In response to LeisureSK's financial difficulties, the Committee also reviewed options for a new contract and recommended to Cabinet that LeisureSK continue to deliver services under an agency model to help stabilise its finances. Cabinet approved this recommendation in September 2024, and the new contract took effect on 1 April 2025.

Conclusion

We have not identified a significant weakness associated with the arrangements in place to secure financial sustainability.

Key financial and performance metrics:	2024-25	2023-24
Planned surplus/(deficit), excluding HRA	£0k	£0k (using £1,534k reserves)
Actual surplus/(deficit), excluding HRA	£1.1m	£1.3m
Planned HRA surplus	£7.0m	£3.1m
Actual HRA surplus/(deficit)	£5.8m	£5.7m
Usable reserves	£66.9m	£75.9m
Gross debt compared to the capital financing requirement	0.67:1 (CFR £100m)	0.82:1 (CFR: £101m)
Year-end borrowings	£79.8m	£83m
Year-end cash position	£11.8m	£18.3m

HRA: Housing Revenue Account, a ring-fenced fund relating to social housing

Gross debt compared to the capital financing requirement: Authorities are expected to have less debt than the capital financing requirement (i.e. a ratio of under 1 : 1) except in the short term, else borrowing levels may not be considered prudent.

Governance

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How the Council ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

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Risk Management

Risks are managed in accordance with the Council's Risk Management Strategy, which distinguishes between Strategic, Service, and Project levels. Each level is subject to regular review by register owners, the Corporate Management Team (CMT), Heads of Service, and the Governance and Risk Officer. Risks are assessed using a matrix that evaluates both likelihood and impact, resulting in a risk score assigned according to the strategy's guidance. Officer involvement through project boards provides additional challenge, and the Risk Management Group offers further support when needed.

The Strategic risk register is submitted to the Governance and Audit Committee twice annually for review. As of 31 March 2025, the register included 15 risks: 12 rated as high (almost certain/critical) and 3 as medium (probable/major). Actions to address risks are developed using the risk management framework and evaluated using the Treat, Tolerate, Transfer, Terminate matrix, depending on severity and likelihood. Ongoing monitoring is carried out by project management teams or boards. When the register is reported to the Governance and Audit Committee, members are invited to provide feedback, which is then shared with CMT and Cabinet. For all key decisions, committee reports are required to clearly outline the principal risks associated with the proposed actions

Prevention and detection of fraud

The Council undertake several measures to prevent and detect fraud. There is a Counter Fraud policy and strategy which complies with the requirements of the Code, this sets out key actions for the Council to ensure compliance. We note a review is currently underway of the policy and strategy. The Council also receives assurance through the work of internal audit, and all staff are required to complete the e-learning on fraud which is held centrally. An annual fraud report is presented to the Governance and Audit Committee including the counter fraud action plan and fraud risk register.

Budget Setting

The budget setting process is a rolling process as part of the medium-term financial plan, this usually starts in the autumn of the previous year. For 2025/26, the preparation of the budget began in October 2024 with draft budgets approved in January 2025. A detailed timetable is agreed by Executive and Council to ensure appropriate scrutiny and challenge can occur throughout the process

The 2025/26 budget was approved by Council on 27 February 2025 which set out a three-year position detailing the funding challenges alongside the changes to the national funding arrangements. The most significant medium-term pressure reflected in the Medium-Term Financial Strategy is the anticipated business rate reset.

Governance

DRAFT

How the Council ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

Financial performance is reported quarterly to the Finance and Economic Overview and Scrutiny Committee before being presented to Cabinet. Forecasts are developed collaboratively with budget holders, using year-to-date performance and commitments to inform projections. The Finance team meets with budget holders to agree forecast outturns, which are then confirmed with Directors and detailed in quarterly monitoring reports.

Informed Decision making

We also reviewed key decisions made by the Council during the year to assess the effectiveness of governance arrangements. Decision-making is subject to discussion and scrutiny at the executive team level and relevant sub-committees, such as Governance and Audit and Overview and Scrutiny, followed by formal Council approval. All records of key decisions are available on the Council's website.

A notable decision during the year was the sale of land at St Martin's Park. Following options appraisal in 2023/24, the Council approved the sale to address the financial shortfall and in October 2024, sales contracts had been exchanged, committing developers to the scheme at prices agreed by the Council. As at 31 March 2025, landowners and developers were continuing to work through the next stage of the planning process for the individual part of the development and an overall scheme to deliver joint infrastructure works on the site.

The Council also made important decisions regarding the implementation of a new Finance system. Initially planned for April 2024, the rollout was postponed to April 2025 due to changes in key finance staff and the need for specialist support to reduce risks. It was considered safer to introduce the new system at the start of a financial year. The Council extended the licence for its existing system, with the additional cost included in the 2024/25 budget.

In February 2025, the Council further delayed the 'go live' date to July 2025, following additional changes in finance team personnel and to avoid higher costs from specialist support. This delay also allowed the finance team to better manage year-end close and accounts preparation. We will consider the project management and implementation of the new system as part of the VFM assessment in 2025/26.

The Government introduced amendments to the Accounts and Audit Regulations which required the Authority to publish its unaudited 2024/25 Statement of Accounts and accompanying information on or before 30 June 2025. The Authority missed this deadline and published unaudited 2024/25 Statement of Accounts on 7th October 2025. By not publishing the unaudited Statement of Accounts by the required deadline, the Authority has breached its laws and regulations. As a result, we identified a risk of significant weakness over governance on the Authority's Preparation and Publication of the Statement of Accounts. The authority also missed this deadline in the prior year.

Governance

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There have been changes in senior finance staffing during 2024/25, including the departure of the Interim Deputy Director of Finance in February 2025, who was replaced by a permanent appointment. These changes, alongside the upgrade to the financial ledger system contributed to the delay. Whilst there are mitigating circumstances for the delay in 2024/25 accounts production, management must ensure appropriate arrangements are in place to ensure timely publication and preparation for the audit in 2025/26. This is particularly important as the audit backstop deadline for 2025/26 is January 2027, compared to February 2026 for 2024/25 audited accounts.

Compliance with laws and regulations

The Monitoring Officer oversees compliance with all relevant legal requirements. All Executive reports undergo mandatory consultation with the Chief Executive, Section 151 Officer, and Monitoring Officer, and, where necessary, are supported by Equality Impact Assessments. Management has confirmed that there were no breaches of legislation or regulatory standards resulting in investigations by any legal or regulatory body during the year.

We note the Monitoring Officer left in April 2025 with interim arrangements put in place for several months. Following a comprehensive recruitment exercise a permanent Monitoring Officer was appointed and approved by Council on 18th September 2025. We will consider this further in the VFM risk assessment for 2025/26.

The Council's Code of Conduct sets out the values and expected behaviours for staff and Council members, as detailed in the Code of Conduct and Disciplinary Policy. This is communicated during recruitment and is accessible via the staff intranet. The policy also covers requirements for gifts, hospitality, and the register of interests. Additional policies are available on the Council's website, along with the Constitution, which outlines committee terms of reference and key officer responsibilities.

During our review, we noted an increase in member complaints under the Code of Conduct policy in 2023/24. These complaints required initial investigation by officers, and in several cases, the Council engaged independent legal experts to complete investigations. In 2024/25, this led to additional legal costs of approximately £70k, and the high volume of complaints required significant senior officer time.

Conclusion

Whilst we identified a risk regarding the Council not meeting the draft accounts production deadline, we are satisfied this does not amount to a significant weakness in arrangements over governance at the Council.

	2024-25	2023-24
Control deficiencies reported in the Annual Governance Statement	None	None
Head of Internal Audit Opinion	Moderate Assurance	Adequate and Effective
Local Government Ombudsman findings	None	None
Housing Ombudsman findings	None	None

Improving economy, efficiency and effectiveness

DRAFT

How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

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Financial and performance monitoring

The Council reviews its corporate performance measures as part of the three-year Corporate Plan through a target setting process. The process is co-ordinated by the Corporate Management team, with input from all directorates. Target setting incorporates benchmarking, assessment of local conditions, and national indicators/reporting requirements.

The Council's performance framework is driven by the Corporate Plan priorities: Healthy & Strong Communities, Growth & Our economy and High Performing Council. We reviewed the quarter two performance report, which evidenced monitoring of actions split across the different Overview and Scrutiny Committees. The Finance and Economic committee had 20 actions. Of those actions with updates, 12 actions were on target and 2 were below target. The below target actions related to the delay in the implementation of the new finance system and ensuring all contract awards under £25k are fully compliant with procurement policy.

The Finance and Economic Overview and Scrutiny committee also reviews financial performance on a quarterly basis and this covers key services, helping to identify any services off target and what actions are being taken to address/mitigate the financial risks. Quarterly reports are also presented to the Cabinet.

Our review of the Social Housing Decarbonisation Fund internal audit report (moderate assurance rating) identified the need to strengthen arrangements for performance monitoring of KPIs and recording lessons learnt with the contractor. We are satisfied management have appropriate arrangements in place to respond to the recommendations identified.

We note that the Council takes part in national benchmarking exercises but does not routinely use benchmarking in reviewing performance. The Council does have processes in place to support it in using information about costs, through financial monitoring, and performance to improve the way services are managed and delivered, with a focus on the level of value for money being achieved. This is reported quarterly through Overview and Scrutiny Committee and Cabinet.

Partnership working

The Council has a number of key partnerships to help deliver support and services, such as the Building Control Partnership with Newark and Sherwood District Council and Rushcliffe Borough Council, where a partnership agreement is in place and performance is monitored through this arrangement. The Council also has a collaboration agreement in place with Burghley Land Ltd in relation to the land at St Martin's park. There is a partnership policy that details the governance framework for partnership working and all partnerships are recorded in the partnerships register held by Governance team. Monitoring is performed via reporting through relevant Overview and Scrutiny committees.

Improving economy, efficiency and effectiveness

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The Council engages with key stakeholders to help develop the Council as an organisation. There have been numerous consultation with the public around Community Governance in year and council tax and rate payers were consulted on proposed changes. In preparing the Council's Corporate Plan, residents are encouraged to comment on the Council's priorities, for example in relation to sustainability. Response rates are published in the plan and the 2024/25 narrative report to the accounts.

The Council has appropriate arrangements in place to deal with residents' complaints, Freedom Of Information requests, Subject Access Requests, data breaches and whistleblowing allegations. The Council also engages with other local partners such as Legal Services Lincolnshire, Lincolnshire Police, Lincolnshire County Council. We note there has been no outsourcing of services in year.

We note that in response to the Government White Paper on Local Government Reorganisation, the Council examined several options within its submission after working with neighbouring District Councils. The Council submitted its proposal in November 2025 which included support for two new council areas; with North Kesteven, South Kesteven and South Holland combining as one; and East and West Lindsey, Boston and Lincoln in the other. A public consultation was launched in February 2026 and will last until 26th March 2026, with a final decision expected by July.

Conclusion

We have not identified a significant weakness associated with the Council's arrangements in relation to improving economy, efficiency and effectiveness.

Significant Value for Money Risk

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Governance on the Authority's Preparation and Publication of the Statement of Accounts

Risk that value for money arrangements may contain a significant weakness linked to Governance

Significant Value for Money Risk

The Government introduced amendments to the Accounts and Audit Regulations which required the Authority to publish its unaudited 2024/25 Statement of Accounts and accompanying information on or before 30 June 2025. The Authority missed this deadline and published the unaudited 2024/25 Statement of Accounts on 7th October 2025.

By not publishing the unaudited Statement of Accounts by the required deadline, the Authority has breached a statutory requirement.

There is a risk management do not have appropriate arrangements in place to prepare and publish their accounts in line with the required timetable.

Our response

We have inquired with management as to their preparedness for the 2025/26 audit cycle and suggested they produce a paper to outline the proposed timetable and any risks to this timetable. This is particularly important as the audit backstop deadline for 2025/26 accounts is January 2027, compared to February 2026 for 2024/25 audited accounts.

Our findings

Findings

In May 2025, management confirmed there was a risk that it may not issue its statement of accounts by 30 June 2025. This was reported in our Audit Plan that was presented at the June 2025 Governance and Audit Committee. We are therefore satisfied this does not constitute a significant weakness in arrangements over preparation and publication of the financial statements.

However, we recommend members are made aware of any risks, if any, to the timetable for 2025/26. This has been raised as a performance improvement observation.

Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangements.



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Governance and Audit Committee

Wednesday, 18 February 2026

Report of Councillor Ashley Baxter
Leader of the Council, Cabinet Member
for Finance, HR and Economic
Development

Statement of Accounts and Annual Governance Statement 2024/25

Report Author

David Scott, Assistant Director of Finance/Deputy Section 151 Officer

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Purpose of Report

To approve the Statement of Accounts and Annual Governance Statement for 2024/25.

Recommendations

It is recommended that the Governance and Audit Committee:

- 1. Notes the outcome of the audit work undertaken by the Council's external auditors KPMG.**
- 2. Delegates authority to the Deputy Chief Executive and s151 Officer (Chief Finance Officer) to make any final wording changes and accounting adjustments following the conclusion of any outstanding audit queries.**
- 3. Delegates approval of the audited Statement of Accounts and the Letter of Representation to the Chairman on behalf of the Governance and Audit Committee in consultation with the Deputy Chief Executive and s151 Officer (Chief Finance Officer) following the completion of the audit of the 2024/25 Statement of Accounts.**

Decision Information

Does the report contain any exempt or confidential information not for publication? **No**

What are the relevant corporate priorities? **All**

Which wards are impacted? **All Wards**

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

- 1.1 The financial considerations are contained in the report and the Statement of Accounts for 2024/25.

Completed by: Richard Wyles, Deputy Chief Executive and s151 Officer

Legal and Governance

- 1.2 In accordance with the Accounts & Audit (Amendment) Regulations 2022 the target date for the Statement of Accounts to be approved by the Governance and Audit Committee is 27th February 2026.

Completed by: James Welbourne, Democratic Services Manager

2. Background to the Report

- 2.1 The draft Statement of Accounts 2024/25 was published on 7 October 2025. The external audit process has now been completed and the Statement of Accounts has been updated to reflect the changes identified by the Finance Team and those agreed with our external auditors, KPMG.
- 2.2 The issues with delays to local government audits are well documented and have affected the whole sector. The Government introduced back stop dates to try and create a resolution for those authorities with significant backlogs.
- 2.3 The back stop deadline for completion of the audit of 2024/25 Statement of Accounts is 27 February 2026. The completion of the Statements has meant that the Council has met the statutory deadline which is a positive achievement.

3. Key Considerations

Audit of the Accounts

3.1 To comply with the provisions of the Accounts and Audit Regulations 2015, the Council's Statement of Accounts for 2024/25 must be approved by the designated member body, which for the Council is the Governance and Audit Committee.

3.2 The external auditor (KPMG) must complete their audit and issue the relevant audit opinion. KPMG's draft report (ISA260) is a separate item on this Governance and Audit Committee agenda. The purpose of the external audit of the financial statements is to give an opinion on:

- whether they present a true and fair view of the financial position of the audited body and its expenditure and income for the year in question.
- whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

3.3 Auditors must provide reasonable assurance that, subject to the concept of materiality, the financial statements:

- are free from material misstatements, whether caused by fraud or other irregularity or error.
- comply with the statutory and other requirements applicable to the accounts of the audited body and
- comply with all relevant requirements for accounting presentation and disclosure.

Letter of Representation

3.4 As part of the overall assurance provided to External Audit a letter of representation is supplied. This is presented at Appendix B. These are largely standard clauses to confirm the Council has fully disclosed all relevant information and acted with due care and reference to the relevant accounting practices in preparing the statements.

Annual Governance Statement

3.5 The Annual Governance Statement has to be published alongside the Statement of Accounts, although it does not form part of them. The Annual Governance Statement was endorsed by the Governance and Audit Committee on 23 July 2025.

- 3.6 The Annual Governance Statement is reviewed by External Audit to ensure it is consistent with their knowledge of the Council and is in line with guidance around compilation and presentation.
- 3.7 There are no substantive amendments in terms of identification of further significant governance issues.

Statement of Accounts

- 3.8 The 'Narrative Report' section of the Statement of Accounts provides a guide to the most significant matters reported. It explains the Council's financial position and assists in the interpretation of the accounting statements. It provides information about the District, including; issues and challenges affecting the Council and its accounts, the political composition, the ambitions of the Council and an overview of the many achievements that have been made to improve quality of life for residents, businesses and visitors.
- 3.9 The draft Statement of Accounts was published on 7 October 2025. In addition to a small number of presentational changes, the Statement of Accounts has been amended to reflect the changes identified as listed in Table 1.

Table 1 – Audit Adjustments 2024/25

Page	Note	Description
4	Balance Sheet	Capital Grants Receipts in Advance. £1.754m Future High Street Funding has been moved to current liabilities because the expiry date of the funding is within one year of the balance sheet date.
14	13	Various presentational adjustments including adding directors' full titles and adding the Head of HR to the note to comply with disclosure requirements.
36	31	Operating leases disclosure added in which were omitted from the original draft in error.

- 3.10 These changes have been incorporated into the final Statements that are shown at Appendix A.
- 3.11 As part of the audit work one uncorrected item identified. An accrual of £189K (1.47% of total surplus for 2024/25) was missed due to the close proximity to Year End and not highlighted by the service area to the finance team. It was agreed with audit that this would remain unadjusted as it was below our materiality threshold of £1.7m.

4. Other Options Considered

4.1 Governance and Audit Committee could choose not to approve the Statement of Accounts but this would result in the Council missing the statutory backstop deadline for completion of the 2024/25 audit of 27 February 2026.

5. Reasons for the Recommendations

5.1 Section 21(2) of the Local Government Act 2003 requires the Statement of Accounts to be prepared in accordance with the statutory framework established by the Accounts and Audit Regulations (England) 2015. In accordance with the Accounts and Audit (Amendment) Regulations 2022 once the accounts have been audited, they must be published.

6. Consultation

6.1 The draft accounts were published on the Council's website on 7 October 2025 following which there was a statutory 30 working day consultation period.

7. Appendices

7.1 Appendix A – 2024/25 Statement of Accounts
7.2 Appendix B – Letter of Representation

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Statement of accounts

2024/25



SOUTH
KESTEVEN
DISTRICT
COUNCIL

C O N T E N T S

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Narrative Statement

Introduction

The Statement of Accounts for the year ended 31 March 2025 has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Statement of Accounts provides information to enable members of the public, Councillors, partners, stakeholders and other interested parties to:

- Understand the financial position and outturn for 2024/25
- Have confidence that public money has been accounted for in an appropriate manner
- Be assured that the financial position of the Council is sound and secure

The Narrative report provides information about the District, including issues and challenges affecting the Council and its accounts, the political make up, the ambitions of the Council and an overview of the many achievements that have been made to improve the quality of life of our residents, businesses and visitors.

Information about the Council

Political Structure

The Council has 30 Wards represented by 56 Members. The political composition of the Council is currently: 19 Conservatives, 9 Democratic Independents, 8 Grantham Independents, 5 Independents, 3 Liberal Democrats, 3 Reform UK, 3 South Kesteven Independents, 2 Green Party and 2 Labour and Co-operative and 2 Independent (unaligned).

The Leader of the Council is Councillor Ashley Baxter (Independent Group) who was voted in by a majority of Council members at Full Council in January 2024. Therefore, although the Conservative Group is the largest group on the Council, the Cabinet is selected by the Leader of the Council and contains members from the Democratic Independent Group (2), The Independent Group (3), one member from the Grantham Independents and one Independent Unaligned member. The main opposition group is the Conservative Group.

The Council operates with a Cabinet structure, six Overview and Scrutiny Committees and a Governance and Audit Committee responsible for corporate governance and approval of the Statement of Accounts. There is also an Alcohol, Entertainment and Late-Night Refreshment Licensing Committee, Employment Committee, Licensing Committee, Planning Committee and Standards Committee.

The Cabinet is chaired by the Leader of the Council with each member of the Cabinet being allocated a portfolio, or area of the Council's business, through the Leader's Scheme of Delegation. The Cabinet has executive decision-making powers and meets monthly.

In line with legislation and the Constitution, a number of areas of decision making are the responsibility of the Cabinet and senior officers, with Council retaining ultimate responsibility for the Policy and Budgetary Framework of the Council. All Council public meetings can be viewed live online which can be accessed via details on each agenda pack.

About the District

South Kesteven is a largely rural district located in the south-west corner of Lincolnshire incorporating the four distinctive market towns of Grantham, Stamford, Bourne and The Deepings and over 80 rural villages.



Services Provided by the Council

SKDC has a reputation of being an outward looking Council that is keen to engage and partner with external organisations and stakeholders. It provides a range of services to the population of approximately 155,821 residents which includes:

- Providing a comprehensive arts and leisure offer
- Providing high quality street scene services
- Providing high quality grounds maintenance.
- Providing high quality leisure centre services through its wholly owned company – LeisureSK Ltd
- Providing Customer and Community Access Hubs
- Supporting residents manage their bills by providing housing benefit and council tax support
- Landlord services for approximately 5,840 social rented properties which includes the provision of a repairs and maintenance service for all the Council properties.
- Providing homelessness support to those most in need
- Considering and administering Planning and Building Control applications
- Managing car parks and public conveniences
- Compiling and maintaining the electoral register and administering elections

The Council also provides services which support these operational functions including Human Resources, Financial Services, Legal Services, Democratic Services and Communications.

Financial Environment

The 2025/26 budget was approved by Council on 27 February 2025 which set out a three-year position detailing the funding challenges alongside the changes to the national funding arrangements. Whilst this covers a 3-year Medium Term Financial Plan, it is within the context of a single year financial settlement for 2025/26 and therefore there is a high degree of financial uncertainty for the latter two financial years. The two forecast years (2026/27 and 2027/28) assumed changes in funding levels as a result of national changes to the funding formula. The Government confirmed their Fair Funding Review 2.0 will take effect for 2026/27 settlement alongside a business rate reset.

Whilst the budget is balanced for 2025/26, the future years shows potential deficits which will require prudent financial planning to try and address the future financial challenges. Based on the current modelling around the impact of the government changes in funding levels it remains highly unlikely that the financial outlook will improve, therefore pressure on funding at some point in the medium term is anticipated. The Council is therefore not complacent and is already modelling the sensitivity of future financial pressures, which will enable plans to be produced to reduce operating expenditure and create financial headroom in order to meet the challenges ahead.

Governance and Risk

In accordance with the Local Code of Corporate Governance and best practice, the Council's Annual Governance Statement (AGS) covers all significant corporate systems, processes and controls spanning the whole range of the Council's activities. It provides an overview of the Council's key governance systems and explains how they are tested and the assurances that can be relied on to show that the systems are working effectively. The AGS has been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Delivering Good Governance in Local Government Framework and conforms to the Council's Local Code of Corporate Governance and covers all significant corporate systems, processes and controls across all of the Council's activities.

The Council has an effective risk and performance management framework which is embedded across all areas of business activity. Corporate risks are reported to the Corporate Management Team and to the Governance and Audit Committee regularly throughout the year. We have focused performance management arrangements on the Corporate Plan actions which enables effective monitoring, control and reporting across the programmes of activity and also supports managers and lead officers with training and project management tools, techniques and performance management advice.

In accordance with the Local Government Transparency Code, we publish how we spend our money, how we use our assets, how we make decisions and have regard to issues important to local people.

2024/25 was the first year of the new internal audit contract with BDO LLP, who act as the Council's internal Auditors supporting the Governance and Audit Committee, in providing an opinion to the Council, on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. In their annual report they provided the following opinion which was:

A Moderate Assurance that there is a sound system of internal controls, designed to meet the Council's objectives, and that controls are being applied consistently across various services.

The statement of assurance confirms that based on the evidence of the audits conducted, there are no signs of material weaknesses in the framework of control. In making that assessment, account has been taken of the overall opinion levels and number of recommendations for improvements from the 7 assurance audits undertaken which are summarised in Table 1 below:

Table 1 – Summary of Internal Audit Findings 2024/25

Opinions				
	Substantial	Moderate	Limited	Total
Design Control	2	5	0	7
Operational Effectiveness	1	6	0	7
Number of Recommendations				
	Low	Medium	High	Total
	10	18	0	28

Key 2024/25 Achievements

Council has approved a new Corporate Plan 2024 - 2027, which sets out the strategic vision to be “*a thriving District to live in, work and visit*” with a mission that “*South Kesteven aims to be a modern and forward-looking Council that delivers effective, efficient and equitable public services to enhance the well-being of our residents, enable prosperity, protect the environment and empower communities for a sustainable future.*”

The Council has refreshed it's five key priorities, which are set out below



The Corporate Plan underpins the Council's strategic focus and provides the performance framework for managing the delivery of the actions and priorities in the Plan. It is good practice for a public sector organisation seeking to deliver a wide set of aims and objectives to set out a Corporate Plan and regularly review the activity and achievements against it. The key achievements against the plan are summarised below:

Connecting Communities

- Refurbishment of Beeden Park Play area in Grantham funded by grant from the FCC Community Foundation, Rotary Club of Grantham and The Council alongside, upgrading the play fitness equipment in Dysart Park.
- Organised a funding fair in Bourne where community groups, charities and parish councils could meet funding organisations, including National Lottery Heritage Fund and Co-op Lincolnshire.
- Installation of 'Happy to Chat' benches at Wyndham Park, Queen Elizabeth Park and Dysart Park to combat social isolation and promote community cohesion.
- Changing Places toilet facility opened in Bourne to complement the others already in situ in Wyndham Park and Meres leisure centre.
- Provided funding to revamp the Earlesfield Community Centre in Grantham.
- A new 10-year contract was agreed by Cabinet for the future provision of the Council's leisure services.
- The Council-operated CCTV control centre moved to a more modern facility at Grantham Police Station, allowing greater partnership working with the Police.
- The Home Office funded Safer Streets programme has been successfully delivered.
- All three Grantham parks have retained their Green Flag status, and Wyndham Park has retained its Green Heritage accreditation.

Sustainable South Kesteven

- Utilised the Climate Reserve Fund to install new solar PV at The Picture House office, purchase battery-powered grounds maintenance equipment, and upgrade existing floodlighting and pool pumps to more energy efficient options at leisure centres.
- Secured £3.5m for energy upgrades at the Meres leisure centre, for a new low carbon heating system from the Public Sector Decarbonisation Scheme (phase C), supplemented by funding from the Council as well.
- Approval of Council Tree and Woodlands Strategy
- Secured funding from the UK Shared Prosperity Fund to enable town and parish councils to develop biodiversity improvements. The scheme funded nine biodiversity projects across the district.
- Fully implemented twin-stream recycling which resulted in increased recycling rates and reduced recycling contamination.
- Commenced works to deliver the new waste depot site at Turnpike Close Grantham. Works are on track for a target go-live date in December 2025.
- Adopted a Green Fleet Strategy 2025–2028.
- Upgrades to Deepings Community Centre, including the installation of a new boiler which will reduce running costs for the Deepings Community Trust.

Enabling Economic Opportunity

- Developed a new CRM system to support business engagement and service work programmes.
- Installation of free parking in the run up to Christmas.
- Revamp of bus station shelters at Bourne Bus Station.
- introduction of a minimum 1hr free car parking across all council owned car parks to help support the regeneration of our high street and shopping areas.
- Attended business clubs and networking events across the district regularly throughout the year.
- A total of 114 businesses were supported by Business Lincolnshire through their programmes and advisers at the Growth Hub and NBV Enterprise Solutions Ltd.
- Investment in Stamford Cattle market to provide 140 additional new spaces.
- Delivered Meet the Buyer procurement events to support local businesses in understanding new regulations and to offer greater transparency over local government procurement processes.
- Extensive refurbishment of Conduit Lane toilets to support the market.

Housing

- A total of 1,868 stock condition surveys were completed on council-owned properties, with 94.62% meeting the Decent Homes Standard.
- Void re-let times improved significantly during 2024/25. In Quarter 4 of 2024/25, the average void period was 91 days, which was a significant improvement from the 159 days at the beginning of the year.
- Delivered four homes in Stamford, commenced construction of 20 units at Swinegate, Grantham and acquired 12 flats. At Corby Glen, four of 36 units have been handed over, with a further eight delivered via the Housing Fund.
- Solar panels installed at more than 125 homes as part of a £7.26m investment in efficiency upgrade scheme, targeted at the poorest performing properties based on the EPC ratings.
- Achieved 100% compliance following a Section 11 Children's Safeguarding Audit.
- Provision of a night shelter facility, four bed flat each with 2 beds for homeless during severe weather emergency protocol, working in partnership with Grantham Ark.

Effective Council

- Approved a Councillor Development Strategy and in January 2025 rolled out Personal Development Plans for Councillors.
- A new Customer Service Centre opened in October 2024 to create a modernised customer experience, support the ongoing channel shift to 24/7 self service and offer opportunities for residents to access face-to-face support.
- Delivery of the 2024/25 Internal Audit plan
- Set a balanced budget for 2024/25
- Work started on a new £8.8m depot which will offer a modern, fit for purpose facility to home more than 250 staff.
- Improved our complaints processing. We introduced a dedicated complaints officer and new complaints work group who meet on a regular basis to review complaints, share lessons learnt.
- Delivered 100% of the actions from the 2022/2025 People Strategy.

2024/25 Financial Performance

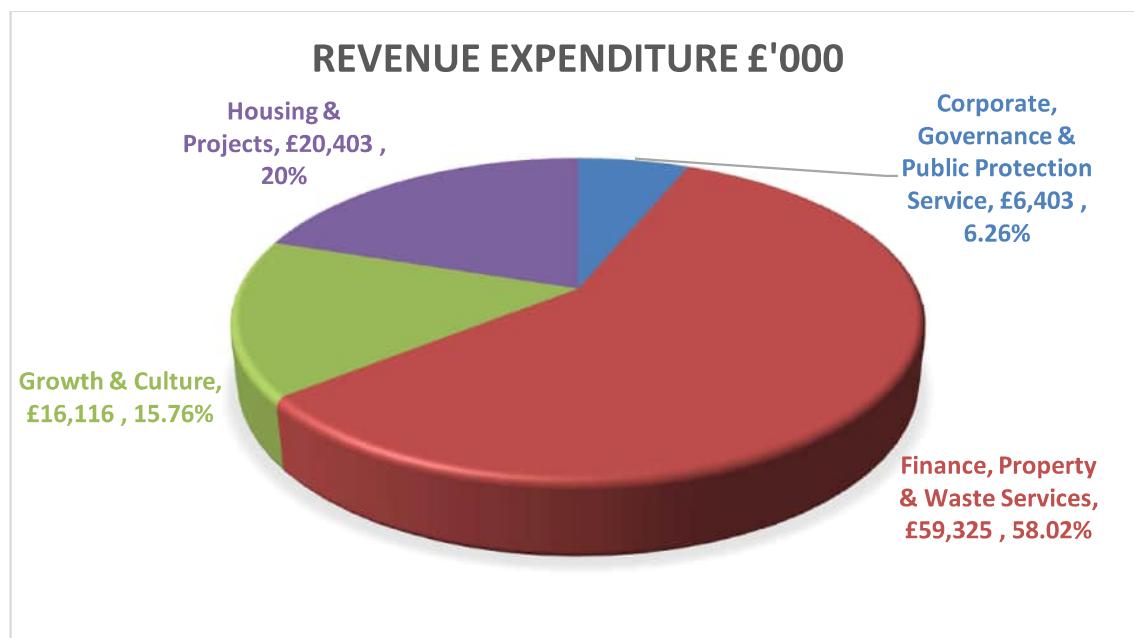
A balanced budget was set for 2024/25 which provided a solid foundation for the delivery of Council services and the outlined achievements above. During the financial year, the Council has managed budgets prudently and has been able to redirect funding where necessary to support the objectives set out in the Corporate Plan. Overall, there was an underspend on the General Fund of £1.114m at a net cost service level which was achieved through a combination of savings and generation of additional income, enabling the Council to boost its financial resilience. This is particularly important with the anticipated Local Government funding review as well as a reset of the Business Rate system

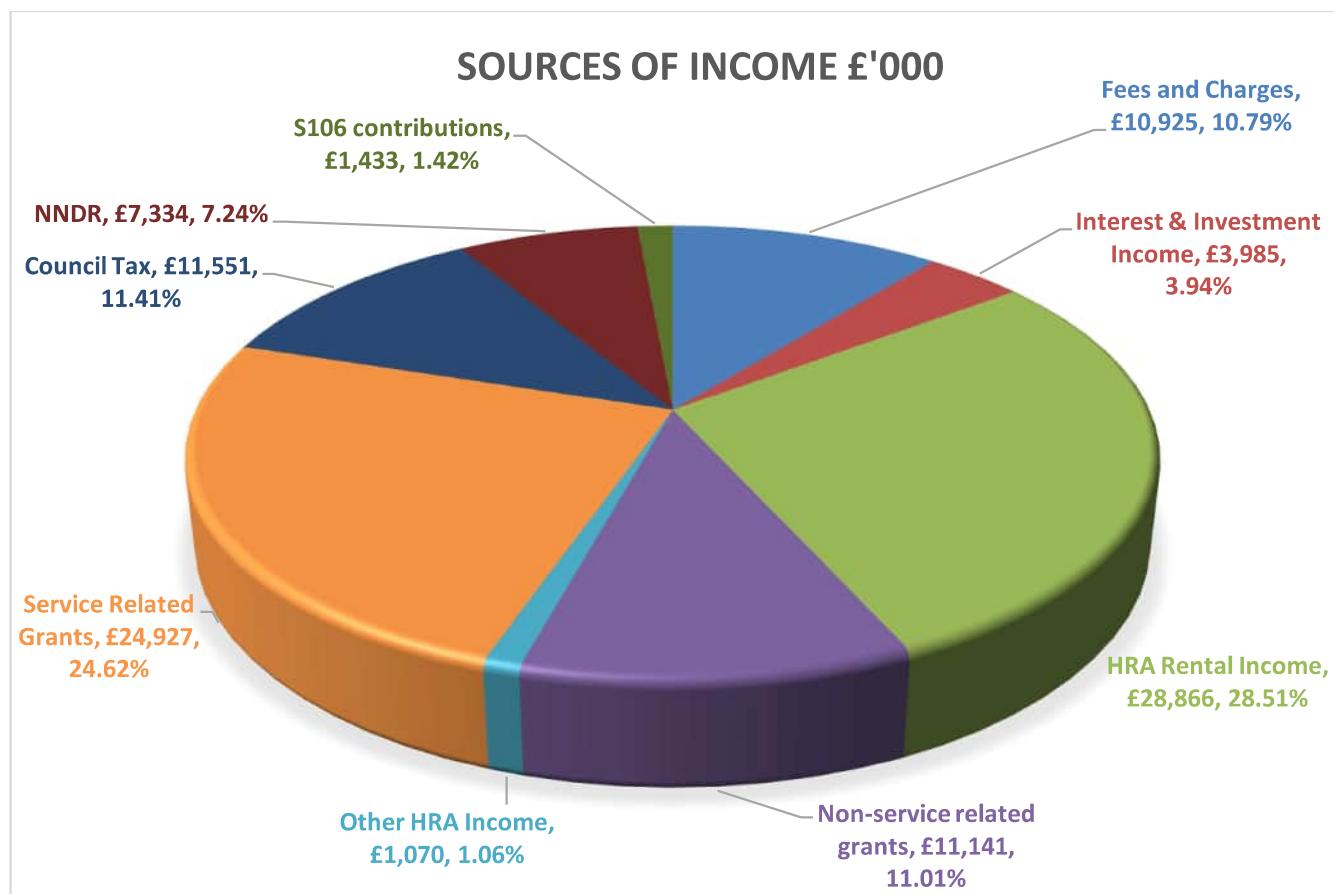
Revenue Expenditure and Income

Revenue expenditure is generally on items that are consumed within a year and is financed by Council Tax, Government Grants, Business Rates and other income. Gross Revenue expenditure in 2024/25 totalled £102.247m compared with £86.039m in 2023/24. The main increases relate to increases in grant funded economic development expenditure using the UK Shared Prosperity Fund, increased expenditure on repairs and maintenance to the housing and increases in Capital Charges relating to the revaluation of the housing stock.

Gross Income in 2024/25 totalled £65.788m compared with £64.642m in 2023/24. The major difference relates to increases in government grants and contributions across a number of schemes and projects, used to finance the additional gross service expenditure above.

The following charts show the spend in each directorate during 2024/25 and the sources of funding which the Council received:





Revenue Budget

The Council produces an annual Medium-Term Financial Plan; an annual budget and two forecast years. This is approved by Full Council in February and monitored and adjusted in-year to reflect expected expenditure and new priorities. Table 2 shows adjusted revenue budget compared with actual net expenditure by directorate at 31 March 2025:

Table 2 - Revenue Outturn Position 2024/25

General Fund	2024/25 Current Budget £'000	2024/25 Adjusted budget £'000	2024/25 Outturn £'000	Variance to Adjusted Budget £'000
Corporate, Governance & Public Protection	4,053	3,951	3,969	18
Finance, Property & Waste Services	11,575	9,828	10,032	204
Growth & Culture	8,831	5,038	4,389	(649)
Housing & Projects	1,688	1,581	1,329	(272)
HRA Recharge	(2,942)	(2,942)	(2,942)	0
Drainage Rates	947	947	976	29
Investment Income	(914)	(914)	(1,358)	(444)
General Fund Net Cost of Service	23,238	17,489	16,395	(1,114)
Housing Revenue Account	2024/25 Current Budget £'000	2024/25 Adjusted budget £'000	2024/25 Outturn £'000	Variance to Adjusted Budget £'000
Expenditure	23,057	23,057	25,669	2,612
Income	(30,010)	(30,010)	(30,728)	(718)
Interest payable,	2,140	2,140	2,138	(2)
Interest receivable	(2,099)	(2,099)	(2,627)	(528)
other accounting adjustments	(100)	(100)	(126)	(26)
HRA (Surplus)/Deficit	(7,012)	(7,012)	(5,674)	1,338

General Fund Outturn

The outturn position shown at Table 2 details a net underspend of £1.114m when compared with the adjusted budget. There are several under and overspends which account for this variance, detailed explanations are provided within the General Fund report and associated Appendices of the outturn report for 2024/25 which can be accessed via the following link.

[General Fund Provisional Outturn Report 2024-25](#)

Housing Revenue Account (HRA) Outturn

The outturn position for the HRA shown at Table 2 details a decreased in year surplus of £1.338m when compared with the adjusted budget. There are several under and overspends which account for this variance, detailed explanations are provided in Housing Revenue Account report for 2024/25 and associated appendices which can be accessed via the following link.

[Housing Revenue Account Provisional Outturn Report 2024-25](#)

Capital Expenditure

Each year the Council produces a Capital Programme comprising of an annual budget and three forecast years. This is approved by Full Council in February and then monitored and adjusted throughout the year to reflect where expenditure is expected to be incurred and as new priorities are approved. Table 3 shows the adjusted capital budget compared with the actual net expenditure by directorate at 31 March 2025:

Table 3 – Capital Outturn Position 2024/25

Directorate	2024/25 Current Budget £'000	2024/25 Adjusted Budget £'000	2024/25 Provisional Outturn £'000	2024/25 Variance to Adjusted Budget £'000
Corporate, Governance & Public Protection	1,936	1,936	1,743	(193)
Finance, Property & Waste Services	15,143	6,534	5,916	(618)
Growth & Culture	7,451	7,478	4,748	(2,730)
Housing & Property General Fund	4,080	1,256	1,373	117
Housing Revenue Account	27,207	24,365	22,770	(1,595)
Total Expenditure	55,817	41,569	36,550	(5,019)

General Fund Capital

The outturn position shown at Table 3 details a net underspend of £3.424m when compared with the adjusted budget. There are several under and overspends which account for this variance, detailed explanations are provided in Appendix B of the Outturn Report for 2024/25 which can be accessed via the following link.

[Appendix B - General Fund Provisional Outturn Report 2024-25](#)

Housing Revenue Account (HRA) Outturn

The outturn position shown at Table 3 details a net underspend of £1.595m when compared with the adjusted budget. There are several under and overspends which account for this variance, detailed explanations are provided in Appendix B of the Outturn Report for 2024/25 which can be accessed via the following link.

[Appendix B - Housing Revenue Account Provisional Outturn Report 2024-25](#)

Capital Financing

The Council has funded the 2024/25 Capital Programme from a variety of sources, which are set out in Table 4 below:

Table 4 – Capital Financing Summary 2024/25

Directorate	2024/25 Current Budget £'000	2024/25 Adjusted Budget £'000	2024/25 Outturn £'000	2024/25 Variance to Adjusted Budget £'000
Grants & Contributions	17,127	13,452	10,676	(2,776)
Earmarked Reserves	4,222	3,089	3,699	610
Capital Receipts	11,040	7,675	5,364	(2,311)
Borrowing	8,800	3,133	2,612	(521)
HRA Priorities Reserve	1,640	1,640	1,368	(272)
Major Repairs Reserve	12,988	12,580	12,831	251
Total Expenditure	55,817	41,569	36,550	(5,019)

The changes in funding reflect the changes in spending profile for the capital programme, which is largely down to slippage. The table reflect the approach to limit wherever possible the use of internal borrowing to minimise the impact of minimum revenue provision on revenue.

Capital and Revenue Budget Monitoring

The Council monitors its capital and revenue budgets on a monthly basis and produces quarterly monitoring reports which are presented to the Finance, Economic Development and Corporate

Services Overview and Scrutiny Committee and Cabinet. These reports highlight significant forecast variances so that members are aware of any potential financial pressures that may arise from these variances.

Any financial pressures that could impact on future years are incorporated into the Medium-Term Financial Plan and the budget report for the following year. The 2024/25 Revenue and Capital Outturn report presented to Finance, Economic Development and Corporate Services Overview and Scrutiny Committee, Cabinet and Governance and Audit Committee provides further detail on the variances between the adjusted budget and the outturn position.

LOOKING FORWARD

Strategic Direction - Vision

Following the approval of the new Corporate Plan 2024 - 2027, the budget setting and medium-term financial planning underpins and supports the delivery of the stated ambitions as set out in the Plan. This clarity of focus and purpose allows the Council to be clear on how its funding will be prioritised and enable disinvestment or re-allocation from non-priority areas.

The Plan now sets out the core of the Council's overarching strategic planning framework which includes the Medium-Term Financial Plan, Local Plan and arrangements for delivering good governance. The Corporate Plan is in the process of being updated so priorities could change which will then need to be reflected in the medium-term financial plan to ensure that the Council budget is allocated to support the achievement of priorities.

Sustainable Financial Autonomy

In order to ensure that the **General Fund** Medium-Term Financial Plan demonstrates a financially sustainable outlook a number of actions are in place:

- An ongoing, robust and detailed review of the assumptions that underpin the Medium-Term Financial Plan supported by scenario planning linked to the timing of the national funding changes and expected inflationary pressures. Ensuring a balanced budget position is achieved through the transformation, modernisation and service review programme, which is designed to reduce costs, drive efficiencies and ensure that resources are deployed effectively and directed to where they are most needed.
- Delivering budget reductions and savings included within annual budgets.
- Maximising key income streams, including council tax, business rates, fees and charges, investment income, etc.
- The prudent use of reserves and balances, as these can only be used once.
- Ensuring that the Capital investment ambitions are supported by robust business cases that demonstrate value for money and support the Corporate Plan. The Capital programme is supported by a robust governing framework that includes details of the capital cost and financing of each of the capital investments.
- Commissioning services that are relevant to the community and valued by those who use them.
- Reviewing the costs and performance of operating assets and identifying those that are classified as surplus to requirements or can be disposed of to generate capital receipts.

The **Housing Revenue Account** budget is set in the context of providing further investment in key service areas whilst being mindful of the need to maintain a sustainable 30 year financial business Plan which is focused on:

- Meeting the housing needs of tenants
- Facilitating the delivery of new housing across a range of tenures

- Enabling those whose independence may be at risk to access housing (including their current home) that meets their needs
- Supporting investment in homes for affordable warmth for our tenants
- Meeting compliance requirements and ensuring resources are allocated appropriately

An integral part of the Council's financial sustainability is the level of reserves to ensure the Council has sufficient funds available to meet cash flow requirements, avoid unnecessary temporary borrowing and protect services against unforeseen financial events. It also means building up funds to meet known or predicted liabilities. Through prudent financial management, the Council has also been able to establish a number of specific general reserves to provide funding for approved purposes usually in respect of specific services or corporate ambitions. Based on the levels of reserves as at the 31 March 2025 and taking into the forward projections within the MTFS the Council doesn't envisage having to consider the issuing of a Section 114 notice. A summary of the reserve balances is shown in the Movement of Reserve Statement (page 3) showing total usable reserves of £66,941m at 31 March 2025.

EXPLANATION OF THE FINANCIAL STATEMENTS

The 2024/25 Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2024/25, issued by the Chartered Institute of Public Finance and Accountancy and the Accounts and Audit Regulations 2024. The Code requires that core and supplementary statements are produced together with disclosure notes and the style and format of the accounts complies with the local authority accounting standards.

The accounts give a true and fair view of South Kesteven's financial position for the financial year 2024/25. The accounting policies are outlined on pages 71 to 82 and have been fairly and consistently applied. Proper and up-to-date accounting records are maintained, and all reasonable steps are taken to prevent and detect fraud and other irregularities.

The Chief Finance Officer is the statutory officer responsible for the proper administration of the Council's financial affairs. He is required by law to confirm that the Council's system of internal controls can be relied upon to produce an accurate statement of accounts. The statement of assurance for 2024/25 (known as the Statement of Responsibilities) appears on page 1 of this document.

The Core Financial Statements are:

- **Comprehensive Income and Expenditure Statement (Page 2)** - this shows the accounting cost in the year of providing services in accordance with IFRS rather than the amount to be funded from taxation.

The Net Cost of Service has increased from £21.397m in 2023/24 to £36.459m in 2024/25. Expenditure in the Growth and Culture Directorate has increased by £4.129m between 2023/24 and 2024/25, this difference primarily relates to an increase in grant funding for economic regeneration projects. The expenditure in the Housing and Projects Directorate has increased by £3.162m between 2023/24 and 2024/25 which primarily relates to an increase in the cost of repairs and maintenance of the housing stock. Finance, Property and Waste Services net expenditure has increased from a net income of £2.632m to a net expenditure of £5.169m. This increase of £7.801m relates to capital charges relating to the revaluation and depreciation of the housing stock.

The decrease of £0.116m in Financing and Investment Income and Expenditure is mainly due to a decrease in the value of investment property and a compensating improvement in the movement of the value of equity investments which was affected in the prior year by the winding down of the Council owned housing company Gravitas Limited.

There has been an increase of £9.709m in the income received from taxation and non-specific grants. There were increases in Council tax of £0.705m, Non-Domestic Rates have reduced by South Kesteven District Council

£0.715m, New Homes Bonus reduced by £0.105m. Section 31 grants increased by £3.230m this related to the receipt of further Future High Streets funding. Section 106 contributions increased by £1.403m and capital grants increased by £1.329m. An accounting adjustment relating to the introduction of IFRS16 meant that Bourne Leisure Centre has now been brought onto the balance sheet and this resulted in a Right of Use Asset valuation of £3.485m being recognised in the CIES.

The combination of these variances means there has been a deficit of £1.906m on the 'Provision of Services'. Non-current assets have been revalued during the year and this has resulted in a surplus of £15.979m (Surplus of £18.212m in 2023/24) being recognised in the CIES. This surplus mainly relates to the upward revaluation of Council Dwellings. Changes in actuarial assumptions in the pension fund have resulted in a loss of £1.243m (2023/24 gain of £1.592m).

- **Movement in Reserves Statement (Page 3)** – this shows the movement in the year of the different reserves held by the Council, analysed into 'usable reserves' (i.e., those that can be applied to fund expenditure) and 'unusable reserves' (those that an authority is not able to utilise to provide services).
- **Balance Sheet (Page 4)** – The Balance Sheet shows the Council's assets and liabilities at 31 March each year, in accordance with the Council's Accounting Policies. There is an inverse relationship between the Council's net worth and in particular pension liabilities i.e., as pension liabilities increase the Council's net worth reduces and vice versa. The net assets have increased by £12.830m largely due to:
 - an increase of £21.400m in Property, Plant and Equipment which relates to revaluation gains and the acquisition of new assets.
 - a decrease in investment property of £0.627m due to the sale of a property on Trent Road, Grantham and the reductions in valuations.
 - a reduction in Current Assets Held for Sale due to the sale of development land at Stonebridge Road, Grantham.
 - a decrease in short-term investments of £3.303m due to financing of the capital programme.
 - An increase in short term debtors of £1.946m payments in advance.
 - an increase of £3.564m in Short Term Creditors, relating to capital works completed in March 2025.
 - a reduction in the level of Provisions related to a fall in the number of insurance claims.
 - a reduction in Long Term Borrowing of £3.222m due the capital repayment of the HRA selffinancing debt.
 - a decrease in Capital Grants Receipts in Advance primarily due to s106 receipts relating to Affordable Housing being used to fund the building of new social housing.
- **Cash-flow Statement (Page 5)** – this shows the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- **Notes (pages 6)** – these provide supporting context to the above Statements.

Supplementary Financial Statements

- **Housing Revenue Account (pages 55)** - This reflects the statutory obligation to account separately for the Council's housing landlord function. It details the major elements of housing revenue expenditure – maintenance, administration and capital financing costs and how these are met by rents and other income. It is noted that the deficit was £9.399m in 2024/25 (£0.643m surplus in 2023/24) this decrease is mainly due to an increase in Depreciation and Impairment of Non-Current Assets of £8.259m and an increase in Repairs and Maintenance expenditure of £2.581m.
- **Collection Fund (pages 62)** – this reflects the statutory requirement for the Council to maintain a separate account providing details of receipts of Council Tax and Business Rates and any associated payments to precepting authorities and central government. It is noted that Business Rates is in surplus of £3.325m compared with a surplus of £2.175m in 2023/24. The surplus is distributed as follows:

- £1.626m Central Government
- £1.374m South Kesteven District Council
- £0.325m Lincolnshire County Council

The Council Tax element of the Collection Fund reflects and reduced deficit of £0.157m compared with a deficit of £0.552m in 2023/24. The deficit is distributed as follows:

- £0.018m South Kesteven District Council
- £0.116m Lincolnshire County Council
- £0.023m Lincolnshire Police and Crime commissioner

- **Statement of Group Accounts (page 65)** – according to statutory requirements the Council is required to produce Group Accounts where it has subsidiaries, joint ventures or associates. The Council prepares Group Accounts to include it's wholly owned company LeisureSK Ltd.
- **Glossary of Terms (page 83)** – This explains key terms used throughout the document further.

Further Information

Further information about the Statement of Accounts is available from accountancy@southkesteven.gov.uk or Finance Team, Council Offices, The Picture House, St Catherine's Road, Grantham, NG31 6TT In addition, members of the public have a statutory right to inspect the accounts before the annual audit is completed. The availability of the accounts for inspection is advertised on our website at <http://www.southkesteven.gov.uk/index.aspx?articleid=8920>

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In this Council, that officer is the Chief Finance Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts 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 this Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Local Authority Code

The Chief Finance Officer has also:

- kept proper accounting records which were up-to-date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

CHIEF FINANCE OFFICER'S CERTIFICATE

I certify that the accounts set out in this document present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2025.

Richard Wyles CPFA, ACMA, FCMA
Chief Financial Officer
23 February 2026

Cllr Tim Harrison
Chair of Governance and Audit Committee
23 February 2026

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

			2023/24	2024/25
Gross Expenditure	Gross Income	Net Expenditure		
£'000	£'000	£'000		
5,804	(1,877)	3,927	Corporate, Governance & Public Protection Service	
51,017	(53,649)	(2,632)	Finance, Property & Waste Services	
11,321	(5,526)	5,795	Growth & Culture	
17,897	(3,590)	14,307	Housing & Projects	
86,039	(64,642)	21,397	Cost Of Services	
Other Operating Expenditure				
229	0	229	(Gain)/Loss Disposal of Fixed Assets	
2,975	0	2,975	Precepts & Levies	9
132	(24)	108	Other Operating Income & Expenditure	
3,336	(24)	3,312		
Financing and Investment Income and Expenditure				
2,237	0	2,237	Interest Payable on Debt	
0	(353)	(353)	Net Interest on the net defined benefit liability (asset)	33
0	(3,922)	(3,922)	Interest & Investment Income	
0	(268)	(268)	Income & Expenditure and Movement in Fair Value of Investment Property	10
389	0	389	Movement in the value of equity investments	
2,626	(4,543)	(1,917)		
500	(25,735)	(25,235)	Taxation and Non-Specific Grant Income	11
			(2,443) (Surplus) or Deficit on Provision of Services	1,906
			(18,212) (Surplus) or deficit on revaluation of non-current assets	(15,979)
			1,592 Remeasurement of Defined Pension Liability	33
			(16,620) Other Comprehensive Income and Expenditure	1,243
			(19,063) TOTAL COMPREHENSIVE INCOME & EXPENDITURE	(12,830)

MOVEMENT IN RESERVES STATEMENT

	Housing Revenue Accounts (including Earmarked Reserves)						General Fund Balance (including Earmarked Reserves)			Housing Revenue Accounts (including Earmarked Reserves)		
	£'000		£'000		£'000		£'000		£'000		£'000	
Balance at 31 March 2024 carried forward	(25,301)		(15,179)		(16,701)		(18,718)		(75,899)		(329,354)	
Movement in reserves during 2024/25												
Total Comprehensive Income & Expenditure	(7,493)		9,399		0		(4,335)		1,906		(14,736)	
Transfers between Reserves	0		4,351		(43)		(27)		(27)		27	
Adjustments between accounting basis & funding basis under regulations (Increase) or decrease in 2024/25	17		6,112		(7,405)		635		7,737		7,079	
			(1,381)		6,345		592		3,402		8,958	
Balance at 31 March 2025 carried forward	(26,682)		(8,834)		(16,109)		(15,316)		(66,941)		(351,142)	
Balance at 31 March 2023 carried forward	(22,483)		(17,176)		(15,657)		(19,553)		(74,869)		(311,321)	
Movement in reserves during 2023/24												
Total Comprehensive Income & Expenditure	(1,800)		(643)		0		(2,311)		(2,443)		(16,620)	
Transfers between Reserves	0		2,334		(429)		(406)		(406)		406	
Adjustments between accounting basis & funding basis under regulations (Increase) or decrease in 2023/24	17		(1,018)		306		(615)		3,146		1,819	
			(2,818)		1,997		(1,044)		835		(1,030)	
Balance at 31 March 2024 carried forward	(25,301)		(15,179)		(16,701)		(18,718)		(75,899)		(329,354)	

BALANCE SHEET

At 31 March		Note	At 31 March	
2024	£'000		2025	£'000
415,414	Property Plant & Equipment	18	436,814	
690	Heritage Assets	21	690	
12,785	Investment Property	22	12,158	
946	Intangible Assets	23	936	
2,569	Long Term Investments	24	2,619	
144	Long Term Debtors	26	57	
432,548	Long Term Assets		453,274	
490	Current Assets Held for Sale	27	0	
52,924	Short Term Investments	24	49,621	
18	Inventories		17	
6,065	Short Term Debtors	26	8,011	
18,334	Cash and Cash Equivalents	28	11,795	
77,831	Current Assets		69,444	
(3,244)	Short Term Borrowing	24	(3,242)	
(11,801)	Short Term Creditors	30	(17,119)	
(684)	Provisions	32	(646)	
(15,729)	Current Liabilities		(21,007)	
(283)	Provisions	32	(154)	
(79,769)	Long Term Borrowing	24	(76,547)	
(224)	Other Long Term Liabilities	33	(191)	
(9,123)	Capital Grants Receipts in Advance	12	(6,738)	
(89,399)	Long Term Liabilities		(83,630)	
405,251	Net Assets		418,081	
£'000			£'000	
75,896	Usable Reserves		66,937	
329,355	Unusable Reserves	35	351,144	
405,251	Total Reserves		418,081	

CASH FLOW STATEMENT

Cash outflows are shown as negative figures in the cash flow statement to allow the movement in cash & cash equivalents to match the signage convention on the balance sheet.

2023/24 £'000	Notes	2024/25 £'000
Operating Activities		
2,443		(1,906)
18,032	36	25,979
(7,734)	36	(18,310)
12,741		5,763
(8,423)	37	(10,072)
(3,591)	38	(2,230)
727		(6,539)
17,607		18,334
18,334	28	11,795
727		(6,539)

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) requires the disclosure of information relating to the expected impact on the accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. This applies to the adoption of the following new or amended standards within the 2025/26 Code:

- The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability). Amendments to IAS 21 issued in August 2023.
- Insurance Contracts (IFRS 17) issued in May 2017.

Neither of these amendments are expected to have a significant impact on the Council's accounts in future years.

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies (see page 71), the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- a. There is a high degree of uncertainty about future levels of funding for local government, notably issues around funding reforms and localisation of Business Rates. However, as these reforms have been delayed until at least 2026/27 due to the economic environment the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- b. In 2024/25 the Council has adopted IFRS 16 Leases, as required by the Code of Practice for Local Authority Accounting in the United Kingdom. The main impact of the new requirements is that for arrangements previously accounted for as operating leases (i.e. without recognising the leased item as an asset and future payments as a liability), a right of use asset and a lease liability have been brought into the balance sheet at 1 April 2024. These have been calculated based on the current schedule of rental payments and discounted using the Public Works Loans Board (PWLB) certainty rate. Leases for items of low value and leases that expire on or before 31 March 2026 are exempt from the new arrangements and have been excluded.

3. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking account of historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

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

Item	Uncertainties	Consequences of difference from Assumption
Valuation of Property	The Council's external valuers provided valuations as at 31 March 2025.	A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and a loss recorded in the Comprehensive Income and Expenditure Statement. If the value of the Council's property assets were to move by 0.39% this would result in a charge of approximately £1.7m to the Comprehensive Income and
Pension Liability	<p>Estimation of the net liability to pay pensions depends on several 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 investments.</p> <p>The Council has engaged Barnett Waddingham to provide expert advice about the assumptions applied.</p>	<p>Expenditure Statement and the Revaluation Reserve.</p> <p>A 0.1% decrease in the discount rate will increase the net pension liability by £16.32m; A 0.1% increase in the assumed level of pension increases will increase the net pension liability by £15.48m</p>

4. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 7th October 2025. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing as at 31 March 2025, the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

5. PRIOR PERIOD ADJUSTMENT

There were no prior period adjustments.

NOTES TO THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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 authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Adjustments between Funding and Accounting Basis 2024/25

Net Expenditure Chargeable to the General Fund and HRA		Adjustments between the Funding and Accounting Basis		Net Expenditure in the Comprehensive Income and Expenditure Statement	
Balances	£'000	Balances	£'000	Balances	£'000
Corporate, Governance & Public Protection Service		2,471		(1,426)	3,897
Finance, Property & Waste Services		(18,933)		(24,102)	5,169
Growth & Culture		3,264		(6,660)	9,924
Housing & Projects		21,942		4,473	17,469
Net Cost of Services	8,744			(27,715)	36,459
Other Income & Expenditure	(8,131)			26,422	(34,553)
(Surplus) or Deficit on Provision of Services	613			(1,293)	1,906
Total				General Fund	HRA
				£'000	£'000
Opening General Fund and HRA Balance					
Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year					
Transfers to/ from reserves					
Closing General Fund and HRA Balance	(35,516)			(26,682)	(8,834)

Adjustments between Funding and Accounting Basis 2023/24

	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000
Corporate, Governance & Public Protection Service		2,533	(1,394)
Finance, Property & Waste Services		(8,948)	(6,316)
Growth & Culture		3,201	(2,594)
Housing & Projects		8,879	(5,428)
Net Cost of Services	5,666	(15,732)	21,397
Other Income & Expenditure		(8,821)	15,019
(Surplus) or Deficit on Provision of Services	(3,155)	(713)	(2,443)
Total	£'000	General Fund	HRA
Opening General Fund and HRA Balance			
Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year			
Transfers to/ from reserves			
Closing General Fund and HRA Balance	(40,480)	(25,301)	(15,179)

7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis 2024/25

Adjustments from General

Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note a) £'000	Net change for the Pensions Adjustments (Note b) £'000	Other Differences (Note c) £'000	Total Adjustments £'000
Corporate, Governance & Public Protection Service	(1,261)	(170)	5	(1,426)
Finance, Property & Waste Services	(23,760)	(352)	10	(24,102)
Growth & Culture	(6,356)	(311)	7	(6,660)
Housing & Projects	4,809	(345)	9	4,473
Net Cost of Services	(26,568)	(1,178)	31	(27,715)
Other Income and expenditure from the Expenditure and Funding Analysis	23,429	2,455	538	26,422
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(3,139)	1,277	569	(1,293)

Adjustments between Funding and Accounting Basis 2023/24

Adjustments from General

Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note a) £'000	Net change for the Pensions Adjustments (Note b) £'000	Other Differences (Note c) £'000	Total Adjustments £'000
Corporate, Governance & Public Protection Service	(1,209)	(180)	(5)	(1,394)
Finance, Property & Waste Services	(5,884)	(420)	(12)	(6,316)
Growth & Culture	(2,277)	(309)	(8)	(2,594)
Housing & Projects	(5,060)	(357)	(11)	(5,428)
Net Cost of Services	(14,430)	(1,266)	(36)	(15,732)
Other Income and expenditure from the Expenditure and Funding Analysis	10,843	2,885	1,292	15,020
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(3,587)	1,619	1,256	(712)

a) **Adjustments for Capital Purposes** – this column adds in depreciation and impairment and revaluation gains and losses in the services line 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. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year, 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.

b) **Net Change for the Pension Adjustments** – the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority 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 Comprehensive Income and Expenditure Statement (CIES).

c) **Other Differences** between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute:

- Adjustment involving **Accumulated Absences Account** represents the 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.

8. EXPENDITURE AND INCOME ANALYSED BY NATURE

2023/24		2024/25
£'000	Expenditure/Income	£'000
	Expenditure	
23,269	Employee benefits expenses	24,866
43,458	Other services expenses	45,720
19,312	Depreciation, amortisation, impairment	31,661
86,039	Total expenditure	102,247
Income		
(9,887)	Fees, charges and other service income	(10,925)
(26,792)	Government grants and contributions	(24,927)
(26,860)	Dwelling Rents	(28,866)
(1,103)	Non- Dwelling rents	(1,070)
(64,642)	Total income	(65,788)
21,397	Net cost of services	36,459

9. PRECEPTS AND LEVIES

2023/24	2024/25
£'000	£'000
2,073 Parish Council Precepts	2,398
902 Drainage Board Levies	976
2,975	3,374

10. INCOME AND EXPENDITURE AND MOVEMENT IN FAIR VALUE OF INVESTMENT PROPERTIES

2023/24	2024/25
£'000	£'000
(325) Income & Expenditure from investment properties	(326)
0 Loss on disposal of investment property	30
57 Movements in relation to changes in the fair value of investment properties	488
(268)	192

11. NON SERVICE RELATED GOVERNMENT GRANTS

2023/24	2024/25
£'000	£'000
(10,846) Council Tax	(11,551)
(8,049) Non-Domestic Rates	(7,334)
(459) New Homes Bonus	(564)
(1,862) S31 Grant	(5,092)
0 Right of Use Asset	(3,485)
(30) S106 Contribution	(1,433)
(4,489) Capital Grants	(5,818)
500 Local Enterprise Partnership Grant Repayment	333
(25,235)	(34,944)

12. GRANT INCOME

The Council credited the following grants and contributions to the Cost of Services in the Comprehensive Income and Expenditure Statement in 2024/25

2023/24		2024/25
£'000		£'000
18,022	Benefits Subsidy	17,333
208	Local Council Tax Admin Subsidy	279
290	Housing Benefits Admin Grant	11
156	Discretionary Housing Payment	157
56	Welfare Reform	0
80	Neighbourhood Planning Grant	0
1,061	Disabled Facilities Grant	1,210
615	Homelessness	662
634	Rough Sleeping	646
0	New Burdens - Tenant Satisfaction	18
57	Heritage Action Zone	0
142	Arts and Recreation Grants	3
943	Household Support Fund	439
0	Local Authority Data Share	20
0	Housing Benefits New Burdens	30
1,078	Energy Bill Support Scheme	0
58	Electoral Integrity New Burdens Funding	32
80	Pathfinder	0
787	Afghan Resettlement	357
587	Homes for the Ukraine	108
0	Asylum Dispersal	106
0	Food Waste	280
1,419	UK Shared Prosperity Fund	2,479
0	Planning Skills Delivery Fund	75
295	ERDF - Blue Green Corridor	0
65	Garden Communities Programme	0
345	Swimming Pool Support Fund	0
0	Lincolnshire Safer Streets Grant	96
226	Other Grants	47
<u>27,204</u>		<u>24,388</u>

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the money to be returned.

The balances at the year end are as follows:

2023/24	Capital Grants	2024/25
£'000	Receipts in Advance	£'000
1,306	Receipts in Advance	62
<u>7,817</u>	S106 Contributions	<u>6,676</u>
<u>9,123</u>		<u>6,738</u>

13.OFFICER REMUNERATION

The number of employees whose remuneration was £50,000 or more, (excluding those classed as senior employees with strategic responsibility and shown separately in the second table below) in bands of £5,000 were:

2023/24		2024/25	
No. of officers	Remuneration Band	No. of officers	
10	£50,000 - £54,999	8	
2	£55,000 - £59,999	5	
3	£60,000 - £64,999	4	
3	£65,000 - £69,999	3	
0	£70,000 - £74,999	1	
0	£75,000 - £79,999	1	
3	£80,000 - £84,999	0	
0	£85,000 - £89,999	2	
21		24	

The remuneration of senior employees (i.e. those with strategic responsibility for the Council) is shown below:

		Salary, Fees & Allowances	Bonuses & Expenses Allowances	Compensation for Loss of Employment	Employers Pension contribution	Any other emolument	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	2024/25	148	10	0	37	11	206
	2023/24	149	0	0	36	11	196
Director of Housing	2024/25	101	0	0	25	4	130
	2023/24	6	0	0	0	0	6
Director for Growth and Culture	2024/25	64	0	49	19	8	140
	2023/24	101	0	0	25	0	126
Chief Finance and S151 Officer	2024/25	121	0	0	30	9	160
	2023/24	115	0	0	28	8	151
Deputy Chief Executive & Monitoring Officer	2024/25	0	0	0	0	0	0
	2023/24	32	0	23	7	0	62
Interim Director of Housing	2024/25	0	0	0	0	0	0
	2023/24	47	0	9	12	3	71
Monitoring Officer	2024/25	90	4	0	22	5	121
	2023/24	90	0	0	22	0	112
Head of Service - Human Resources & Organisational Development	2024/25	63	0	0	0	0	63
	2023/24	64	0	0	0	0	64

14. TERMINATION BENEFITS

Exit Package cost bands (including special payments)	Number of compulsory redundancies		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25
	No.	No.	No.	No.	£'000	£'000
£0-£20,000	0	0	13	4	87	23
£20,001 - £40,000	0	0	2	1	45	21
£40,001 - £60,000	0	0	0	1	0	49
£60,001 - £80,000	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0
£150,000 and above	0	0	0	0	0	0
Total Cost included in bandings	0	0	15	6	132	93
Amounts provided for in CIES not included in bandings					0	0
Total Cost included in CIES					132	93

15. MEMBERS' ALLOWANCES

The Local Authorities (Members' Allowances) Regulations 2003 requires local authorities to publish the amounts paid to members under the Members' allowance scheme.

The Council had 56 elected Councillors as at 31 March 2025.

Members' allowances and expenses paid during the year amounted to £582,329 (2023/24 £559,783). The figure includes basic allowance, special responsibility, and other related allowances.

16. JOINT OPERATIONS

South Kesteven District Council are members with Newark and Sherwood District Council and Rushcliffe Borough Council of the Building Control Partnership. The partnership's net expenditure in 2024/25 is £103,135 of which £34,379 is attributable to South Kesteven District Council and accounted for within the Council's Comprehensive Income and Expenditure Statement.

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

17. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER STATUTE

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 practices, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The descriptions of the reserves that the adjustments are made against are as follows:

General Fund Balance

The General Fund is the statutory fund into which all the receipts of a Council are required to be paid and out of which all the liabilities 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 (or the deficit of resources that the Council is required to recover) at the end of the financial year however the balance is not available to be applied to 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 & 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 or (if in deficit) that is required to be recovered from tenants.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve which funds capital investment in 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 as at the year-end.

Adjustments between Accounting Basis and Funding Basis under Regulations (Continued)

2024/25	General Fund £'000	HRA £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account						
Depreciation of non-current assets	(3,453)	0	0	(5,094)	(8,547)	8,547
Amortisation of intangible assets	(126)	(282)	0	0	(408)	408
Revaluation gains/losses on PPE	(180)	(1,861)	0	0	(2,041)	2,041
Impairments charged to CIES	0	(15,137)	0	0	(15,137)	15,137
Movements in market value of investment properties	(506)	18	0	0	(488)	488
Revenue expenditure funded from capital under statute (REFCUS)	(5,520)	0	0	0	(5,520)	5,520
Financing of REFCUS	5,520	0	0	0	5,520	(5,520)
Capital expenditure	4,882	8,563	5,364	12,831	31,640	(31,640)
Adoption of IFRS16 Right of Use Asset	3,485	0	0	0	3,485	(3,485)
Statutory provision for financing of capital investment	282	0	0	0	282	(282)
Profit/Loss on disposal of non-current assets	111	1,025	(4,729)	0	(3,593)	3,593
Assets under construction discontinued	0	(8)	0	0	(8)	8
Adjustments primarily involving the Collection Fund Adjustment Account						
Adjustment to council tax income	43	0	0	0	43	(43)
Adjustment to NNDR income	495	0	0	0	495	(495)
Adjustments primarily involving the Pension Fund						
Adjustment of IAS 19 retirement entries for actual contributions	1,006	270	0	0	1,276	(1,276)
Adjustments primarily involving the Accumulating Compensated Absences Account						
Financial Instruments	24	7	0	0	31	(31)
Total Adjustments	49	0	0	0	49	(49)
	6,112	(7,405)	635	7,737	7,079	(7,079)

Adjustments between Accounting Basis and Funding Basis under Regulations (Continued)

2023/24	General Fund £'000	HRA £'000	Capital Receipts £'000	Major Repairs Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account						
Depreciation of non-current assets	(3,123)	0	0	(4,881)	(8,004)	8,004
Amortisation of intangible assets	(119)	(231)	0	0	(350)	350
Revaluation gains/losses on PPE	104	219	0	0	323	(323)
Impairments charged to CIES	(132)	(9,199)	0	0	(9,331)	9,331
Movements in market value of investment properties	(54)	(3)	0	0	(57)	57
Revenue expenditure funded from capital under statute (REFCUS)	(2,053)	0	0	0	(2,053)	2,053
Financing of REFCUS	2,051	2	0	0	2,053	(2,053)
Capital expenditure	459	8,852	3,112	8,027	20,450	(20,450)
Statutory provision for financing of capital investment	287				287	(287)
Profit/Loss on disposal of non-current assets	(600)	371	(2,933)	0	(3,162)	3,162
Donated Asset	0	(29)	0	0	(29)	29
Adjustments primarily involving the Collection Fund Adjustment Account						
Adjustment to council tax income	(47)	0	0	0	(47)	47
Adjustment to NNDR income	1,339	0	0	0	1,339	(1,339)
Adjustments primarily involving the Pension Fund						
Adjustment of IAS 19 retirement entries for actual contributions	1,286	333	0	0	1,619	(1,619)
Adjustments primarily involving the Accumulating Compensated Absences Account						
Financial Instruments	(389)	0	(794)	0	(1,183)	1,183
Adjustments between Usable Reserves						
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0
Total Adjustments	(1,018)	306	(615)	3,146	1,819	(1,819)

NOTES TO THE BALANCE SHEET

18. PROPERTY, PLANT AND EQUIPMENT (PPE)

Non-current assets owned and assets leased by the Council include the following:

Movement in 2023/24							Movement in 2024/25							
Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000	Cost or Valuation at 1 April 2023	Opening Balance Adjustment (IFRS 16)	Adjusted Opening Balance 1 April 2024	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000
325,128	66,055	17,464	140	12,099	420,886	339,572	65,966	348,784	339,572	65,966	17,980	190	5,076	428,784
13,208	420	1,683	0	1,393	16,704	19,844	1,014	2,716	0	6,758	0	6,758	0	3,485
11,575	236	0	0	0	11,811	10,260	(1,112)	0	0	0	0	0	0	432,269
(9,199)	(5)	0	5	0	(9,199)	(17,250)	(290)	0	0	0	0	0	0	(17,540)
(1,475)	(695)	(1,167)	0	(29)	(3,366)	(2,231)	(310)	(796)	(20)	(8)	(8)	(8)	(8)	(3,365)
0	(45)	0	45	0	(8,052)	Assets reclassified	Construction	745	0	0	0	0	0	0
335	0	0	0	(8,387)	339,572	339,572	350,940	68,753	19,900	170	11,081	450,844	339,511	
Accumulated Depreciation & Impairment							Movement in 2024/25							
(19)	(332)	(12,765)	0	0	(13,116)	at 1 April 2023	at 1 April 2024	(61)	(398)	(12,911)	0	0	0	(13,370)
(4,615)	(2,203)	(1,170)	(16)	0	(8,004)	Depreciation charge		(4,825)	(2,441)	(1,266)	(15)	0	0	(8,547)
4,395	1,993	0	14	0	6,402	Depreciation written out to the Revaluation Reserve		4,584	2,231	0	15	0	0	6,830
9,377	144	0	2	0	9,523	Depreciation written out to the Comprehensive Income & Expenditure Statement		15,363	137	0	0	0	0	15,500
(9,199)	0	0	0	0	(9,199)	Derecognition of Non Enhancing Capital Expenditure		(15,137)	0	0	0	0	0	(15,137)
0	0	1,024	0	0	1,024	Derecognition - Disposals	at 31 March 2024	(76)	(471)	(13,483)	694	0	0	694
(61)	(398)	(12,911)	0	0	(13,370)	Net Book Value	at 31 March 2025	350,864	68,282	6,417	170	11,081	436,814	

Property, Plant & Equipment (Continued)

Valuation Assumptions

The significant assumptions applied in estimating the current values by the Valuer are as follows:

- No potentially deleterious or hazardous materials were used in the construction of the assets and none has subsequently been incorporated.
- That the properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and good titles can be shown.
- The properties and their values are unaffected by any matters which would be revealed by a local search or inspection of any register and that use and occupation are both legal.
- The inspection of those parts which have not been inspected would cause the Valuer to alter their opinion of value.
- The land and properties are not contaminated nor adversely affected by radon.
- No allowances have been made for any rights obligations or liabilities arising from the Defective Premises Act 1972.
- The Council carries out a full revaluation of its properties on a rolling basis over a five year period. In the years where an asset is not subject to a full revaluation a review is carried out by appointed valuers Valuation Office Agency in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (RICS). Valuations of vehicles, plant and equipment are based on depreciated cost.
- A full year of depreciation is charged in the year of acquisition and none in the year of disposal.
- The net book value of vehicles, plant and equipment includes vehicles valued at £2.8m which are depreciated using reducing balance method.
- In the adoption of accounting standard IFRS16 a right of use asset has been brought onto the balance sheet. Bourne Leisure Centre has been added to the reporting of Other Land and Buildings and is shown as an opening balance adjustment.

19. 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), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2023/24		2024/25
£'000		£'000
104,146	Opening Capital Finance Requirement	101,005
	Capital Investment	
4,009	Council Dwellings	4,707
420	Other land & buildings	1,014
1,683	Vehicles, plant & equipment	2,716
1,393	Assets under construction	6,758
21	Investment property	301
9,200	Capital expenditure	15,137
870	Intangible Assets	398
2,053	Revenue expenditure charged to capital under statute	5,520
	Sources of Finance	
(3,113)	Capital receipts	(5,364)
(4,818)	Capital grants & contributions	(11,756)
(14,859)	Sums set aside from revenue	(20,323)
101,005	Closing Capital Financing Requirement	100,113
	Explanation of movements in year	
(3,141)	Increase/(Decrease) in underlying need to borrow (supported by government financial assistance)	(892)
(3,141)	Increase/ (Decrease) in Capital Financing Requirement	(892)

20. CAPITAL COMMITMENTS

At 31 March 2025 the authority had entered into two contracts for the construction or enhancement of property, plant and equipment in 2025/26.

	Contractor	£'000
Waste Depot	Lindum Group	5,423
Swinegate New Homes	Lindum Group	787
Contract commitments at 31 March 2025		6,210

21. HERITAGE ASSETS

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

	Assets held at value		Assets held at cost	Total Assets
	Antiques £'000	Miscellaneous Artefacts £'000	Art Installation £'000	£'000
Cost or Valuation				
1st April 2023	257	398	35	690
Revaluations	0	0	0	0
Additions in year	0	0	0	0
Disposals in Year	0	0	0	0
31st March 2024	257	398	35	690
Revaluations	0	0	0	0
Additions in year	0	0	0	0
Disposals in Year	0	0	0	0
31st March 2025	257	398	35	690

It is not practicable to report any transactions relating to Heritage Assets before 1 April 2010, as such transactions were not distinguished from those relating to operational assets.

a. Antiques

The Council's collection of antiques is reported in the Balance Sheet at insurance valuation which is based on market values. The collection includes items such as the chandeliers and mirrors at Stamford Arts Centre and two large Japanese bronze koros in the civic suite at Grantham. The collection also includes an 18th Century portrait of Catherine Manners, Lady Huntingtower on view at Guildhall Arts Centre, Grantham.

b. Miscellaneous Artefacts

Items of note in this collection include civic regalia and a Victoria Cross medal. Items in this collection are reported in the Balance Sheet at insurance valuation which is based on market values. The collection is held at Grantham.

Valuations were undertaken in May 2023 for insurance purposes by Anthony Marriott, Fine Art Consultant & Valuer.

c. Art Installations

The Orrery sculpture in Grantham Market Place and the light installation on St Peter's Hill South Kesteven District Council

are reported at cost. The statue of Baroness Thatcher donated in year by the Public Memorials Appeal is reported at the estimated cost provided by the donor.

d. Historic

The Council has a collection of assets that are of historic significance but are not reported on the balance sheet as their value cannot be reliably established. This collection is made up of the following:

St Leonard Priory, Stamford Conduit, Grantham	12th Century Priory listed ancient monument 16th Century Well Head
Dysart Park Band Stand, Grantham	Victorian wrought iron band stand
Wyndham Park Shelter, Grantham	World War 1 memorial shelter
17th Century Stocks, Witham on the Hill	
Statue, St Peter's Hill, Grantham	Baroness Thatcher of Kesteven

Currently the Council has no intangible Heritage Assets

More details on the Heritage Assets held by the Council including their location and any public access allowed is held on the Council's Heritage Asset schedule.

22. INVESTMENT PROPERTIES

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

2023/24		2024/25
£'000		£'000
(369)	Rental income from investment property	(371)
44	Direct operating expenses arising from investment property	45
<u>(325)</u>		<u>(326)</u>

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

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

2023/24		2024/25
£'000		£'000
5,019	Balance at start of year	12,785
21	Additions - Purchases	301
8,052	Transfers from Assets under construction	0
(57)	Net gains/(losses) from fair value adjustments	(488)
(250)	Disposals	(440)
<u>12,785</u>	Balance at end of year	<u>12,158</u>

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications. Fair value measurement

for investment property has been categorised as Level 2 fair value based on information from observable market transactions of comparable property with no significant adjustments.

23. INTANGIBLE ASSETS

The Council accounts for its software licences as intangible assets where the software is not an integral part of a particular IT system. The intangible assets included in the balance sheet only include purchased licences. They are held at historic cost.

All licences are given a finite useful life, based on assessments of the period the software is expected to be of use to the Council.

Movements on Intangible Assets during the year were as follows:

2023/24		2024/25
£'000		£'000
	Balance at start of year:	
1,243	Gross carrying amount	2,101
(817)	Accumulated amortisation	(1,155)
<u>426</u>	Net carrying amount at start of year	<u>946</u>
870	Additions	398
(350)	Amortisation for the period	(408)
<u>520</u>		<u>(10)</u>
(12)	Disposals	(408)
12	Amortisation written back	408
<u>0</u>		<u>0</u>
946	Net carrying amount at end of year	936
Comprising		Comprising
2,101	Gross carrying amount	2,091
(1,155)	Accumulated amortisation	(1,155)
<u>946</u>		<u>936</u>

None of the intangible assets are individually material to the financial statements.

24. FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instruments of another entity. Non exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments. The following categories of financial instrument are carried in the Balance Sheet:

Financial Assets										
	Non Current				Current					
	Investments		Debtors		Investments		Debtors			
	31-Mar-25 £'000	31-Mar-24 £'000	31-Mar-25 £'000	31-Mar-24 £'000	31-Mar-25 £'000	31-Mar-24 £'000	31-Mar-25 £'000	31-Mar-24 £'000		
Amortised Cost										
Principal	2,619	2,569	57	144	49,000	52,000	4,408	3,902		
Investment Accrued										
Interest	0	0	0	0	621	924	0	0		
Cash and cash equivalents (CCE)	0	0	0	0	11,795	18,334	0	0		
Fair value through other comprehensive income - other										
	0	0	0	0	0	0	0	0		
Total financial assets	2,619	2,569	57	144	61,416	71,258	4,408	3,902		
Non financial assets	0	0	0	0	0	0	3,603	2,163		
Total	2,619	2,569	57	144	61,416	71,258	8,011	6,065		

Financial Liabilities

	Non Current				Current					
	Investments		Debtors		Investments		Creditors			
	31-Mar-25 £'000	31-Mar-24 £'000	31-Mar-25 £'000	31-Mar-24 £'000	31-Mar-25 £'000	31-Mar-24 £'000	31-Mar-25 £'000	31-Mar-24 £'000		
Amortised Cost										
Principal	76,547	79,769	3,223	3,223	8,810	6,190				
Interest	0	0	19	21	0	0				
Total financial liabilities	76,547	79,769	3,242	3,244	8,810	6,190				
Non financial liabilities	0	0	0	0	6,555	5,611				
Total	76,547	79,769	3,242	3,244	15,365	11,801				

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value

Except for the financial assets carried at fair value (described in the table above), 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 Public Works Loan Board (PWLB) and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- 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.

	31-Mar-25		31-Mar-24	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
	PWLB	79,789	0	83,013
Short Term Creditors	8,810	8,810	6,190	6,190
Total	88,599	8,810	89,203	6,190

The fair value of the liabilities is less than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans in the market at the Balance Sheet date. This shows a

	31-Mar-25		31-Mar-24	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
	Cash and Cash Equivalents	11,795	11,795	18,334
Short Term Investments	49,000	49,000	52,000	52,000
Long Term Investments	2,619	2,619	2,569	2,569
Short Term Debtors	4,408	4,408	3,902	3,902
Long Term Debtors	57	57	144	144
Total	67,879	67,879	76,949	76,949

The fair value measurement of the financial assets and liabilities are all hierarchy level 2 - other significant observable inputs.

25. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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 requiring 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 prior to the commencement of the year to which it relates. This strategy sets out the parameters for the management of risks associated with financial instruments.

The Council's Treasury Management Strategy for 2024/25 is available on the Council's website at [Treasury Management Strategy 2024-25](#)

The strategy also includes an Annual Investment Strategy for the forthcoming year, setting out the Council's criteria for both investing and selecting investment counterparties.

These strategies are implemented by the central treasury department. The Council maintains 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 through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

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 is available on the Council's website.

The Council's credit risk management practices are set out on pages 17 to 19 of the Annual Investment Strategy. With particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

The Annual Investment Strategy 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 and 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 Council uses the creditworthiness service provided by Link. 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 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 was approved by Full Council on 29th February 2024 and is available on the Council's website.

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

The Council's maximum exposure to credit risk in relation to its investments in banks, building societies, property fund and money market funds of £62.386m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, the Council has £3m invested with the property fund and at 31 March 2025 this was valued at £2.619m.

Amounts Arising from Expected Credit Losses

We have assessed the Council's short and long term investments and concluded that the expected credit loss is not material therefore no allowances have been made.

A summary of the credit quality of the Council's investments at 31 March 2025 is shown below, along with the potential maximum exposure to credit risk, based on experience of default and uncollectability.

	Link Asset Services - Colour banding	Lowest Long Term Rating	Balance at 31 March 2025 £'000	Historical Experience of Default %	Estimated maximum exposure to default and uncollectability at 31 March 2025 £
Deposits with Banks and Financial Institutions					
Standard Chartered Bank (ESG)	Orange	A+	4,000	0.004%	160
Standard Chartered Bank (ESG)	Orange	A+	5,000	0.042%	2076
Lloyds Bank Plc (RFB)	Orange	A+	5,000	0.015%	761
CCLA Property Fund	Not Rated	Not Rated	3,000	0.000%	0
BNP Paribas MMF*	Yellow	AAA	767	0.000%	0
LGIM MMF*	Yellow	AAA	5,000	0.000%	0
Aberdeen Standard Investments MMF*	Yellow	AAA	5,000	0.000%	0
Santander UK PLC	Red	A	10,000	0.012%	1185
Highland Council	Yellow	AA-	5,000	0.012%	0
Reading Borough Council	Yellow	AA-	3,000	0.001%	0
Newcastle Building Society	White	Not Rated	2,000	0.000%	0
Plymouth City Council	Yellow	AA-	5,000	0.007%	0
National Bank of Canada	Orange	A+	5,000	0.019%	942
Lancashire County Council	Yellow	AA-	5,000	0.013%	0
Total Investments			62,767		5,124

* Money Market Funds

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

The Council does not generally allow extended credit for its trade debtors, but some of the current balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	At 31 March	At 31 March	At 31 March
	2025	2024	2023
	£'000	£'000	£'000
Under 30 Days	65	112	132
30-60 days	1,296	1,157	2,521
60-90 days	122	146	122
Over 90 Days	581	568	639
Total	2,064	1,983	3,414

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 Treasury Management 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 assets, excluding sums due from customers, is as follows:

	At 31 March	At 31 March	At 31 March
	2025	2024	2023
	£'000	£'000	£'000
Less than one year	59,767	70,420	65,509
Between one and two years	2,619	2,569	2,632
Total	62,386	72,989	68,141

Re-financing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above 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 on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central 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 provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

	At 31 March 2025 £'000	At 31 March 2024 £'000	At 31 March 2023 £'000
Less than one year	3,242	3,244	3,245
Between one and two years	3,222	3,222	3,222
Between two and five years	9,665	9,665	9,665
Between five and ten years	16,109	16,109	16,109
Between ten and fifteen years	41,109	41,109	41,109
Over Fifteen Years	6,442	9,664	12,886
Total	79,789	83,013	86,236

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 variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Account will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Account will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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.

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 central treasury team will monitor 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 rates borrowing would be postponed. If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	343
Impact on Surplus or Deficit on the Provision of Services	<u>343</u>

Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure) 15,588

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at amortised Cost.

Price risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds but does have shareholdings in the Gravitas Housing Limited which is a wholly owned Local Authority Controlled Company. Whilst these holdings are generally illiquid, the Council is consequently exposed to losses arising from movements in the prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead, it only acquires shareholdings in return for "open book" arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific shareholdings.

The shares in Gravitas Housing Limited have been elected as Fair Value through Other Comprehensive Income, meaning that all movements in prices will impact on gains and losses recognized in the Financial Instruments Revaluation Reserve. A general shift of 5% in the general price of the shares (positive or negative) would have resulted in a £56k gain or loss being recognised in the Financial Instrument Revaluation Reserve.

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.

26. DEBTORS

An analysis of Debtors is shown below

At 31 March		At 31 March
2024		2025
£'000		£'000
Current Debtors		
1,041	Government Departments	3,034
1,639	Other Local Authorities	1,002
19	NHS	19
3,366	Other entities and individuals	3,956
6,065		8,011
Long Term Debtors		
144	Other	57
144		57

27. ASSETS HELD FOR SALE

The details of the assets held for sale are shown below.

2023/24		2024/25
£'000		£'000
1,090	Balance at start of year	490
	Assets newly classified as held for sale:	
0	Property, Plant & Equipment	0
(600)	Assets sold	(490)
490		0

28. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

At 31 March 2024		At 31 March 2025
£'000		£'000
1	Cash held by the authority	1
(87)	Bank current accounts	1,027
18,420	Short Term Deposits	10,767
18,334	Total Cash & Cash Equivalents	11,795

Some instant access accounts are used for short-term investments where the rate of interest achieved is better than for a short-term investment. However, due to the requirements of the Code they are included as Cash and Cash Equivalents on the Balance Sheet.

29. BORROWING

Non-Current Borrowing represents borrowing repayable within a period in excess of one year.

2023/24		2024/25	
£'000	Analysis of Loans by Source	£'000	
79,769	PWLB	76,547	
79,769		76,547	
£'000	Analysis of Loans by Maturity	£'000	
3,222	Between 1 and 2 Years	3,222	
9,665	Between 2 and 5 Years	9,665	
16,109	Between 5 and 10 Years	16,109	
41,109	Between 10 and 15 Years	41,109	
9,664	Over 15 years	6,442	
79,769		76,547	

Current Borrowing represents borrowing repayable within one year.

2023/24		2024/25	
£'000		£'000	
3,245	Balance at start of year	3,244	
(3,244)	Borrowing repaid during year	(3,243)	
3,222	Transferred from Non-Current Borrowing	3,222	
21	Accrued interest at end of year	19	
3,244	Balance at end of year	3,242	

30. CREDITORS

An analysis of Creditors is shown below:

At 31 March		At 31 March	
2024		2025	
£'000		£'000	
3,004	Government Departments	4,461	
394	Other Local Authorities	350	
8,403	Other entities and individuals	12,308	
11,801	Total	17,119	

31. LEASES

In 2024/25 the Council has adopted IFRS 16 Leases, as required by the Code of Practice for Local Authority Accounting in the United Kingdom. The main impact of the new requirements is that for arrangements previously accounted for as operating leases (i.e. without recognising the leased item as an asset and future payments as a liability), a right of use asset has been brought into the balance sheet at 1 April 2024.

Leases for items of low value and leases that expire within a year on the reporting date are exempt from the new arrangements. These are expensed to the Comprehensive Income and South Kesteven District Council

Expenditure Statement as incurred and not recognised on the balance sheet.

Discount rates used for calculating lease liabilities – where an interest rate is not implicit within the lease / contract, the appropriate PWLB borrowing rate has been used.

Council as Lessee

The Council's lease contracts comprise of operational land and buildings only. All Vehicles, Plant and Equipment are owned outright or constitute low value assets such as printers and as such have not been included in the tables below.

- The lease for Bourne Leisure Centre commenced 17th May 1990 for a term of 99 years at a rent of £1 per year if demanded. The value of this asset can be seen in the table below.

Right of use assets

	Land and Buildings £'000	Total £'000
Balance at 01 April 2024	3,485	3,485
Additions	196	196
Revaluations	(74)	(74)
Depreciation and Amortisation	(9)	(9)
Disposals	0	0
Balance at 31 March 2025	3,598	3,598

Lease Liabilities – The lease liabilities of the Council are not material, totalling less than £1,000.

Council as Lessor

The Council has leased out HRA shops and the Crematorium at Grantham on finance leases with the remaining terms being between 65 and 70 years. The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding.

Gross Investment in the Lease

At 31 March	At 31 March
2024	2025
£'000	£'000
11	10
51	51
1,740	1,740
1,802	1,801
Gross Investment in the Lease	

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Lease Payments
	At 31 March		At 31 March
	2025 £'000	At 31 March 2024 £'000	2025 £'000
Not later than one year	1	1	0
Between one & five years	5	5	1
Later than 5 years	1,795	1,796	11
	1,801	1,802	12

	Gross Investment in the Lease		Minimum Lease Payments
	At 31 March		At 31 March
	2024 £'000	At 31 March 2023 £'000	2024 £'000
Not later than one year	1	1	0
Between one & five years	5	5	1
Later than 5 years	1,796	1,797	11
	1,802	1,803	12

No allowance for uncollectible amounts has been set aside as at 31 March 2025.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2024/25 no contingent rents were receivable by the Council

Operating Leases

The Council leases out property under operating leases for the following purposes

- For the provision of community services such as leisure and community services.
- For economic development services to provide suitable affordable accommodation for local businesses.

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

At 31 March		At 31 March
2024		2025
£'000		£'000
771	Not later than one year	754
1,330	Between one & five years	1,217
3,546	Later than 5 years	3,351
5,647		5,322

32.PROVISIONS

All of the personal injury and property damage compensation claims are individually insignificant. They relate to personal injury or property damage sustained where the Council is alleged to be negligent. Provision is made for those claims where it is deemed probable that the Council will have to make a settlement, based on reserves set by the Council's insurer. Of the £198k provided at 31st March 2025 £115k is expected to be settled in 2025/26.

	Injury & Damage Compensation	Business Rates Appeals	Total
	Claims £'000	£'000	£'000
2024/25			
Balance at 1 April 2024	301	666	967
Additional provisions made in 2024/25	115	236	351
Amounts used in 2024/25	(109)	(300)	(409)
Unused amounts reversed in 2024/25	(108)	0	(108)
Total	199	602	801
Split between:			
Short-term provisions	129	517	646
Long-term provisions	69	85	154
	198	602	800
2023/24			
Balance at 1 April 2023	166	2,339	2,505
Additional provisions made in 2023/24	230	168	398
Amounts used in 2023/24	(34)	(1,841)	(1,875)
Unused amounts reversed in 2023/24	(61)	0	(61)
Total	301	666	967
Split between:			
Short-term provisions	163	521	684
Long-term provisions	138	145	283
	301	666	967

The Council has a provision for any potential liabilities as a result of Business Rate Payers appeals against rateable valuations. The Council is responsible for a 40% share of this liability along with Government who are responsible for 50% and Lincolnshire County Council being responsible for a 10%.

33.DEFINED BENEFIT PENSION SCHEME

a. Participation in Pension Scheme

As part of the terms and conditions of employment of its officers and other employees, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments for those benefits 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 final salary scheme, meaning the Council, and employees, pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.
- The Lincolnshire County Council 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 Pension Fund Regulations.
- The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from 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.

Discretionary Post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

b. Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax 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 reversal of the IAS19 transactions ensures that there is no effect on the amounts to be met from government grant and the local taxpayers. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

2023/24

£'000

2024/25

£'000

Comprehensive Income and Expenditure Statement

Cost of Services

2,744	- current service cost	3,159
8	- past service cost	0
108	Administration fee	130
Financing & Investment Income & Expenditure		
6,210	- Net interest expense	6,889
(6,563)	-Expected return on assets in the scheme	(6,986)
2,507	Total Post-employment benefits charged to the (Surplus) or Deficit on the Provision of Services	3,192

Other Post-employment benefits charged to the Comprehensive Income and Expenditure Statement

Remeasurement of the net defined benefit liability
comprising:

(6,467)	-return on plan assets (excluding the amount included in the net interest expense)	1,452
(1,779)	-Actuarial (gains) and losses arising on changes in demographic assumptions	(332)
(874)	-Actuarial (gains) and losses arising on changes in financial assumptions	(18,358)
10,330	Impact of pension net asset ceiling	18,833
382	-Other	(352)
1,592	Total Other Post-employment benefits charged to the Comprehensive Income and Expenditure Statement	1,243

Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement

4,126	- Employers' contributions payable to scheme.	4,468
(2,507)	Total Post-employment benefits charged to the (Surplus) or Deficit on the Provision of Services	(3,192)
1,619	Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the Code	1,276

Actual amount charged against the General Fund Balance for pensions in the year.

4,126	- Employers' contributions payable to scheme.	4,468
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c. Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2023/24 £'000	2024/25 £'000
Comprehensive Income and Expenditure Statement	
126,746	112,360
(142,666)	(147,893)
(15,920)	(35,533)
224	191
15,920	35,533
224	191
Net liability arising from defined benefit obligation	

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

2023/24 £'000	2024/25 £'000
130,779	142,666
6,563	6,986
Remeasurement gain/ (loss):	
6,467	(1,452)
4,126	4,468
1,064	1,156
(6,225)	(5,801)
(108)	(130)
142,666	147,893
Closing fair value of scheme assets	

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. On 2 September 2025, the Government published draft amendments to the Pensions Scheme Bill which would give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historical benefit changes met the necessary standards. The draft legislation will need to be agreed by both Houses of Parliament before it passes into law. It was not previously clear whether the Virgin Media ruling would apply to the LGPS but, following the publication of draft legislation, we do not now expect the ruling to give rise to any additional liabilities.

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. The actuary has calculated the asset ceiling using their interpretation of IFRIC14 i.e. the estimated future service cost in each period, less the estimated minimum funding contributions for future service in those periods (per IFRIC 14.20(b)) plus a minimum funding liability in respect of any positive secondary contributions. The calculation are based on following factors:

- There is no prospect of the Employer 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 Employer 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 contribution reductions is nil.
- The value of the asset ceiling is therefore nil. The impact of the asset ceiling is shown below:

2023/24		2024/25
	£'000	£'000
5322	Opening impact of asset ceiling	15,920
268	Interest on impact on asset ceiling	780
10,330	Actuarial losses / (gains)	18,833
15,920	Closing impact of asset ceiling	35,533

e. Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2023/24		2024/25
	£'000	£'000
125,708	Opening balance at 1 April	126,970
2,744	Current Service Cost	3,159
5,942	Interest cost	6,109
1,064	Contributions from scheme participants	1,156
	Remeasurement (gains) and losses:	
(1,779)	Change in demographic assumptions	(332)
382	Experience loss/(gain) on defined benefit obligation	(352)
(874)	Actuarial gains/ losses arising from changes in financial assumptions	(18,358)
8	Past Service cost	0
(6,225)	Benefits paid	(5,801)
126,970	Closing Balance at 31 March	112,551

f. Local Government Pension Scheme assets comprised

2023/24	Fair Value of Scheme Assets	2024/25
	£'000	£'000
71,338	Equities	69,980
19,561	Bonds	21,444
9,704	Property	10,467
3,622	Cash	5,097
5,727	Infrastructure	6,840
32,714	Absolute return fund	34,065
142,666	Total Assets	147,893

g. Basis of Estimating Assets and Liabilities

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

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Barnett Waddingham, an independent firm of actuaries, estimates for the Lincolnshire Pension Fund being based on the latest full valuation of the scheme as at 31 March 2022.

The significant assumptions used by the actuary have been:

2023/24		2024/25
Mortality Assumptions		
Longevity at 65 for current pensioners:		
19.5	Men	19.5
22.7	Women	22.7
Longevity at 65 for future pensioners:		
20.8	Men	20.8
24.1	Women	24.1
3.9% Rate of increase in salaries		
2.9%	Rate of Increase in Pensions	2.9%
4.9%	Rate for discounting scheme liabilities	5.8%

The estimate of the defined benefit obligations is sensitive to 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 the 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 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 method and types of assumptions used in preparing the sensitivity analysis below do not change from those used in the previous period.

	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year)	4,223	4,049
Rate of increase in salaries (increase or decrease by 0.1%)	129	129
Rate of increase in pensions (increase or decrease by 0.1%)	1,548	1,512
Rate of discounting scheme liabilities (Increase or decrease by 0.1%)	1,595	1,632

h. Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contribution at as constant a rate as possible. Funding levels are monitored on an annual basis. The last triennial valuation was dated 31 March 2022.

The Council is anticipated to pay £4.526m expected contributions to the scheme in 2025/26.

The weighted average duration of the defined benefit obligation for scheme members is 15 years.

Further information can be found in Lincolnshire Pension Fund Annual Report which is available upon request from the Pension Fund Manager, Lincolnshire County Council, County Offices, Newland, Lincoln, LN1 1YL (Tel: 01522 553656).

34. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and below:

	Balance at 31 March 2023 £'000	Transfer To Reserve £'000	Transfer From Reserve £'000	Balance at 31 March 2024 £'000	Transfer To Reserve £'000	Transfer From Reserve £'000	Balance at 31 March 2025 £'000
General Fund							
Earmarked GF Capital Reserves	52	0	0	52	0	0	52
Discretionary Reserves	12,087	0	(1,029)	11,058	4,453	0	15,511
Governance Reserves	6,819	0	(1,575)	5,244	0	(191)	5,053
Government Grants Received	1,064	1,204	0	2,268	1,258	0	3,526
General Fund Balance	2,458	4,217	0	6,675	0	(4,139)	2,536
Earmarked Reserves	22,480	5,421	(2,604)	25,297	5,711	(4,330)	26,678
Housing Revenue Account							
Earmarked HRA Reserves	15,414	0	(2,530)	12,884	0	(5,623)	7,261
Housing Revenue Account Balance	1,762	534	0	2,296	0	(723)	1,573
Housing Revenue Account including Earmarked Reserves	17,176	534	(2,530)	15,180	0	(6,346)	8,834
Total	39,656	5,955	(5,134)	40,477	5,711	(10,676)	35,512

35. UNUSABLE RESERVES

At 31 March		At 31 March
2024	£'000	2025
£'000		£'000
125,958	Revaluation Reserve	137,897
203,462	Capital Adjustment Account	212,662
(224)	Pensions Reserve	(191)
819	Collection Fund Adjustment Account	1,357
(240)	Accumulated Absences Adjustment Account	(209)
10	Deferred Capital Receipts	9
(430)	Financial Instruments Revaluation Reserve	(381)
329,355		351,144

a. Revaluation Reserve

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

- Re-valued 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 the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2023/24		2024/25
	£'000	£'000
109,714	Balance at start of year	125,958
19,023	Upward revaluation of assets	19,568
(811)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	(3,589)
127,926		141,937
(1,629)	Surplus/Deficit on revaluation of non-current assets not posted to Surplus/Deficit on Provision of Services	(3,832)
(339)	Difference between fair value depreciation and historical cost depreciation	
(1,968)	Accumulated gains on assets sold or scrapped	(208)
125,958	Amounts written off to the Capital Adjustment Account	(4,040)
	Balance at end of year	137,897

b. Capital Adjustment Account (CAA)

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 enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current 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 enhancement.

The Account contains accumulated gains and losses on Investment Properties and also contains revaluation gains accumulated on Property, Plant & Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

35b CAA Continued

	2023/24 £'000	2024/25 £'000
202,892	Balance at start of year	203,462
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement	
(8,004)	Charges for depreciation of non-current assets	(8,547)
(9,331)	Charges for impairment of non-current assets	(15,345)
(47)	Revaluation losses on Property, Plant & Equipment	(2,032)
	Revaluation gains reversing previous impairments charged to the Comprehensive Income & Expenditure Statement	
341	(350)	193
	Amortisation of intangible assets	(408)
(2,053)	Revenue expenditure funded from capital under statute	(5,520)
	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	
	(2,823)	(3,385)
	180,625	168,418
	1,629	3,832
	182,254	172,250
	Capital financing applied in the year	
3,113	Use of the Capital Receipts Reserve to finance new capital expenditure	5,364
8,027	Use of the Major Repairs reserve to finance new capital expenditure	12,831
4,798	Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	9,635
287	Statutory provision for the financing of capital investment charged against the General Fund & HRA balances	282
3,817	Self-financed capital expenditure	5,861
(1,525)	Long Term Debtor written down	(27)
2,748	Capital expenditure charged against the General Fund and HRA balances	3,469
	21,265	37,415
	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	
(57)	(488)	
	Adoption of IFRS16 Right of Use Asset credited to the Comprehensive Income and Expenditure Statement	
	3,485	
	203,462	Balance at end of year
		212,662

c. 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 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 the funding will have been set aside by the time the benefits come to be paid.

	2023/24 £'000	2024/25 £'000
(251) Balance at start of year		(224)
(1,592) Remeasurement of the net defined benefit liability/ (asset)		(1,243)
(2,507) Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on Provision of Services		(3,192)
4,126 Employer's pensions contributions and direct payments to pensioners payable in the year		4,468
(224) Balance at end of year		(191)

d. Collection Fund Adjustment Account

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

	2023/24 £'000	2024/25 £'000
(473) Balance at start of year		819
(47) Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated in accordance with statute		43
1,339 Amount by which NNDR income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements		495
819 Balance at end of year		1,357

e. Accumulated Absences Account

The Accumulating Compensated Absences Account absorbs the differences that would otherwise arise on the General Fund 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 is neutralised by transfers to or from the account.

	2023/24	2024/25
	£'000	£'000
(204)	Balance at start of year	(240)
	Amounts accrued at the end of the current year	
	Amount by which officer remuneration charged to the	
(36)	Comprehensive Income & Expenditure Statement on an	31
	accruals basis is different from remuneration chargeable in	
	the year in accordance with statute	
(240)	Balance at end of year	(209)

f. Deferred Capital Receipts

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

	2023/24	2024/25
	£'000	£'000
10	Balance at start of year	10
0	Repayments received in year	(1)
10	Balance at end of year	9

g. Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments which are measured at fair value through profit and loss. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and gains are lost
- Disposed of and the gains are realised

Statutory override on pooled investments

The Council holds £3m of pooled investments. The Council is using the temporary statutory override agreed by MHCLG (applicable up to 1 April 2029) to account for any changes in the fair value on its pooled investments.

2023/24		2024/25
£'000		£'000
(367)	Balance at start of year	(430)
(63)	Revaluation of Investments	49
(430)		(381)
0	Accumulated gains or losses on assets sold and maturing assets written out to the CIES as part of Other Investment Income	0
(430)	Balance at end of year	(381)

NOTES TO THE CASH FLOW STATEMENT

36. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The adjustments to the net surplus or deficit on the provision of services for non-cash movements can be analysed as follows;

2023/24 £'000	2024/25 £'000
8,004 Depreciation	8,547
9,363 Impairment & downward valuations	17,184
350 Amortisation	408
(1,363) Increase/(Decrease) in Creditors	2,972
1,567 (Increase)/Decrease in Debtors	(2,029)
(1) (Increase)/Decrease in Stock	1
(1,619) Movement in pension liability	(1,276)
2,823 Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	3,385
(1,092) Other non-cash items charged to the net surplus or deficit on the provision of services	(3,213)
18,032	Adjustment to surplus or deficit on the provision of services for noncash movements
	25,979

Adjustments to the net surplus or deficit on the provision of services that are investing or financing activities:

2023/24 £'000	2024/25 £'000
(2,957) Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,744)
(4,777) Other items for which the cash effects are investing or financing cash flows	(13,566)
(7,734)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities
	(18,310)

The cash flows for operating activities include the following items:

2023/24 £'000	2024/25 £'000
3,616 Interest Received	4,436
(2,238) Interest Paid	(2,288)
1,378	2,148

37. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2023/24	2024/25
£'000	£'000
(17,595) Purchase of property, plant and equipment, investment property and intangible assets	(31,031)
(52,000) Purchase of short-term and long-term investments	(49,000)
(1,798) Other payments for investing activities	0
2,957 Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,745
48,000 Proceeds from short-term and long-term investments	52,000
12,013 Other receipts from investing activities	13,214
<u>(8,423) Net cash flows from investing activities</u>	<u>(10,072)</u>

38. CASH FLOW STATEMENT – FINANCING ACTIVITIES

Cash flow Financing Activities:

2023/24	2024/25
£'000	£'000
0 Cash receipts of short- and long-term borrowing	0
(3,222) Repayments of short- and long-term borrowing	(3,222)
(369) Other payments for financing activities	992
<u>(3,591) Net cash flows from financing activities</u>	<u>(2,230)</u>

OTHER DISCLOSURE NOTES

39. INTEREST IN OTHER COMPANIES AND ENTITIES

South Kesteven District Council wholly owns LeisureSK Limited. Group accounts have been produced for LeisureSK Limited and these are available on page 65 onwards.

The Council previously had two other wholly owned subsidiaries - Gravitas Housing Limited which was dissolved on 12th November 2024 and EnvironmentSK Limited which was dissolved on 11th March 2025.

40. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the external audit of the Statement of Accounts, certification of grant claims and other audit work. The Council has not made any payments for non-audit services to its external auditors and not incurred any costs for statutory inspections.

2023/24 £'000		2024/25 £'000
151	Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor.	166
27	Fees payable to the external auditors for the certification of grant claims.	27
12	Fees payable to external auditors for the certification of returns	6
190		199

41. 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 has effective control (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 the Council has with third parties e.g. housing benefits. Details of transactions with government departments are set out in Notes 11 and 12 relating to grant income.

Members of the Council have direct control over the Council's financial and operating policies. Guidance has been issued to make Members, Chief Officers and senior managers aware of the requirements to declare all interests relevant to the Council including interests of families, partners and entities controlled by them. Also all Members, Chief Officers and senior managers have been requested to complete a Related Party Transaction declaration. Upon analysis of completed returns no material items were identified that required separate disclosure. The Council maintains a Register of Interests which is complete and up to date on the basis of information received.

Wholly owned companies of the Council have members and senior officers on the board of Directors. As at the 31st March 2025 the boards were constituted as follows:

Mr D P Monkhouse	
Ms D A Roberts	(Resigned 1 April 2025)
Mr P B Sutton	(Appointed 26 April 2024 and resigned 1 April 2025)
Mr P J Knowles	(Appointed 26 April 2024)
Ms P Ellis	(Appointed 26 April 2024)
Mr D Scott	(Appointed 31 March 2025)

Precept & Levying bodies, town councils, parish councils and drainage boards levy demands on the Council Tax, and the transactions are detailed below.

Payments made during the year were as follows:

2023/24		2024/25
£'000		£'000
2,073	Town and Parish Councils	2,398
172	Upper Witham Drainage Board	199
81	Black Sluice Drainage Board	88
649	Welland and Deepings Drainage Board	688
2,975		3,374

42. AUTHORISATION OF ACCOUNTS FOR ISSUE

The date that the Statement of Accounts was authorised for issue was 23 February 2026. This is the date up to which events after the Balance Sheet date have been considered. The name of the person who gave the authorisation was Richard Wyles (Chief Finance Officer).

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2025

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. Authorities charge rents to cover expenditure in accordance with regulations; 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.

	2023/24	2024/25
	£'000	£'000
Income		
Gross Rental Income		
(26,982) - Dwelling Rents	(28,729)	
(282) - Non-Dwelling Rents	(284)	
(831) Charges for Services and Facilities	(1,037)	
(77) Other Income	(68)	
(28,172) Total Income	(30,118)	
Expenditure		
9,891 Repairs and Maintenance	12,472	
4,418 Supervision and Management	5,282	
58 Rent, rates, taxes and other charges	(52)	
431 Increase/(Decrease) in Prov'n for Doubtful Debts	380	
14,110 Depreciation and impairment of Non-Current Assets	22,369	
40 Debt Management Costs	38	
28,948	40,489	
776 Net Cost of HRA Services	10,371	
2,759 HRA share of Corporate and Democratic Core Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	2,759	
3,535	13,130	
(371) (Gain)/loss on sale of HRA assets	(1,025)	
(24) Other operating income (Right to Buy Discount Repaid)	(16)	
2,237 Interest payable and similar charges	2,138	
(2,302) Interest and Investment Income	(1,457)	
(24) Investment Property Income and Expenditure	(46)	
Pension Interest Costs and Expected Return on Assets	(21)	
(3,620) Recognised capital grants and contributions	(3,304)	
(643) (Surplus)/Deficit for the year on HRA services	9,399	

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2023/24		2024/25
£'000		£'000
(1,763)	Balance on the HRA at the end of the previous year	(2,296)
(643)	(Surplus)/Deficit for the year on the HRA Income & Expenditure Statement	9,399
(2,378)	Adjustments between Accounting Basis and Funding Basis under statute	7 (9,440)
(3,021)	Net (increase) or decrease before transfers to or from reserves	(41)
2,488	Transfers to or (from) reserves	764
(2,296)	Balance on HRA at the end of the current year	(1,573)

NOTES TO THE HOUSING REVENUE ACCOUNT

The Housing Revenue Account reflects a statutory obligation to maintain a revenue account for local Council housing provision in accordance with part 6 of the Local Government and Housing Act 1989. The Act sets the framework for "ring fencing" the Housing Revenue Account (HRA). The account has to be self-financing and there is a legal prohibition on cross subsidy to or from the General Fund.

1. HOUSING STOCK

The Council was responsible for managing on average 5,839 dwellings during 2024/25. The housing stock and changes during the year are as follows:

	At 1 April 2024	Additions	Disposals /Sales	At 31 March 2025
Rentable Stock				
- Houses	2,993	5	(28)	2,970
- Bungalows	1,518	1	(4)	1,515
- Flats	1,310	19	(1)	1,328
Shared Ownership	22	0	0	22
Total	5,843	25	(33)	5,835

2. LAND HOUSES AND OTHER PROPERTY

Analysis of Housing Fixed Assets

The vacant possession value of dwellings at 31 March 2025 was £822,777m (£797.173m at 31 March 2024). Each council dwelling owned, in full or part, by the Council has been valued by the Valuation Office Agency in accordance with the guidance issued by MHCLG. The vacant possession value of dwellings must be adjusted to reflect the social housing status of local authority dwellings i.e. that social housing is available to tenants at less than open market rents. The predetermined adjustment factor for social housing in the East Midlands is 42%.

	Operational Assets			Non Operational Assets		Total
	Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Investment & Surplus Properties £'000	Assets Under Construction £'000	
Cost or Valuation at 1 April 2024	339,572	4,278	1,388	498	1,687	347,423
Additions	19,844	0	0	0	2,772	22,616
Revaluation increases/(decreases) recognised in the Revaluation Reserve	10,260	421	0	0	0	10,681
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(17,250)	(28)	0	18	0	(17,260)
Derecognition - Disposals	(2,231)	0	0	0	0	(2,231)
Derecognition - Other	0	0	0	0	(8)	(8)
Assets reclassified	0	0	0	0	0	0
Assets reclassified to/from Assets Under Construction	745	0	0	0	(745)	0
Gross Book Value as at 31 March 2025	350,940	4,671	1,388	516	3,706	361,221
Depreciation & Impairments						
At 1 April 2024	(61)	(1)	(1,097)	0	0	(1,159)
Depreciation charge	(4,825)	(229)	(35)	(5)	0	(5,094)
Depreciation written out to the revaluation reserve	4,584	174	0	5	0	4,763
Depreciation written out to the CI&E	15,363	55	0	0	0	15,418
Impairment losses/(reversals) recognised in the Surplus/Deficit on Provision of Services	(15,137)	0	0	0	0	(15,137)
Derecognition - Disposals	0	0	0	0	0	0
At 31 March 2025	(76)	(1)	(1,132)	0	0	(1,209)
Balance Sheet Amount at 31 March 2025	350,864	4,670	256	516	3,706	360,012
Balance Sheet Amount at 31 March 2024	339,511	4,277	291	498	1,687	346,264

3. HRA REVALUATION LOSS

When assets are re-valued, the increase or decrease is an “unrealised gain or loss” until the asset is sold. These unrealised gains and losses are held in the revaluation reserve. If an asset is revalued upward, then in subsequent years re-valued downward, the revaluation loss is set against the original gain in the reserve, so reducing it. Once any gains in the reserve are reduced to zero, any further loss must be charged as expenditure to the Housing Revenue Account in the year.

Due to accounting rules, the Revaluation Reserve was set up with an opening balance of zero at 1 April 2007. The closing position on the Reserve at 31 March 2025 therefore only shows revaluation gains accumulated since 1 April 2007 together with depreciation adjustments to comply with accounting rules. Any revaluation gains (and losses) on non-current assets prior to 1 April 2007 are accounted for in the Capital Adjustment Account.

2023/24		2024/25
£'000		£'000
4,881	Depreciation	5,094
(216)	Revaluation Loss/(Gain)	1,843
9,228	Impairment Losses	15,137
13,893		22,074

4. MAJOR REPAIRS RESERVE

The Major Repairs Reserve is maintained to meet HRA capital expenditure. Movements on the Reserve were:

2023/24		2024/25
£'000		£'000
19,553	Opening balance on the Major Repairs Reserve	18,718
	Transfer to/ (from) the Major Repairs Reserve	
4,881	Transfer from HRA equal to depreciation	5,094
2,311	Additional contribution from HRA	4,335
(8,027)	Financing of Capital Expenditure	(12,831)
18,718	Closing balance on the Major Repairs Reserve	15,316

5. FINANCING CAPITAL EXPENDITURE

The capital expenditure on land, houses and other assets in the HRA together with its financing is shown below:

	2023/24 £'000	2024/25 £'000
Expenditure		
13,208	Council Dwellings	19,844
19	Plant and Equipment	0
565	Intangible Assets	154
1,024	Assets Under Construction	2,772
14,816	Total	22,770
Financed from:		
8,027	Major Repairs Reserve	12,831
1,160	Capital Receipts	4,598
2,684	HRA Earmarked Reserves	2,036
2,945	Capital Grants and Contributions	3,305
14,816	Total	22,770

Supported Capital Expenditure allowances are issued by the Government as part of The Prudential Code for Capital Finance in Local Authorities.

6. CAPITAL RECEIPTS

The sale of HRA assets during the year is detailed in the following table.

	Receipt in Year £'000
Sale of Land	0
Sale of Vehicles	0
Sale of Council Dwellings	3,256
Repayment of discounts	16
Total	3,272

7. ANALYSIS OF RECONCILING ITEMS IN MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2023/24	Movement on the Housing Revenue Account Statement	2024/25
£'000		£'000
Adjustments between Accounting and Funding Basis:		
(506)	IAS 19	(664)
839	- Pension Costs Charged to Rent Income	934
(9,228)	- Non-Enhancing Capital Expenditure	(15,137)
6,169	Capital Expenditure	6,527
372	Gains/losses on disposal of non current assets	1,018
216	Revaluation gains/(losses) on PPE	(1,843)
(231)	Depreciation of non-current assets	(282)
(9)	Compensated absences	7
<u>(2,378)</u>		<u>(9,440)</u>
Transfers to/from Earmarked Reserves:		
2,465	- Transfers to/(from) reserves	764
<u>2,465</u>		<u>764</u>

8. RENT ARREARS

An analysis of rent arrears is shown below:

£'000		£'000
1,515	Current Tenants	1,761
1,122	Former Tenants	1,369
<u>2,637</u>	Gross Rent Arrears	<u>3,130</u>
(1,698)	Impairment Provision for Bad & Doubtful Debt	(2,078)

**COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2025**

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 distribution to local authorities and the Government of council tax and non-domestic rates.

Business Rates £'000	2023/24			Note	2024/25		
	Council Tax £'000	Total £'000			Business Rates £'000	Council Tax £'000	Total £'000
Income							
0	99,502	99,502	Council Tax Payers		0	105,701	105,701
38,181	0	38,181	Business Ratepayers		42,292	0	42,292
Apportionment of Previous Year Deficit -							
0	0	0	Central Government		501	0	501
0	0	0	South Kesteven District Council		401	31	432
0	0	0	Lincolnshire County Council		100	209	309
0	0	0	Lincolnshire Police & Crime Commissioner		0	40	40
38,181	99,502	137,683	Total Income		43,294	105,981	149,275
Expenditure							
39,822	99,421	139,243	Precepts and Demands	3	42,357	105,138	147,495
174	0	174	Costs of Collection		175	0	175
(1,550)	0	(1,550)	Transitional Protection Payment		(569)	0	(569)
Bad and doubtful Debts -							
295	266	561	Write Offs		325	258	583
148	144	292	Provisions		(4)	190	186
(4,182)	0	(4,182)	Appeals		(159)	0	(159)
15	0	15	Interest		19	0	19
Apportionment of Previous Year Surplus -							
16	0	16	Central Government		0	0	0
13	11	24	South Kesteven District Council		0	0	0
3	72	75	Lincolnshire County Council		0	0	0
0	14	14	Lincolnshire Police & Crime Commissioner		0	0	0
34,754	99,928	134,682	Total Expenditure		42,144	105,586	147,730
3,427	(426)	3,001	Movement on Fund		1,150	395	1,545
(1,252)	-126	(1,378)	Balance at the Beginning of the Year		2,175	(552)	1,623
2,175	(552)	1,623	Surplus/(Deficit) on Fund at End of Year		3,325	(157)	3,168
Allocated to -							
1,080	0	1,080	Central Government		1,626	0	1,626
879	(60)	819	South Kesteven District Council		1,374	(18)	1,356
216	(412)	(196)	Lincolnshire County Council		325	(116)	209
0	(80)	(80)	Lincolnshire Police & Crime Commissioner		0	(23)	(23)
2,175	(552)	1,623			3,325	(157)	3,168

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX

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, Office of the Police and Crime Commissioner for Lincolnshire and South Kesteven District Council together with each parish requirement and dividing this 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.

The Council Tax base for 2024/25 increased to 49,710.1 (49,329.0 in 2023/24)

The Council Tax base was calculated as follows:

Band	Estimated No. of Taxable Properties After Effect of Discounts	Ratio	Band D Equivalent Dwellings
A	13,554.14	6/9	9,036.1
B	12,561.70	7/9	9,770.2
C	10,302.72	8/9	9,158.0
D	8,714.61	9/9	8,714.6
E	5,602.40	11/9	6,847.4
F	2,911.16	13/9	4,205.0
G	1,061.97	15/9	1,770.0
H	72.90	18/9	145.8
Band A entitled to Disabled Relief Reduction	21.70	5/9	12.1
Ministry of Defence Properties			49,659.2
Council Tax Base			50.9
			49,710.1

2. BUSINESS RATES

Under this scheme SKDC keeps the total non-domestic rates due, less certain reliefs and deductions and then redistributes the rates collected based on estimates at the start of the year. The redistribution of the central and local shares is based on the ratio of 50:40:10 for Central Government, SKDC and Lincolnshire County Council. The business rates retention scheme is designed to encourage economic growth and incentivise Councils by allowing them to keep a proportion of any business rates growth achieved during the year.

Under the arrangements for Non-Domestic Rates, the Council collects rates for its area based upon local rateable values (determined by the Valuation Office Agency, an executive agency of HM Revenue & Customs) multiplied by the multiplier (determined by Government). For 2024/25 there are two multipliers:

Full	54.6p (51.2p for 2023/24)
Small Business	49.9p (49.9p for 2023/24)

The total Non-Domestic Rateable Value at 31 March 2025 was £114.692m (31 March 2024 £114.342m).

3. PRECEPTS AND DEMANDS

	2023/24			2024/25		
	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax	Business Rates	Total	Council Tax	Business Rates	Total	
0	19,673	19,673	Central Government	0	20,997	20,997
74,172	3,935	78,107	Lincolnshire County Council	78,477	4,199	82,676
14,367	0	14,367	Lincs Police & Crime Commissioner	15,122	0	15,122
10,882	16,214	27,096	South Kesteven District Council	11,539	17,161	28,700
99,421	39,822	139,243		105,138	42,357	147,495

STATEMENT OF GROUP ACCOUNTS

INTRODUCTION

The statement of group accounts consolidates South Kesteven District Council accounts with those of its subsidiary LeisureSK Limited – Company Registration No.12888724 (England and Wales).

LeisureSK Limited was formed to deliver the Council's Leisure Management contract. The company is wholly owned by the Council and the aggregation of accounts has been completed on a line-by-line basis with intra-group transactions removed.

Group accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The aim of the statement of group accounts is to provide the reader with an overall view of the material economic activities of the Group. It provides a summary of the group's financial position and details of material items that have impacted on the accounts during the year. The same accounting policies have been applied to both the Council and Group Accounts.

The main differences between the Group and single entity accounts are seen in the balance sheet:

- £4.2m additional expenditure
- £3.9m additional income

GROUP MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the reserves held by the Group, analysed into usable and unusable reserves. The Total Comprehensive Income & Expenditure line shows the true economic cost of providing the Groups services, this is further detailed in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund and Housing Revenue Account for Council Tax setting and dwelling rent setting purposes.

	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	LeisureSK Ltd £'000	Total Group Reserves £'000
Balance at 31 March 2024 brought forward	(75,899)	(329,354)	(405,253)	473	(404,779)
Movement in reserves during 2024/25					
Total Comprehensive Income & Expenditure	1,906	(14,736)	(12,830)	(90)	(12,920)
Transfers between Reserves	(27)	27	0	0	0.00
Adjustments between accounting basis & funding basis under regulations	7,079	(7,079)	0	0	0.00
(Increase) or decrease in 2024/25	8,958	(21,788)	(12,830)	(90)	(12,920)
Balance at 31 March 2025 carried forward	(66,941)	(351,142)	(418,083)	383	(417,699)

	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Gravitas Housing Ltd £'000	LeisureSK Ltd £'000	Total Group Reserves £'000
Restated						
Balance at 31 March 2023 brought forward						
Restated	(74,869)	(311,321)	(386,190)	319	233	(385,638)
Movement in reserves during 2023/24						
Total Comprehensive Income & Expenditure	(2,443)	(16,620)	(19,063)	(319)	240	(19,142)
Transfers between Reserves	(406)	406	0	0	0	0
Adjustments between accounting basis & funding basis under regulations	1,819	(1,819)	0	0	0	0
(Increase) or decrease in 2023/24	(1,030)	(18,033)	(19,063)	(319)	240	(19,142)
Balance at 31 March 2024 carried forward	(75,899)	(329,354)	(405,253)	0	473	(404,779)

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting costs of providing services in the year.

2023/24			2024/25		
Group Gross Expenditure	Group Gross Income	Group Net Expenditure	Group Gross Expenditure	Group Gross Income	Group Net Expenditure
£'000	£'000	£'000	£'000	£'000	£'000
5,804	(1,876)	3,928	Corporate, Governance & Public Protection Service	6,403	(2,502)
50,984	(53,595)	(2,611)	Finance, Property & Waste Services	59,322	(54,101)
14,995	(8,999)	5,996	Growth & Culture	19,916	(10,142)
17,897	(3,590)	14,307	Housing & Projects	20,403	(2,934)
89,680	(68,060)	21,620	Cost Of Services	106,044	(69,679)
Other Operating Expenditure					
229	0	229	(Gain)/Loss Disposal of Fixed Assets	0	(1,166)
2,975	0	2,975	Precepts & Levies	3,374	0
132	(24)	108	Other Operating Income and Expenditure	0	(16)
3,336	(24)	3,312		3,374	(1,182)
Financing and Investment Income and Expenditure					
2,237	0	2,237	Interest Payable on Debt	2,138	0
0	(353)	(353)	Net Interest on the net defined benefit liability (asset)	0	(97)
0	(3,917)	(3,917)	Interest & Investment Income	0	(3,981)
0	(268)	(268)	Income & Expenditure and Movement in Fair Value of Investment Property	192	0
389	0	389	Movement in the value of property fund income	0	(49)
2,626	(4,538)	(1,912)		2,330	(4,127)
500	(25,735)	(25,235)	Taxation and Non-Specific Grant Income	333	(35,277)
(2,215) (Surplus) or Deficit on Provision of Services					
(18,519)		(18,519)	(Surplus) or deficit on revaluation of non-current assets		(15,979)
1,592		1,592	Remeasurement of Defined Pension Liability		1,243
(16,927)			Other Comprehensive Income and Expenditure		(14,736)
(19,142) TOTAL COMPREHENSIVE INCOME & EXPENDITURE					
					(12,920)

GROUP BALANCE SHEET

The Group Balance Sheet summarises the financial position of the Council and its subsidiary, as a whole. It shows the value of group assets and liabilities at the end of the financial year.

At 31 March 2024		Note	At 31 March 2025	
£'000	£'000			
415,481	Property Plant & Equipment		436,891	
690	Heritage Assets		690	
12,785	Investment Property		12,158	
946	Intangible Assets		936	
2,569	Long Term Investments		2,619	
71	Long Term Debtors		9	
432,542	Long Term Assets		453,303	
490	Current Assets Held for Sale		0	
52,924	Short Term Investments		49,621	
25	Inventories		40	
6,128	Short Term Debtors		8,079	
18,462	Cash and Cash Equivalents	G1	11,867	
78,029	Current Assets		69,607	
(3,244)	Short Term Borrowing		(3,242)	
(12,464)	Short Term Creditors		(15,939)	
(684)	Provisions		(646)	
(16,392)	Current Liabilities		(19,827)	
(283)	Provisions		(154)	
(79,771)	Long Term Borrowing		(76,547)	
(224)	Other Long Term Liabilities		(191)	
(9,123)	Capital Grants Receipts in Advance		(8,492)	
(89,401)	Long Term Liabilities		(85,384)	
404,778	Net Assets		417,699	
£'000			£'000	
75,423	Usable Reserves		66,557	
329,355	Unusable Reserves		351,142	
404,778	Total Reserves		417,699	

GROUP CASH FLOW STATEMENT

The Group Cash Flow Statement summarises the cash flows of the Council and its subsidiary during the year.

2023/24 £'000	Notes	2024/25 £'000
Operating Activities		
2,215		(1,816)
18,249	G2	25,871
(8,528)		(18,310)
11,936		5,745
Investing Activities		
(8,453)		(10,109)
(3,590)		(2,230)
(107)		(6,594)
Net increase or (decrease) in cash and cash		
18,568		18,461
18,461		11,867
107		6,594

NOTE G1 – CASH & CASH EQUIVALENTS

At 31 March 2024		At 31 March 2025	
£'000		£'000	
340	Cash held by the authority	1	
(299)	Bank current accounts	1,099	
18,420	Short Term Deposits	10,767	
18,461	Total Cash & Cash Equivalents	11,867	

NOTE G2 – Cash Flow

2023/24		2024/25	
£'000		£'000	
8,027	Depreciation	8,578	
9,363	Impairment & downward valuations	17,184	
349	Amortisation	408	
(1,088)	Increase/(Decrease) in Creditors	2,881	
1,482	(Increase)/Decrease in Debtors	(2,061)	
10	(Increase)/Decrease in Stock	(15)	
(1,619)	Movement in pension liability	(1,276)	
2,823	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	3,385	
(1,098)	Other non-cash items charged to the net surplus or deficit on the provision of services	(3,213)	
18,249		25,871	

ACCOUNTING POLICIES

I. GENERAL PRINCIPLES

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

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

II. 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 the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 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 carried as inventories on the Balance Sheet.
- 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 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.
- The impact of IFRS15: Revenue from Contracts with Customers has been considered and deemed to have no material impact.

III. 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 30 days 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.

IV. 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 loss 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.

V. COUNCIL TAX AND NON-DOMESTIC RATES

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of 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 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.

VI. EMPLOYEE BENEFITS

Benefits Payable during Employment

Short-term employee benefits are those due to be settled 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. These expenses are charged on an accruals basis to the relevant service line of the Comprehensive Income and Expenditure Statement.

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. They are charged on an accruals basis to the appropriate service, or where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement 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.

Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Fund, 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 Council recognises the cost of retirement benefits in the revenue account when employees earn them, rather than when the benefits are eventually paid as pensions.

Local Government Pension Scheme

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

- The liabilities of the Lincolnshire County Council pension scheme 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 projected earnings for current employees.
- The assets of the Lincolnshire County Council pension fund attributable to the Council are included in the balance sheet at their fair value.

The change in the net pensions 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 revenue accounts of 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 as part of Non Distributed Costs
- Net interest on the net defined pension liability (asset) i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Remeasurement comprising:
 - The return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) charged to the Pension Reserve as Other Comprehensive Income and Expenditure
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumption – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Contributions paid to the Lincolnshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance 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 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 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.

VII. 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 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 interest 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 all of the borrowing that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principle repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Account is the amount payable for the year in the loan agreement.

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 cashflow 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 (ie 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 Council 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 Council, 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.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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 Council recognises expected credit losses on all of its financial assets held at amortised cost, 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 Council.

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.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council 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 arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets 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 Council 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.

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.

VIII. GOVERNMENT GRANTS & OTHER 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 contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potentially 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.

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

IX. HERITAGE ASSETS

Heritage assets are held or maintained principally for their contribution to knowledge and culture. They are initially recognised at cost if this is available. If cost is not available, values are only included in the Balance Sheet where the cost of obtaining valuation is not disproportionate to the benefit derived. For most of the Council's heritage assets, insurance valuations are used. Where no market exists or the asset is deemed to be unique, and it is not practicable to obtain a valuation, the asset is not recognised in the Balance Sheet but disclosed in the notes to the accounts.

Heritage assets are depreciated over their useful life if this can be established. If an asset is considered to have an indefinite life, no depreciation is charged. Disposals, revaluation gains and losses and impairments of heritage assets are dealt with in accordance with the Council's policies relating to property, plant and equipment.

The cost of maintenance and repair of heritage assets is written off in the year incurred.

X. INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Council (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.

Expenditure on the development of the Council's website is not capitalised.

Intangible Assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gains or losses arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure Line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted 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.

The useful life of intangible assets is assessed by the Chief Finance Officer at the time of acquisition. Intangible assets are derecognised when no future economic benefits are expected from them.

XI. INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council has a material interest in LeisureSK Ltd. The nature of this relationship has been assessed and is deemed to be a subsidiary and as a result produces Group Accounts for LeisureSK Ltd.

XII. INVENTORIES AND LONG TERM CONTRACTS

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the provision of services with the value of works and services received under the contract during the financial year.

XIII. INVESTMENT PROPERTY

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if 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.

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.

XIV. LEASES

The Council as Lessee

The Council 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 both to obtain substantially all the economic benefits or service potential from that asset and to direct its use.

A right of use asset and corresponding lease liability are recognised at commencement of the lease.

The lease liability is measured at the present value of the lease payments, discounted at the rate implicit in the lease, or if that cannot be readily determined, at the lessee's incremental borrowing rate specific to the term and start date of the lease.

The right of use asset is initially measured at cost, comprising: the initial lease liability; any lease payments already made less any lease incentives received; initial direct costs; and any dilapidation or restoration costs. The right of use asset is subsequently depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. The right of use asset is tested for impairment if there are any indicators of impairment. Leases of low value assets (value when new less than £10,000) and short-term leases of 12 months or less are expensed to the Comprehensive Income and Expenditure Statement.

The Council as Lessor

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the 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, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

XV. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

XVI. PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods and services,

for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property Plant and Equipment.

Recognition:

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council, over more than one year and that 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.

The Council has a de-minimis of £10,000 for capital expenditure, with the exception of the purchase of motor vehicles. Where the total cost of an asset is higher than £10,000 but only part of the expenditure has occurred within a financial year that expenditure would be included in the balance sheet even if it was below the de minimis level.

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 while 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 Council). 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 Council.

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

- Dwellings – current value determined using the basis of existing use value for social housing (EUV-SH). The social housing discount applied in 2023/24 is 42%.
- Community assets and assets under construction – historic cost.
- Plant, Vehicles & Equipment – depreciated historical cost
- All other classes of assets – current value, unless there is no market-based evidence of fair value because of the specialist nature of the asset. In this case fair value is estimated using the Depreciated Replacement Cost method.

Assets included in the Balance Sheet at current value are re-valued where there have been material changes in the value, but as a minimum every five years. Valuations of property assets are carried out by the District Valuer, an external, qualified valuer, who is independent of the Council. The method of valuations is as recommended by CIPFA and in accordance with the principles and guidance notes issued by the Royal Institute of Chartered Surveyors. Operational assets constructed or acquired during the year will be re-valued on 31 March of the following year.

Increases as a result of revaluations are debited to the appropriate asset account, with the opposite entry going to the Revaluation Reserve to recognise unrealised gains, except to the extent where it reverses a previous revaluation loss that was charged to a service revenue account within the Comprehensive Income & Expenditure Statement. In this case the revaluation gain will first be used to offset the previous loss and any further gain is then taken to the Revaluation Reserve. Revaluation gains charged to Surplus or Deficit on Provision of Services are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Decreases as a result of revaluation, which are not specific to one asset but affect several, are revaluation losses as opposed to impairments. The decrease is recognised in the Revaluation Reserve up to the balance in respect of each asset affected and then in Surplus or Deficit on Provision of Services. Any such charge taken to Surplus or Deficit on Provision of Services is then transferred to the Capital Adjustment Account and reported in the Movement in Reserves 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 finite 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:

- Land is not depreciated as it will not have a finite life.
- Council Dwellings and Other Buildings are depreciated using the straight line method. The finite useful life is assessed by the District Valuer at the time of revaluation but for Council Dwellings is usually 50 years, and for other buildings is between 1 and 60 years.
- Plant and Equipment are also depreciated by the straight line method. Useful life is assessed by the Chief Finance Officer at the time of acquisition, usually between 3 and 10 years. Some assets have a longer life span, up to 30 years.
- Vehicles are depreciated using the reducing balance method at a rate of 25% per annum.
- Non-current assets held-for sale are not depreciated.

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.

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 historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

Only assets with a carrying amount more than or equal to £500,000 at the beginning of the financial year are considered for componentisation. To be recognised as a component the value of the part of the asset being considered must be more than or equal to 10% of the value of the asset, and have a life less than or equal to half that of the main asset. When a component is replaced, the carrying amount of the old component is derecognised and the new component is recognised. If the carrying amount of the old component is not known, this is estimated by indexing back from the cost of the new component and adjusting for depreciation and impairment over the old component's useful life. The Building Costs Index will be used.

The depreciation calculated is charged to the service revenue accounts, central support service accounts and trading accounts.

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 classified 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 a fair value less costs to sell, the loss is posted in 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, amortisation 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 (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). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts related 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 (the capital financing requirement).

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

XVII. PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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 that the Council becomes aware of the 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 (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually

certain that reimbursement will be received if the obligation is settled.

The Council has made a provision for settling the self-insured element of Public Liability insurance claims.

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.

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.

XVIII. RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. 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 in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

XIX. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but 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.

XX. VAT

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

XXI. FAIR VALUE MEASUREMENT

The Council measures some of its non-financial assets such as surplus assets and investment properties 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 council 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.

GLOSSARY OF TERMS

Accounting Period - The length of time covered by the Council's accounts. This is twelve months commencing on 1 April. The end of the accounting period is the balance sheet date.

Accrual Concept – Revenue and capital income and expenditure are recognised as they are earned or incurred, not as money is received or paid. Transactions are treated on an accruals basis with income and expenditure due as at 31 March brought into the accounts.

Actuarial Gains and Losses - For a defined pension scheme, the changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or
- (b) the actuarial assumptions have changed.

Amortisation - The writing down in value of intangible assets, which is charged to service revenue accounts to reflect the cost of such assets, used in the provision of those services. This is the equivalent of depreciation for non-current assets.

Annual Governance Statement – Identifies the systems the Council has in place to ensure that its business is conducted in accordance with the law and proper standards ensuring public money is safeguarded.

Asset – An asset is something that the Council owns that has monetary value. Assets are either “current” or “non-current”.

- A **current asset** is one that will be used or cease to have material value by the end of the next financial year e.g. stock or debtors.
- A **non-current asset** provides benefits for a period of more than one year e.g. Council Offices.
- An **intangible asset** is a non-monetary asset that cannot be seen, touched or physically measured and which is created through time and/or effort e.g. IT software.

Audit of Accounts - An examination by an independent expert of an organisation's financial affairs to check that the relevant legal obligations and codes of practice have been followed.

Bad Debt Provision - Outstanding amounts owed to the Council which are highly unlikely to be collected.

Balance Sheet - The Balance Sheet summarises the Council's financial position at the end of each financial year i.e. 31st March.

Budget - The Council's plans set out in financial terms. Both revenue and capital budgets are prepared and are used to control and monitor expenditure and performance.

CAA - Capital Adjustment Account. This account contains the amounts that are required by Statute to be set aside from capital receipts and revenue for the repayment of external loans as well as amounts of revenue, useable capital receipts and contributions that have been used to fund capital expenditure. It also accumulates depreciation, impairment and write-off of non-current assets on disposal.

Capital Charges - A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services, i.e. depreciation.

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

Capital Receipts - Money received from the disposal of a non-current asset. Capital receipts cannot be used to fund revenue services.

Carrying Amount - The value of an asset or liability as shown in the Balance Sheet.

Cash Flow Statement - A statement that forms part of the Core Financial Statements and summarises the cash flows within the Council's bank accounts that have taken place within the financial year.

CIES - Comprehensive Income & Expenditure Statement

CIPFA - The Chartered Institute of Public Finance and Accountancy. The professional accounting body concerned with Local Government and the Public Sector.

Code (the) - The Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice.

Collection Fund - A separate account to record the income and expenditure collected from council tax and Non-Domestic Rates, including outstanding community charges.

Community Assets - Assets that the Council intends to hold in perpetuity that have no determinable useful life and that may have restrictions regarding their sale. Examples of such items are parks and historic buildings.

Current Service Cost - The increase in the present value of the pension scheme liabilities expected to arise from employee service in the current period.

Curtailment - the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

Council Tax - This is a banded property tax set by local authorities in order to meet their budget requirements. There are eight bands (Band A-Band H), set by the District Valuer according to the value of the property. The amount of tax each household pays depends on the band of the property.

Creditors - Amounts owed by the Council for work done, goods received or services rendered before the end of the accounting period but for which payment was not made by the end of the accounting period.

Current Liabilities - Amounts payable that become due during the next financial year.

Debtors - Amounts due to the Council for goods or services provided before the end of the accounting period, for which actual payments had not been received by the end of the accounting period.

Deferred Charges - Expenditure that may properly be deferred but which does not result in, or remain matched with, assets controlled by the Council.

Deferred Credits - These transactions arise when non-current assets are sold and the amounts owed by the purchasers are repaid over a number of years, such as by way of mortgages. The balance is reduced by the principal amounts repayable in any financial year.

Depreciation - An estimate of the loss in value of a non-current asset due to age, wear and tear or obsolescence over a period of time.

Emoluments - Sums paid to an employee and sums due by way of expenses allowances and the money value of any other benefits received other than in cash. Pension contributions payable are excluded.

Earmarked Reserves - These are reserves set aside for specific purposes, a type of service or type of expenditure.

Expected Rate of Return - The average rate of return expected over the remaining life of the related obligation on the actual assets held by the pension scheme.

Finance Leases - Arrangements whereby the lessee is treated as the owner of the leased asset and is required to include such assets within the non-current assets on the Balance Sheet.

Financial Year - The period over which the Council reports its financial activity. Currently this is 1st April to 31st March.

FRS - Financial Reporting Standards, a reference to the accounting treatments that companies in the UK (and Local Authorities) would generally be expected to apply in the preparation of the Financial Statements.

General Fund - The total services of the council except for the Housing Revenue Account and Collection Fund. The day to day spending on services is met from the fund.

Government Grants - Grants made by central government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some government grants have restrictions on how they may be used whilst others are general purpose.

Housing Benefits - This is a national system for giving financial assistance to individuals towards certain housing costs. The cost of the service is subsidised by central government.

Housing Revenue Account (HRA) - A separate account to the General Fund recording all the transactions relating to the provision of social housing.

Joint Operation - This is an arrangement whereby all parties have joint control of the assets and liabilities to the operation.

IAS - International Accounting Standards, a reference to accounting treatments that companies in the UK (and Local Authorities) would generally be expected to apply in the preparation of the Financial Statements.

IFRS - International Financial Reporting Standards, a reference to accounting treatments that companies in the UK and Local Authorities would generally be expected to apply in the preparation of the Financial Statements.

Impairment Losses - A reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet, as a result of damage, obsolescence or a general decrease in market value.

Intangible Assets - Capital expenditure that does not result in the creation of a tangible asset but which gives the Council a controllable access to future economic benefit, e.g. computer software licences.

Interest on Pension Scheme Liabilities - The increase in the present value of the pension scheme liabilities expected to arise from employee service in the current period.

Key Prudential Indicator - One of the indicators required under the Prudential Code for the measuring of the Council's Treasury Management activities.

Liability - A liability arises when the Council owes money to others and it must be included in financial statements. There are two types of liability:

- A **current liability** is a sum of money that will or might be payable during the next accounting period e.g. creditors or cash overdrawn
- A **deferred liability** is a sum of money that will not become payable until some point after the next accounting period or is paid off over a number of accounting periods.

Long Term Debtor -Amounts due to the Council more than one year after the Balance Sheet date.

Materiality - This is one of the main accounting concepts. It ensures that the statement of accounts includes all the transactions that, if omitted, would lead to a significant distortion of the financial position at the end of the accounting period.

DLUHC - Department of Levelling Up, Housing and Communities

Minimum Revenue Provision (MRP) - The minimum amount which must be charged to the Council's revenue accounts each year and set aside for debt repayment.

MIRS - Movement in Reserves Statement.

MRR - Major Repairs Reserve.

Net Book Value (NBV) - The value of a non-current asset less the accumulated amount of depreciation/amortisation.

Non Distributed Costs - These are overheads for which no user benefits and should not be apportioned to services.

Non Domestic Rates - Tax charged on the rateable value of non-domestic properties (business properties). The rate of tax is set by the Government.

Operating Leases - A lease where the lessor retains all the risks and rewards of ownership of a non-current asset.

Past Service Cost - Discretionary benefits awarded on early retirement are treated as past service costs. This includes added years and unreduced pension benefits covered by the rule of 85.

Pension Fund - An employee's pension fund maintained by a Council or group of councils in order to primarily make pension payments on the retirement of participating employees. It is financed by contributions from the employing authority, the employees and investment income.

PPE - Property, Plant & Equipment. Assets other than Council dwellings, Assets under Construction and Investment Properties.

Precepts - The amount of Council Tax income that Councils, Police Authorities, Parish Councils and Fire Authorities need to provide their service. The amount for all local authorities providing services in an area appears on council tax bills.

Provisions - This is a sum of money that has been put aside in the accounts for liabilities that are due but where the amount or the timing of the payment is not known with any certainty.

PWLB - Public Works Loans Board. A central government agency that provides lending facilities to local authorities.

Related Party Transactions - A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge has been made.

Reserves - Amounts set aside to meet capital or revenue expenditure which do not fall under the definition of Provisions.

Revaluation Reserve - The Revaluation Reserve records the accumulated gains from the increase in the revaluation of assets. It also records any reduction in the value of assets subject to the limits of the previous increases in value of the same asset.

Revenue Expenditure – The day-to-day running costs a Council incurs in providing services.

Revenue Expenditure Funded from Capital Under Statute - This is expenditure treated as capital expenditure but which does not result in a non-current asset belonging to the council. An example of this is a Disabled Facilities Grant paid to a homeowner to fund adaptations to their own home.

Revenue Support Grant (RSG) -A general grant paid by central government to local authorities as a contribution towards the cost of their services.

Right of Use (ROU) asset – represents a lessee's entitlement to use an underlying asset for the term of the lease.

Soft Loan - A soft loan is a loan with a below market rate of interest.

Treasury Management - The process by which the Council manages its day to day cash requirements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH KESTEVEN
DISTRICT COUNCIL**

REPORT ON THE AUDIT OF THE COUNCIL'S FINANCIAL STATEMENTS

Annual Governance Statement

2024/25



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Foreword

Welcome to South Kesteven District Council's Annual Governance Statement for the period 1 April 2024 to 31 March 2025.

Governance is about how local government bodies ensure that they are doing the right things in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. This includes complying with legislation, making evidence-based decisions within a clear framework, displaying a healthy culture, behaviour and values, whilst ensuring transparency, equity and accountability, engaging with and where appropriate, leading their communities.

The Annual Governance Statement (AGS) is a public report by the Council on the extent to which it complies with its governance code, legislation, directives and regulations and its performance and effectiveness of its governance arrangements during the year, and any planned changes in the coming period following assessment by external bodies including auditors, other regulators and peers. It conforms to the Council's Local Code of Corporate Governance and covers all significant corporate systems, processes, and controls across all Council activities.

The Council expects all members, officers, partners and contractors to adhere to the highest standards of public service with particular reference to the Officer and Member Code of Conduct, Constitution, Corporate Vision and Values, and Corporate Priorities as well as applicable statutory requirements.

This document describes the Council's governance arrangements and their effectiveness. This document is drawn from a number of assurance mechanisms which includes external audit, the Council's overall governance and decision making framework, the Scrutiny function, the work of advisors and regulators, the Governance and Audit Committee and the internal audit function.

The system of internal control is an important part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, priorities, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise risks to the achievements of the Council's policies, priorities, aims and objectives. It also evaluates the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. Strategic risks are reported to the Governance and Audit Committee bi-annually.

As part of this, alongside our governance framework the Council has a new Corporate Plan 2024-27 in place to bring focus and clarity to our vision and priorities for South Kesteven to be a thriving district in which to live, work and visit.

The Council is committed to continuous improvement and is confident that it has established robust foundations enabling it to continue to develop and strengthen its governance arrangements.



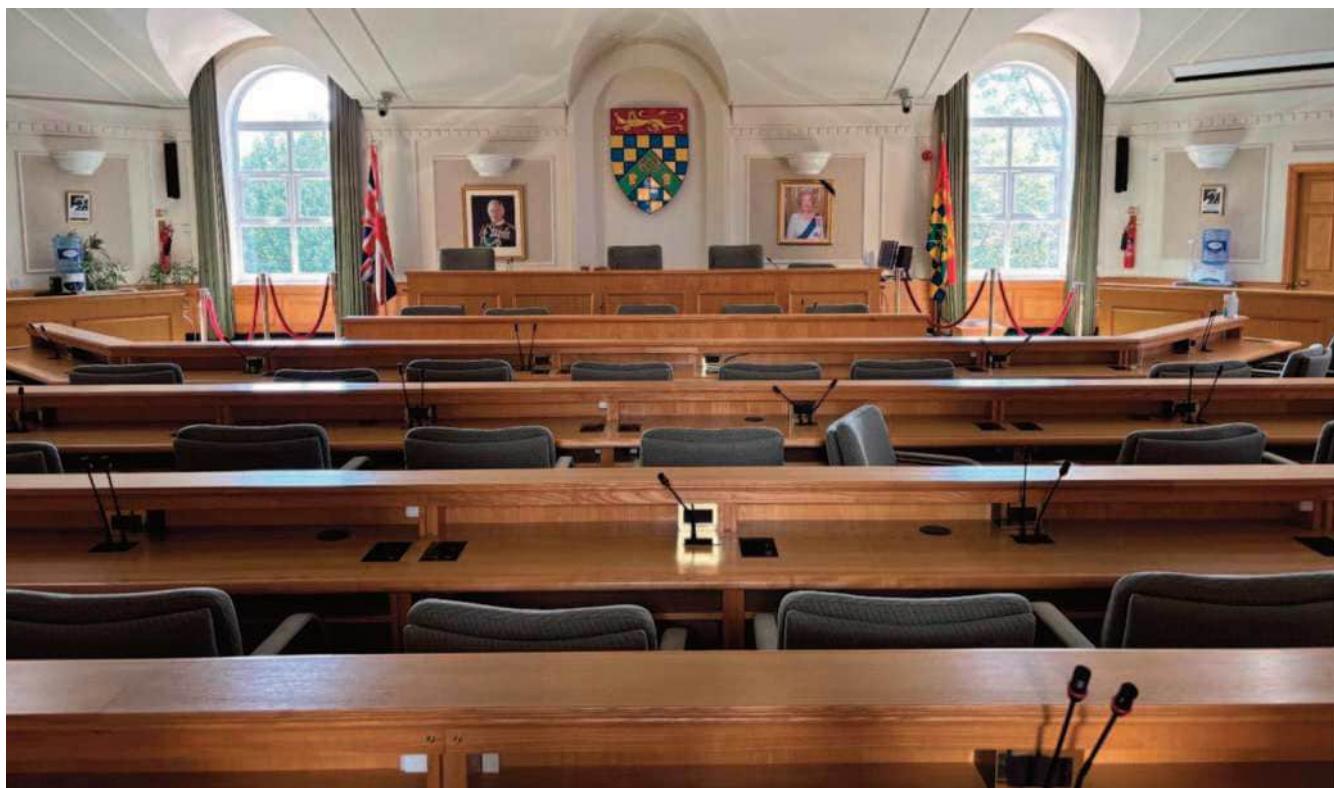
Karen Bradford
Chief Executive
South Kesteven
District Council

Cllr Ashley Baxter
Leader of the Council
South Kesteven
District Council

Key elements of the Council's Governance Framework 2024/25

Full Council	<ul style="list-style-type: none">■ Approves amendments to the Constitution and all associated Procedure Rules, Protocols and Codes■ Approves Strategies, Policies and Plans which make up the policy framework such as the Corporate Plan and Local Development Plan■ Approves the Council's budget and Medium-Term Financial Strategy, including the setting of Council Tax■ Holds meetings in public unless exemptions apply. All meetings are broadcast live and decisions are publicly available in minutes
Cabinet	<ul style="list-style-type: none">■ Takes the majority of the Council's decisions on matters outside of the Council's budget and policy frameworks■ Sets priorities in line with the Council's vision and recommends budget proposals to underpin delivery■ Reviews the Council's financial performance, performance of services and risk management■ Holds meetings in public unless exemptions apply. All meetings are broadcast live and decisions are publicly available in minutes
Governance and Audit Committee	<ul style="list-style-type: none">■ Reviews and approves Financial Statements on behalf of the Council■ Reviews Financial Regulations, Contract Procedure Rules, and the Treasury Management Strategy as well as any amendments to the Constitution■ Reviews and scrutinises governance arrangements, including the Local Code of Corporate Governance, internal and external audit reports, and management of risk■ Reviews annual reports for Safeguarding, Health & Safety, Business Continuity, and complaints made to the Local Government Ombudsman■ Holds meetings in public unless exemptions apply. All meetings are broadcast live, and decisions are publicly available in minutes
Overview and Scrutiny Committees	<ul style="list-style-type: none">■ Provides a critical friend challenge to the Cabinet and holds decision-takers to account■ Makes recommendations to decision-takers as part of pre-decision scrutiny■ Makes recommendations to decision-takers as part of policy or strategy development■ Can hold calls for evidence from internal or external stakeholders■ Holds meetings in public unless exemptions apply. All meetings are broadcast live and decisions are publicly available in minutes
Standards Committee	<ul style="list-style-type: none">■ Oversees processes relating to Councillor Code of Conduct complaints■ Acts as a Hearing Review Panel for Code of Conduct complaint cases which are referred for formal review■ Promotes high standards in public office■ Holds meetings in public unless exemptions apply. All meetings are broadcast live and decisions are publicly available in minutes

Statutory Officers Group	<ul style="list-style-type: none"> ■ Monthly meetings of the Head of Paid Service, Chief Finance Officer, and Monitoring Officer to ensure good administrative, financial, and ethical governance in the exercise of its functions ■ Work collaboratively to achieve high standards of corporate governance and uphold the Seven Principles of Public Life in accordance with the Code of Practice on Good Governance for Local Authority Statutory Officers
Management	<ul style="list-style-type: none"> ■ Reviews performance management and projects including progress against milestones, resource allocation, risks, and performance ■ Completes Annual Assurance Statements and contributes to the effective corporate management and governance of the Council
Risk Management	<ul style="list-style-type: none"> ■ Reviews risk registers for strategic, operational and fraud risks. Strategic risks considered by Corporate Management Team quarterly and Governance and Audit Committee bi-annually
Internal Audit	<ul style="list-style-type: none"> ■ Sets the Internal Audit Strategy to meet the Council's overall strategic direction and provide assurance on risk management, governance, and internal control arrangements ■ Undertakes annual programme of audits and presents progress reports against the plan ■ Makes recommendations for improvement in systems and controls and value for money ■ Provides the Head of Internal Audit Opinion on the overall adequacy and effectiveness of the Council's risk management, control, and governance processes



How we comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Solace Framework

The Council has approved and adopted a Local Code of Corporate Governance based on the requirements of the CIPFA/Solace Delivering Good Governance in Local Government Framework 2016. Set out below is how the Council has complied with the seven principles set out in the CIPFA/Solace Framework during 2024/25.

Principle A

Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

The Council has defined and communicated the standards of conduct and personal behaviour expected of elected Members and Officers through its Member and Officer Codes of Conduct, together with a Member/ Officer Protocol, included as part of its Constitution to ensure integrity.

Member Code of Conduct training formed part of the comprehensive induction programme for Members following the quadrennial elections in May 2023, with further refresh sessions being held throughout the term of office on an annual basis. The Council has agreed that it is mandatory for all Councillors to attend training on the Councillor Code of Conduct every year.

A new procedure for dealing with complaints against Councillors was approved in September 2023 which follows good practice set out in LGA guidance. Any complaints submitted are assessed or investigated by the Monitoring Officer in consultation with the Council's Independent Person/s in accordance with the approved procedure. The Standards Committee, introduced in May 2023, oversees the process associated with Code of Conduct complaints and promotes high standards of behaviour and conduct in public office.

The Council has a Counter Fraud, Bribery and Corruption Strategy, and a Whistleblowing Policy which provides protection for individuals to raise concerns in confidence and ensures that any concerns raised are investigated.

The Council's Customer Feedback Process provides members of the public with an avenue to raise any concern or complaint as well as provide compliments to specific service areas or individual members of staff.

The Governance Framework brings together an

underlying set of legislative requirements, good practice principles and management processes. It comprises the systems, processes, culture, and values by which the Council is directed and controlled, and through which it is accountable to, engages with and informs the local community. It enables the Council to monitor the achievement of its strategic objectives.

Whenever the Council makes decisions at its meetings it ensures legal and governance implications are considered. To assist with this, all reports include comments on any legal and governance implications, which are signed off by the Monitoring Officer or Deputy Monitoring Officer. Where report writers have sought or received legal advice from third parties, such as Legal Services Lincolnshire, they are normally referenced within their report.

Principle B

Ensuring openness and comprehensive stakeholder engagement

All Committee meetings are open to the public with agenda papers, reports and decisions being published on the Council's website, except those determined as exempt from publication. Additionally, most of the Council's Committee meetings are broadcast live via its webcasting system.

The Council can exclude the press and public from meetings for reasons set out in Schedule 12A of the Local Government Act 1972 (as amended).

The Council has robust arrangements in place to deal with residents' complaints, Freedom of Information requests, Subject Access Requests, data breaches and whistleblowing allegations.

The Council's Constitution sets out how the authority engages with stakeholders and partners.

The Council has a Partnerships Register that confirms the arrangements it has in place with partners and shared working practices.

During 2024/25 several statutory consultations were undertaken which included:

- **Planning Policy Consultation – Regulation 18 Draft Local Plan (2021-2041):** To consult with the public and stakeholders on the Draft Local Plan (2021-2041)

2,439 individual comments were received on the Draft Local Plan consultation, made by 794 respondents, and were made on areas including policies, site allocations, chapters, figures, paragraphs, and evidence base work. Three petitions were also received

- **Contaminated Land Strategy Consultation:** To consult on the content of the Council's Contaminated Land Strategy

75% of respondents agreed with the draft Contaminated Land Strategy

- **Public Space Protection Order – Market Deeping Cemetery:** To consult on the re-establishment of the Council's Public Spaces Protection Order for requiring someone in charge of a dog to always having it on a lead whilst in the cemetery

76% of respondents supported the proposal to reinstate a PSPO to always keep a dog on a fixed length lead whilst in the Market Deeping Cemetery

- **Council Tax Support Scheme 2025/26:** To measure the degree of support for the Council's Council Tax Support Scheme

94% of respondents thought that the discretionary payment scheme should continue in 2025/26

- **Council Tax Consultation:** To consult on levels of council tax for 2025/26

55% of respondents supported the proposal to increase the Council's element of council tax by 3%

- **Air Quality Action Plan:** To consult on the content of an Air Quality Action Plan for Grantham

79% of respondents thought that traffic management should be improved at key junctions in Grantham Town Centre

The Council also undertook several discretionary consultations which included:

- **Customer Experience Strategy:** To inform the content of the Council's Customer Experience Strategy

Key concepts highlighted by respondents as being pivotal to a customers' charter included efficiency, availability, knowledge, and being kept informed

- **Housing Repair and Maintenance Policy:** To consult on the repair and maintenance policy

84% supported a proposal to restrict the provision of non-urgent repairs to a tenant who continually refuses access to one of the Council's properties to carry out essential health and safety checks

- **Wyndham Park Dog Exercise/Biodiversity Paddock:** To establish degree of support for an exercise paddock for dogs in Wyndham Park which would also promote biodiversity

71% of respondents supported the creation of an area set aside for nature in Wyndham Park, which is also an area where dogs can be exercised off lead safely and securely.

- **Arts and Culture Opportunities in Bourne and the Deepings:** To establish if residents in Bourne and the Deepings would be more likely to participate in arts activities if available locally and to establish what would encourage arts practitioners to either start providing activities or increase their provision to inform a bid for funding from the Arts Council.

81% said that they would be more likely to participate in arts and cultural activities if they were available locally. Arts practitioners asked for a space dedicated to exhibiting, creating, and running workshops.

- **Public Space Protection Order – Restricting dogs on leads:** To consult on the potential introduction of a PSPO to restrict the number of dogs on leads one person could walk

37% supported the proposal which, if approved, would require an individual walking dogs on leads to restrict the number of dogs they walk at the same time. 59% of respondents did not support the proposal, and 4% were not sure.

Principles C and D

Defining outcomes in terms of sustainable economic, social and environmental benefits and determining the interventions necessary to optimise the achievement of the intended outcomes

LeisureSK Ltd was established in September 2020 and took over the management of the Council's three leisure facilities in Grantham, Bourne and Stamford in January 2021. The Council and LeisureSK Ltd entered a new ten year contract on 1 April 2025 which is based upon agency principles. The leisure contract details the level of service to be provided and includes key performance indicators to measure and monitor performance. Under the terms of the contract, LeisureSK Ltd is responsible for the provision of a high quality, accessible leisure service across the district which is attractive to residents and visitors.

The main aim of the arrangement is to facilitate the improvement of the health and wellbeing of the district through a range of outcomes including increasing levels of physical activity across the district, attracting increasing numbers of users to the leisure facilities, providing a high standard of customer care, and identifying opportunities to engage with residents outside of traditional leisure activities.

There is a Council appointed Board of Directors for LeisureSK Ltd which is responsible for overseeing the strategic direction of the company and its financial and operational performance. Membership of the Board of Directors is complemented by a Non-Executive Director who was recruited in recognition of their significant leisure knowledge and experience.

Council Officers perform the 'client' role ensuring robust contract monitoring arrangements are in place to ensure that LeisureSK Ltd deliver on the

contract objectives and key performance indicators.

LeisureSK's Articles of Association provide that the Council as owner of the company has certain powers including the right to ask directors to take, or refrain from taking, any action and the Members Agreement provides that the Council has unrestricted access to any company information or documents it requires.

The performance of LeisureSK Ltd is monitored by the Council's Culture and Leisure Overview and Scrutiny Committee which receives regular presentations and reports on the financial and operational performance of the company.

Principle E

Developing the entity's capacity, including the capability of its leadership and the individuals within it

The Council has an adopted People Strategy 2022-2025 which is built around three themes:

- Attract the right people, retain, and develop excellent skills, define, and embed the right culture
- Engaging and valuing our people to run our business effectively
- Effective leadership to encourage, inspire and navigate change

The aim of the People Strategy is to provide an immediate and on-going and long-term framework for engaging, sustaining, developing, and managing our people to be fit for purpose in supporting the Council's vision, goals and the aspirations outlined in the Corporate Plan. To address this, we will:

- Attract and recruit high calibre staff regionally
- Develop and support our staff to fulfil their potential and help us deliver our aspirations



Five new freighters join the Council's fleet of colourful waste freighters carrying vital health and wellbeing messages. In addition to the pink lorry promoting Breast Cancer awareness and a bright blue lorry promoting Prostate Cancer awareness, the new freighters are painted in the distinctive brand colours of the organisation they represent: Samaritans (lime green), Roy Castle Lung Cancer Foundation (orange), Bowel Cancer UK (teal), Kidney Research UK (purple) and Royal British Legion (dark blue).

- Engage to create an inspired workforce
- Improve the equality, diversity, and inclusion of the Council
- Retain and reward our staff through recognising their contribution
- Create and maintain a progressive, collaborative, and healthy working environment

To build on this, an updated People Strategy is being developed.

During 2024/25 significant leadership development has been undertaken to increase the capability and competency of the senior leadership team.

The Council has 33 apprenticeships and during 2024/25, 669 employees attended 131 learning events.

The Council has a scheme of delegation that sets out how decisions are made within the Council both at Member level and officer level. The Council has effective arrangements for the discharge of the statutory Head of Paid Service, Section 151 Officer and Monitoring Officer functions and complies with the relevant requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) statement on the Role of the Chief Financial Officer in Local Government.

Principle F

Managing risks and performance through robust internal control and strong public financial management

The Council has effective risk management which is embedded across all areas of the business.

The authority recognises that risk management is an integral part of all activities and must be considered in all aspects of decision making.

The Council's Risk Management Framework sets out its approach to identifying and controlling risks. Risk registers are maintained at strategic and service area level. Strategic risks are reviewed by the Corporate Management Team and reported to the Governance and Audit Committee biannually.

During 2024/25 the Council held several facilitated strategic risk workshops with the Corporate Management Team to review and develop the Council's strategic risks including the development of an Emerging Risk Radar.

The Council's project methodology ensures that all risks are captured and monitored to enable the successful delivery of projects. These are reported every two months to Corporate Management Team.

The Council's Counter Fraud, Bribery, and Corruption Strategy, structured on the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, sets out the importance of achieving intended outcomes, whilst acting in the public interest, and being seen to do so.

Financial management is a key element of the structure and processes that comprise the Council's governance arrangements and it will be undertaking an assessment against the CIPFA Financial Management Code and developing an action plan.

Underpinning the delivery of the Council's Corporate Plan 2024-27 and priorities is the ethos of an effective Council. This includes effective financial management to achieve efficiencies and savings in the short and medium terms.

Strategic Risks 2024/25

1. Successful/serious cyber security attack on the Council
2. Serious safeguarding failure by the Council
3. Serious health, safety, and well-being failure by the Council
4. Ineffective financial management
5. Unable to maintain and build quality and consistency in service provision by the Council
6. Unable to maintain and build sufficient staffing capacity and capability
7. Failure to explore digital transformation of Council Services
8. Not maintaining and developing fruitful partnerships and collaborations
9. #TEAMSK values/culture are not lived
10. Unable to meet requirements of new regulations and legislation affecting the Council
11. Not sufficiently engaging with and responding to climate change
12. Not effectively engaging with key external stakeholders
13. Governance failure
14. Significant fraud/theft successfully committed against the Council
15. Unable to effectively respond to political priorities
16. Homelessness and poor housing conditions
17. Local Government Reorganisation
18. Devolution

Principle G

Implementing good practices in transparency, reporting and audit to deliver effective accountability

The Council is open and accessible to the community, service users and employees. It is committed to openness and transparency in all that it does, and this is underpinned by the Corporate Plan. The Council ensures that clear channels of communication are in place with all sections of the community and other stakeholders, and it monitors these to ensure that they are operating effectively.

Every effort is made to ensure that information is concise and easy to understand. In accordance with the Local Government Transparency Code the Council publishes how it spends its money, how it uses its assets, how it makes decisions and have regard to issues important to local people.

The Council has a comprehensive consultation process for published reports which ensures senior management, and Members, own the contents. The Council is committed to publishing information on its performance in a timely manner and report performance against targets and financial targets on a regular basis to committees.

The Council's internal auditors, BDO LLP, report directly to the Governance and Audit Committee on all aspects of its work, including tracking the implementation of management actions arising from internal service audits. The Committee also has the opportunity to suggest items for the annual internal audit work programme approved by Governance and Audit Committee.

The Council welcomes peer challenge, reviews and inspections from regulatory bodies and it participates in national benchmarking exercises to obtain comparative data on performance.



Governance Framework for 2024/25

The Governance Framework shown below has been in place throughout the financial year which ended on 31 March 2025 and continues to be in place up to the date of the approval of the Statement of Accounts.

Assurances required

- Delivery of Council's aims and objectives
- Services deliver value for money
- Engagement with stakeholders and public accountability
- Budget and financial management
- Roles and responsibilities of Members and Officers
- Standards of conduct and behaviour
- Compliance with laws, regulations, internal policies, and procedures
- Management of risk
- Effectiveness of internal controls

Sources of assurance

- Constitution, Scheme of Delegation, Financial Regulations, Contract Procedure Rules and specific Rules of Procedure for the Council's bodies
- Council, Cabinet and Committees including Governance and Audit and Overview and Scrutiny Committees
- Statutory Officers Group
- Corporate Information Governance Group
- Medium Term Financial Strategy
- Human resources policies and procedures
- Whistleblowing Policy
- Counter fraud procedures
- Risk management and internal control frameworks
- Performance management framework
- Partnership governance arrangements
- Codes of Conduct
- Corporate Management Team
- Annual Assurance Statements
- Customer complaints system
- Freedom of Information system

Assurances received

- Statement of Accounts
- External audit reports
- Internal audit reports
- Risk management reports
- Counter fraud reports
- Independent and external sources
- Local Government Ombudsman reports
- Reviews by Overview and Scrutiny Committees and Governance and Audit Committee
- Member/officer working groups
- Customer feedback eg complaints
- Freedom of Information requests
- Data Subject Access Requests
- Whistleblowing reports
- Health and Safety Executive inspections

Review of effectiveness

Internal audit

The Council's internal auditors, BDO LLP, were required to provide an opinion on the overall adequacy and effectiveness of the Council's risk management, control, and governance processes.

Seven assurance, one consultancy (Arts Council Grant) and two follow up reviews were undertaken during 2024/25, with the seven assurance reviews resulting in the following assurance levels:

Audit	Design Opinion	Design Effectiveness
Arts Council Grant	N/A	N/A
Social Housing Decarbonisation Fund	Moderate	Moderate
Staffing Capacity and Capability	Moderate	Substantial
Homelessness	Moderate	Moderate
Income Generation	Substantial	Moderate
Business Continuity and Disaster Recovery	Moderate	Moderate
Council Tax and NNDR	Substantial	Moderate
Data Protection, FOI, EIR and SAR	Moderate	Moderate

For the twelve months ended 31 March 2025, based on the work undertaken, the BDO LLP Head of Internal Audit opinion was:

Overall, we provide **Moderate** Assurance that there is a sound system of internal controls, designed to meet the Council's objectives, and that controls are being applied consistently across various services.

Level of Assurance	Design Opinion	Findings	Effectiveness Opinion	Findings
Moderate	In the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed, albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of noncompliance with some controls that may put some of the system objectives at risk.

External audit

The Council's external auditors, KPMG LLP, are required to consider whether the Annual Governance Statement (2023/24 and 2024/25) complies with Delivering Good Governance in Local Government 2016 published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (Solace).

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), external audit are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources.

External audit are required to report their commentary on the Council's arrangements under specified criteria. External audit have reported on the Council's arrangements for 2023/24 and 2024/25 and have concluded the following in respect of Value for Money for both years:

Domain	Significant risk identified?
Financial sustainability	No significant risks identified
Governance	No significant risks identified
Improving economy, efficiency, and effectiveness	No significant risks identified

Assurance Statement 2024/25

Officers of the Senior Team produced an Annual Assurance Statement for 2024/25 which assessed the effectiveness of the key control environment within their areas of responsibility.

Management assurance is a key assurance mechanism on which the Council seeks to obtain visibility over. The Council recognise that management may not be able to provide a positive assurance in all cases and would prefer a conclusion to be reached that is objective and honest with a view to then addressing any areas of concern in the future as may be required.

Senior Team were asked to agree, or otherwise, to various statements based on their knowledge and understanding across seven core areas of assurance:

- Probity and Regulatory
- Procurement
- Governance
- Human Resources
- Health and Safety
- IT and Data Management
- Business Continuity

The overall assurance level revealed that managers 'Fully Agreed' with 83% of the statements on assurance with the remainder being 14% 'Partially Agreed'; 1% 'Not Agreed' and 2% 'Don't Know'.

Themes for improvement were identified for Procurement, Health and Safety, and Business Continuity.

The responses were reported to Statutory Officers Group for review. Actions arising from the completion of the Assurance Statement have been captured and will be monitored during 2025/26.

Governance and Audit Committee

Governance and Audit Committee is well established with its terms of reference complying fully with CIPFA guidance.

During 2024/25, Governance and Audit Committee appointed a Coopted Independent Member as a move to further strengthen the governance and maturity of the Committee.

The key areas covered by the Governance and Audit Committee's terms of reference are:

- accounts and financial reporting
- financial regulations
- treasury management
- internal and external audit activity
- risk management
- governance
- counter fraud and bribery
- contract procedure rules
- regulatory framework
- the ombudsman process

In addition, Governance and Audit Committee receive annual reports on:

- Business Continuity
- Health & Safety
- Safeguarding



Follow-up on last year's key areas of focus

Last year's Annual Governance Statement identified nine areas of focus, and the table below sets out the action taken to address those areas:

Key area of focus identified for 2024/25	Action taken
East Midlands Councillor Development Charter	The new Councillor Working Group has met on a number of occasions with several items on the action plan being completed. Evidence has been stored for a future submission for charter status
Little Ponton and Stroxtton Community Governance Review	Full Council did not propose any changes to the community governance structure for the parish of Little Ponton and Stroxtton, ending the Community Governance Review process
Review of the Officer Code of Conduct	This has been moved into 2025//26 when the new Director of Law and Governance is in post.
Lead officer established, who is an Accredited Counter Fraud Specialist, to investigate all whistleblowing reports	All whistleblowing reports have been investigated by the Accredited Counter Fraud Specialist
Lessons learnt report to be produced at the end of each key event/project	Lessons learnt report is produced at the end of every corporate project which is then shared to the relevant board
Use of data (Oflog, Government, benchmarking) to be used to assist in decision making	Work ongoing. A report has been presented to Cabinet in respect of the government's Productivity Plan. The information from the State of the District was used for the Economic Strategy and to support projects within the district. Data is benchmarked across other districts and is available on the Council's website
Lesson learnt review on complaints to stop reoccurrences	Work ongoing. Enhancements to the complaints process are underway. Refresher training will be undertaken with service areas to reinforce the importance of capturing the reasons complaints have arisen along with understanding the frequently raised repeat issues to identify solutions.
Investment in technology – Asset Management system and Financial System	New asset management system implemented. New financial system goes live in July 2025
Leisure Option Appraisal	As a result of the leisure option appraisal, Cabinet in September 2024, agreed a new ten-year contract, based on agency principles, which commenced on 1 April 2025

Governance issues

Key area of focus for 2025/26	Action owner	Deadline
Recruitment of a new Director of Law & Governance	Chief Executive	September 2025
Appointment of an interim Data Protection Officer	Chief Executive	August 2025
Onboarding of new Director of Law & Governance, Data Protection Officer, and Deputy Monitoring Officer	Chief Executive	March 2026
Ensure Freedom of Information and Subject Access Request processes are reviewed and established	Director of Law & Governance	March 2026
Review Local Government Reorganisation governance challenges	Chief Executive	November 2025
Review of the Constitution to ensure Member Code of Conduct is up to date and relevant	Director of Law & Governance	March 2026
Review of the Officer Code of Conduct	Director of Law & Governance	March 2026
New governance structure to be developed for LeisureSK Ltd based on the agency principles	Deputy Chief Executive	September 2025
Ensure compliance with the delivery of the 2025/26 UKSPF requirements	Deputy Chief Executive	March 2026

Contact Details

**Alternative formats are available on request:
audio, large print and Braille**

South Kesteven District Council

01476 40 60 80

 www.southkesteven.gov.uk



(Letterhead of the Entity we audit)

*KPMG UK LLP
1 Sovereign Square
Sovereign Street
Leeds,
LS1 4DA*

X February 2025

Dear Salma

This representation letter is provided in connection with your audit of the Group and Authority financial statements of South Kesteven District Council (“the Authority”), for the year ended 31 March 2025, for the purpose of expressing an opinion:

- i. as to whether these give a true and fair view of the financial position of the Group and the Authority as at year end and of the Group’s and the Authority’s income and expenditure for the year then ended;
- ii. whether the Group and the Authority’s financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (“CIPFA/LASAAC Code”).

These financial statements comprise the following: the Group and the Council Comprehensive Income and Expenditure Statements, Group and the Council Balance Sheets, Group and the Council Movement in Reserves Statements, Group and the Council Statements of Cash Flows, Collection Fund, Housing Revenue Account and the notes, comprising material accounting policies and other explanatory information and the Expenditure and Funding Analysis.

The Council confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Council confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Council has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015 and the Accounts and Audit (Amendment) Regulations 2022, for the preparation of financial statements that:
 - i. give a true and fair view of the financial position of the Group and the Council as at year end and of the Group’s and the Council’s income and expenditure for the year then ended;
 - ii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

The financial statements have been prepared on a going concern basis.

2. The methods, the data and the significant assumptions used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

5. The Council has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Council for the purpose of the audit; and
 - unrestricted access to persons within the Group and the Council from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Council confirms the following:

The Council has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

9. The Council has disclosed to you all information in relation to:
 - a) Fraud or suspected fraud that it is aware of and that affects the Group and Council and involves:
 - management;
 - members;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
 - b) allegations of fraud, or suspected fraud, affecting the Group and Council's financial statements communicated by employees, former employees, members, analysts, regulators or others.

In respect of the above, the Council acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the

Council acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and we believe we have appropriately fulfilled those responsibilities.

10. The Council has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
11. The Council has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
12. The Council has disclosed to you the identity of the Group and Council's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

13. The Council confirms that:
 - a) The financial statements disclose all of the matters that are relevant to the Council's and the Group's ability to continue as a going concern, including the key risk factors, assumptions made and uncertainties surrounding the Council's and the Group's ability to continue as a going concern as required to provide a true and fair view and to comply with IAS 1 *Presentation of Financial Statements*.
 - b) No material uncertainties related to events or conditions exist that may cast significant doubt upon the ability of the Council and the Group to continue as a going concern.
14. On the basis of the process established by the Council and having made appropriate enquiries, the Council is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 Employee Benefits.

The Council further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,have been identified and properly accounted for; and
- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Governance and Audit Committee on 18 February 2025.

Yours faithfully,

Section 151 Officer

Appendix to the Council Representation Letter of South Kesteven District Council: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenditure and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

A housing authority must present a Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'. [Error! Reference source not found.](#)

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- c) dissimilar items, transactions or other events are inappropriately aggregated;

- d) similar items, transactions or other events are inappropriately disaggregated; and
- e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.

Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to “management” should be read as “management and, where appropriate, those charged with governance”.

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the “reporting entity”).

- A person or a close member of that person’s family is related to a reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity; or
 - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- An entity is related to a reporting entity if any of the following conditions applies:
 - The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - Both entities are joint ventures of the same third party.
 - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - The entity is controlled, or jointly controlled by a person identified in (a).
 - A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a government that has control or joint control of, or significant influence over the reporting entity; and
- another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Appendix – Uncorrected misstatements

Uncorrected audit differences (£000s)				
No.	Detail	Balance		Comments
		CIES	Sheet	
1	Dr Other service expenses	189	-	We have identified 1 item of expenditure recorded in April 2025 which relate to 2024/25 and were incorrectly not accrued for.
	Cr Creditors	-	(189)	
2	Dr Cash	-	144	Debtors balance not cleared to reflect cash in transit as at 31 March 2025.
	Cr Debtors	-	(144)	
Total		£189	(£189)	

Governance and Audit Committee Work Plan 2025-2026

Item	Current Issues/Status	Outcome Sought
18 February 2026		
Statement of Accounts 2024/25	To be approved each year by the statutory deadline	To approve the 2024/2025 Statement of Accounts and their publication on the Council's website
18 March 2026		
Annual Report on Grants and Returns	External Audit's report on grants and returns for the year	To review and note the contents of the report
Internal Audit Progress Report	Update from the Council's Internal Auditors in respect of progress made against the plan	To review and note the contents of the report
Internal Audit Follow Up Report	Update from the Council's Internal Auditors in respect of progress made against the implementation of actions	To review and note the contents of the report
Indicative Internal Audit Plan 2026/27	Internal Audit to present the indicative Internal Audit Plan for 2026/2027	To review and note the contents of the report
Statement of Accounting Policies	Annual report prior to the preparation of the Statement of Accounts to ensure that the policies are up to date and in line with the CIPFA Code of Practice	To consider approving the Statement of Accounting Policies
Treasury Management Q3 Report	To update on the treasury management activities during quarter 3	To be noted by the Committee
Housing Benefit Subsidy Audit 2023-24	To provide an update regarding the outcome of the audited subsidy claim and Department for Work and Pension sign-off	To review and note the contents of the report

Item	Current Issues/Status	Outcome Sought
Unscheduled		
Access to Information Working Group Update	Update on the meeting of the Access to Information Working Group	To review and note the contents of the report
Financial Regulations Implementation Update	An update following six months of the implementation of the Financial Regulations was requested at the 21 January 2026 meeting.	To review and note the contents of the report
Amendments to the Constitution	To consider a number of amendments to the Constitution.	Recommendation to Full Council
Items to be allocated as and when required		
Code of Conduct		
Code of Corporate Governance		
Constitutional Amendments		
Contract Procedure Rules		
Financial Regulations		
Risk Management Framework – due in 2027/28		
Counter Fraud, Bribery, and Corruption Strategy – due 2026/27		
Anti Money Laundering Policy – due 2026/27		
Whistleblowing Policy – due 2026/27		
Review of Subject Access Requests		
Committee Members meeting with auditors		

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