

# 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 2024 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 2023/24
- 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: 22 Conservatives, 8 Democratic Independents, 8 Grantham Independents, 5 Independents, 4 Liberal Democrats, 3 Green Party, 3 South Kesteven Independents, 2 Labour and Co-operative and 1 Independent (unaligned).

The Conservative and South Kesteven Independent Group have formed the South Kesteven Coalition Group which consists of 25 members, the remaining groups have formed a majority coalition of 30 members.

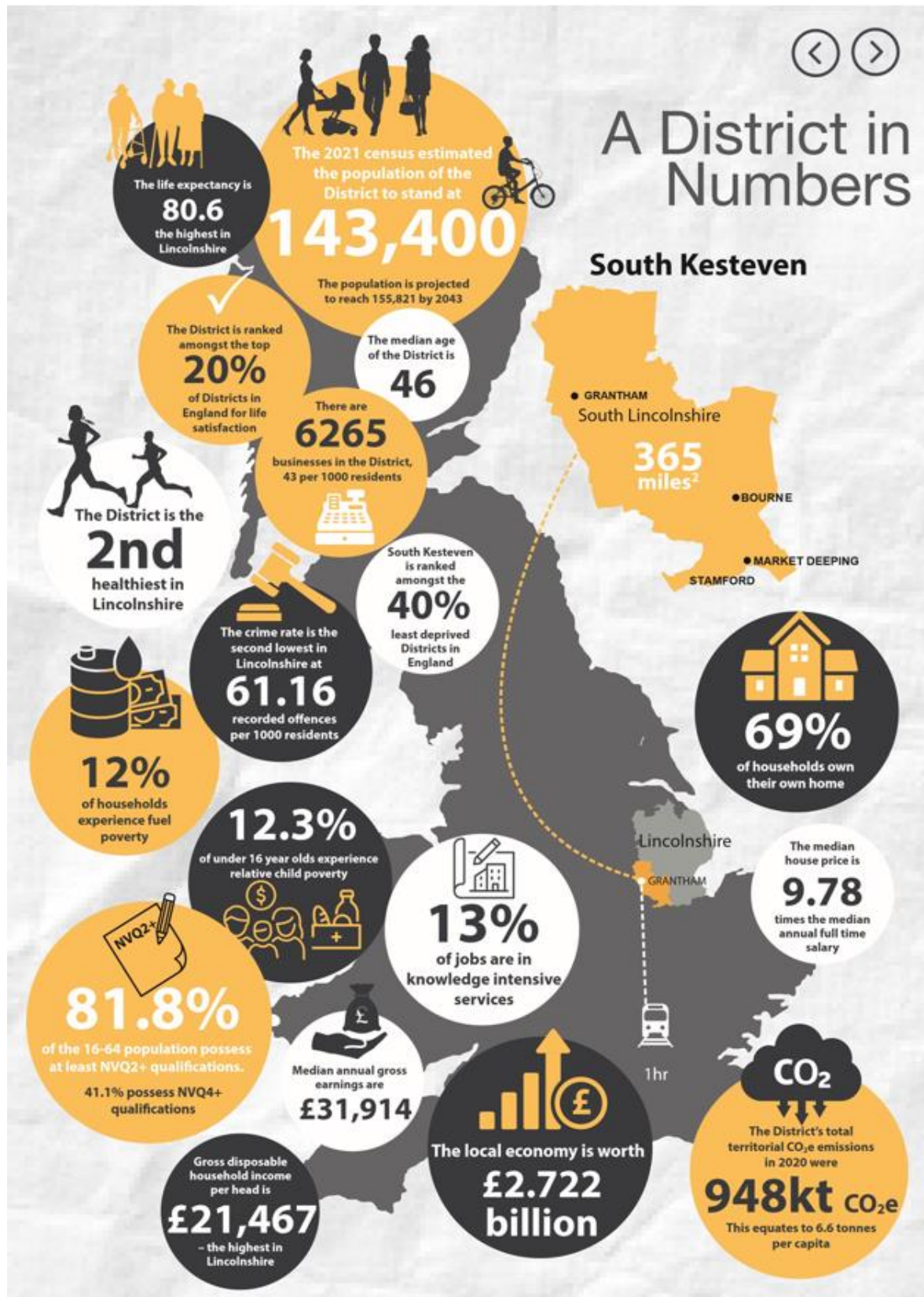
The Council operates with a Cabinet structure, six Overview and Scrutiny Committees and a Governance and Audit Committee responsible for corporate governance and approval of the Statement of Accounts. There is also an Alcohol, Entertainment and Late-Night Refreshment Licensing Committee, Employment Committee, 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 143,400 residents which includes:

- Providing a comprehensive arts and leisure offer
- Providing high quality street scene services
- Providing high quality grounds maintenance through its wholly owned company – EnvironmentSK Ltd. EnvironmentSK Ltd ceased operating on 31 March 2023 and the services it provided were transferred back to the Council.
- 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 5,850 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**

As with most authorities financial planning remains challenging with continued uncertainty surrounding future funding arrangements alongside inflationary pressures which are significantly increasing the cost of fuel, utilities, and construction. The Council received a one-year settlement for 2024/25 and high-level planning assumptions for 2025/26 which will assist with medium term financial planning.

The 2024/25 budget was approved by Council on 29 February 2024 which set out a three-year position detailing the funding challenges alongside the changes to the national funding arrangements. In the medium term, the timing of the funding challenges remains unclear, the pending general election could both further delay the changes and change the current anticipated changes to the funding mechanism.

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. Risk registers are maintained at a corporate and service level. Corporate risks are reported to the Corporate Management Team and to the Governance and Audit Committee biannually. We have focussed 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.

The Council changed its Internal Auditors during the financial year, Assurance Lincolnshire were the Auditors up until RSM UK took over until the end of the financial year. BDO UK have been appointed as the Councils Auditors from 1<sup>st</sup> April 2024 for three years.

RSM UK in their Annual Report identified that the organisation has an adequate and effective framework for risk management, governance and internal control. However, their work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective. The enhancements are driven from the Audits undertaken during the year and the accepted management actions from each. There were a total of 10 Audits completed in the year 5 received Substantial Assurance, 3 Reasonable Assurance and 1 Partial Assurance. The latter was the responsive repairs audit, an action plan has been put in place to ensure that the agreed management actions are completed.

### **Key 2023/24 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 its five key priorities, which are set out below



Connecting  
Communities



Sustainable  
South Kesteven



Enabling  
Economic  
Opportunity



Housing



Effective Council

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**

- Received an Employer Recognition Scheme Gold Award for outstanding support to the Armed Forces community – one of only 18 organisations across the East Midlands to hold the status.
- Established the £1 million South Kesteven Prosperity Fund (SKPF), which has funded 70 projects undertaken by towns, parishes and community groups across the District.
- Upgraded 40 CCTV cameras to further improve our accredited and highly commended CCTV service.
- Granted £219,000 to local projects through the Community Fund.
- Secured an award of £344,659 from Phase 1 of the Swimming Pool Support Fund to support the operation of LeisureSK Ltd with the increased costs in relation to utilities and pool chemicals. Further bids submitted to Phase 2 of the Swimming Pool Support Fund for energy

- saving initiatives and a bid submitted to the Public Sector Decarbonisation Scheme.
- Secured Arts Council Transition Funding for the consortium of venues which includes Stamford Arts Centre, Guildhall Arts Centre, Louth Riverhead Theatre and the South Holland Centre.
- Adopted the Lincolnshire Districts Health and Wellbeing Strategy and developed a bespoke local Action Plan to drive health and wellbeing improvements at a local level

### **Sustainable South Kesteven**

- Published our first Climate Change Action Strategy 2023, establishing how the Council will continue to reduce its carbon footprint and adapt to a changing climate, whilst leading, influencing and championing the District to do the same.
- 152 properties received upgrades to low-carbon heating systems, making homes warmer and reducing energy costs for tenants through the Green Homes Grant.
- A further 300 social housing properties will be upgraded via the £7.26m Social Housing Decarbonisation Fund.
- Secured Green Flag status for the three parks in Grantham: Wyndham Park, Queen Elizabeth Park and Dysart Park.
- Rejuvenated riverside areas along the River Witham in Grantham, including the creation of a wetland area in Queen Elizabeth Park, through the successful delivery of the £1.29m Blue Green Corridor scheme, improving access to wildlife for 13,700 residents.
- Successfully insourced the grounds maintenance team from EnvironmentSK Ltd.

### **Enabling Economic Opportunity**

- Created the Local Economic Forum (LEF) made up of key stakeholders which help guide decision-making and act as a key consultative body on future strategies, initiatives and funding programmes regarding local economic development.
- Distributing £3.9 million of UK Shared Prosperity Fund (UKSPF) monies.
- Through the £1.263 million High Street Heritage Action Zone programme, restored the iconic Grade II listed Westgate Hall, Grantham and nine shopfront regeneration projects, generating over £350,000 in private sector investment.
- Accelerated the £5.56 million Grantham Future High Streets Fund to the delivery phase with public realm and residential accommodation projects scheduled for completion in 2024.
- Allocated over £53 million in COVID support grants to 3000 businesses. The Council was shortlisted for the East Midlands 'Best COVID Response Award' in 2022.

### **Housing**

- Ground broken on the construction of 20 properties at Swinegate, Grantham. This is part of a pipeline of the Council building 65 affordable properties over the next two to three years.
- Successfully delivered the Housing Improvement Plan after self-referring to the Regulator of Social Housing. The Regulatory Notice has been lifted.
- Delivering a £3.2 million programme of renovation works to 143 properties in the Earlesfield Estate, Grantham.
- Acquired 21 properties through the first tranche of Local Authority Housing Fund money allocated to the Council. These will house Ukrainian and Afghan refugees and will ultimately be added to Council's social housing stock.
- Introduced new housing management and choice-based letting systems.
- Commenced an early review of the Local Plan with a confirmed five-year housing land supply.
- Completed 336 adaptations through the Disabled Facility Grants scheme worth a total of £2.9 million.

### **Effective Council**

- A successful Corporate Peer Challenge resulted in a review of governance structures and rationalised the amount of Council owned companies to improve efficiency and effectiveness.
- Adopted a People Strategy, vastly improving staff engagement, retention, training and



satisfaction.

- Completed a full review of the Health & Safety policy and plans to strengthen risk control and accident awareness across the Council.
- Pursued a policy of 'grow your own' employing 23 apprentices and awarded Apprenticeship Employer of the Year 2023 by Grantham College.
- Saved £300,000 per annum by moving into modern, open plan office accommodation in Grantham.
- Implemented and embedded a new Constitution and Committee structure, including a new Housing Overview & Scrutiny Committee and Standards Committee.
- Completed 2021-22 and 2022-23 Statement of Accounts audit. An unqualified opinion was received for 2021-22 and 2022-23.

### **2023/24 Financial Performance**

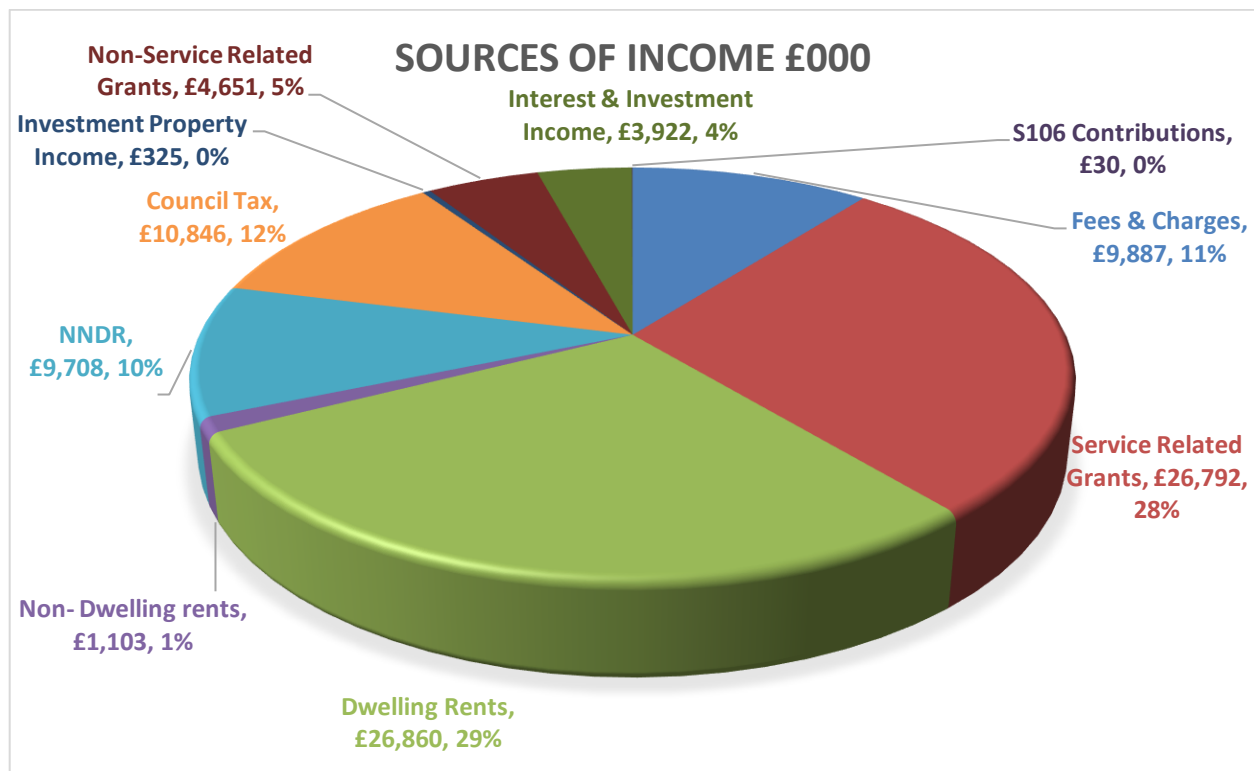
The budget for 2023/24 reflected the ongoing significant challenges expected from increased inflation specifically related to energy costs. A budget stabilisation reserve was created to support the GF budget by £1.5m. There was however no requirement to use the reserve at outturn due to the reduction in energy costs, savings achieved during the year and increased income from investments and fees and charges.

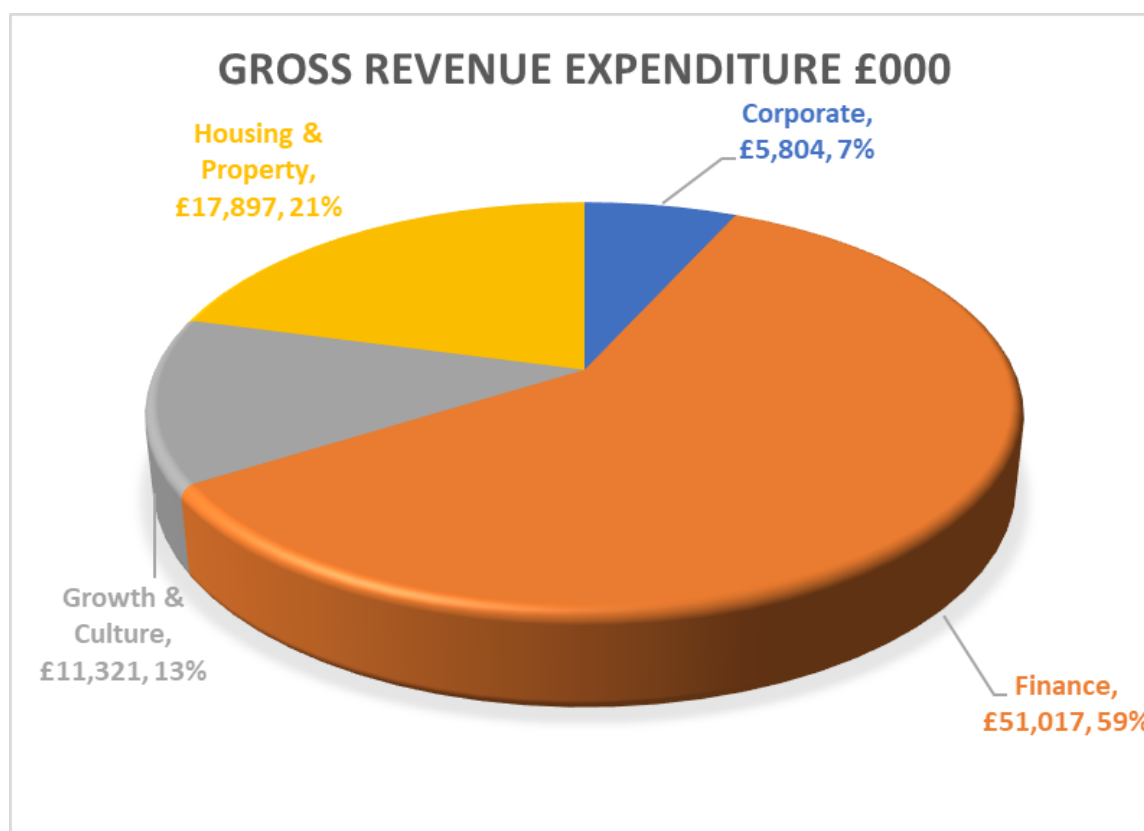
### **Revenue Expenditure and Income**

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 2023/24 totalled £86.039m compared with £76.987m in 2022/23. The main increases relate to increases in service expenditure in Finance, Property & Waste Services and increases in Capital Charges.

Gross Income in 2023/24 totalled £64.642m compared with £57.949m in 2022/23. 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 2023/24 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 March and monitored and adjusted in-year to reflect expected expenditure and new priorities. Table 1 shows adjusted revenue budget compared with actual net expenditure by directorate at 31 March 2024:

**Table 1 - Revenue Outturn Position**

Directorate	2023/24 Current Budget £'000	2023/24 Adjusted Budget £'000	2023/24 Outturn £'000	2023/24 Variance £'000
Corporate	4,128	3,989	3,903	(86)
Finance	11,652	9,750	8,757	(993)
Growth & Culture	8,745	4,632	3,817	(815)
Housing	1,685	1,566	589	(977)
Housing Revenue Account Recharge	(2,814)	(2,814)	(2,780)	34
Drainage Rates	871	871	902	31
Investment Properties	(760)	(760)	(1,592)	(832)
<b>Sub-total</b>	<b>23,507</b>	<b>17,234</b>	<b>13,596</b>	<b>(3,638)</b>
Housing Revenue Account	(6,685)	(6,952)	(5,272)	1,680
<b>Net Cost of Services</b>	<b>16,822</b>	<b>10,282</b>	<b>8,324</b>	<b>(1,958)</b>

## General Fund Outturn

The outturn position shown at table 1 details a net underspend of £1.958m when compared with the adjusted budget. There are several under and overspends which account for this variance, detailed explanations are provided in Appendix A of the Outturn Report for 2023/24 which can be accessed via the following link.

[Appendix A - - 2023-24 General Fund Revenue Significant Variance Analysis](#)

## Housing Revenue Account (HRA) Outturn

The outturn position for the HRA shown at table 1 details a decreased in year surplus of £5.272m (2022/23 £1.680m decreased surplus) when compared with the adjusted budget. There are several under and overspends which account for this variance, detailed explanations are provided in Appendix D of the Outturn Report for 2023/24 which can be accessed via the following link.

[Appendix D - 2023-24 HRA Significant Variance Analysis](#)

## 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 March and then monitored and adjusted throughout the year to reflect where expenditure is expected to be incurred and as new priorities are approved. Table 2 shows the adjusted capital budget compared with the actual net expenditure by directorate at 31 March 2024:

**Table 2 – Capital Outturn Position**

Directorate	2023/24 Current Budget £'000	2023/24 Adjusted Budget £'000	2023/24 Outturn £'000	2023/24 Variance £'000
Corporate	1,813	1,200	1,200	0
Finance	12,817	2,629	2,746	117
Growth & Culture	6,290	586	515	(71)
Housing	1,701	1,198	372	(826)
Housing Revenue Account	25,649	21,900	16,273	(5,627)
<b>Total Expenditure</b>	<b>48,270</b>	<b>27,513</b>	<b>21,106</b>	<b>(6,407)</b>

## General Fund Capital

The outturn position shown at table 2 details a net underspend of £780m 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 2023/24 which can be accessed via the following link.

[Appendix B – 2023-24 General Fund Capital Outturn Significant Variances](#)

## Housing Revenue Account (HRA) Outturn

The outturn position shown at table 2 details a net underspend of £5,627m when compared with the adjusted budget. There are several under and overspends which account for this variance, detailed explanations are provided in Appendix E of the Outturn Report for 2023/24 which can be accessed via the following link.

## Appendix E - 2023-24 HRA Capital Outturn Significant Variances

### **Capital Financing**

The Council has funded the 2023/24 Capital Programme from a variety of sources, which are set out in the table below:

Directorate	2023/24 Current Budget £'000	2023/24 Adjusted Budget £'000	2023/24 Outturn £'000	2023/24 Variance £'000
Grants & Contributions	12,069	4,612	5,488	876
Earmarked Reserves	1,460	770	601	(169)
Capital Receipts	8,723	6,870	3,112	(3,758)
Borrowing	8,224	224	369	145
HRA Improvement Reserve	4,465	4,290	2,054	(2,236)
Major Repairs Reserve	12,699	10,747	9,482	(1,265)
<b>Total Expenditure</b>	<b>47,640</b>	<b>27,513</b>	<b>21,106</b>	<b>(6,407)</b>

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 under and overspends so that members are aware of any potential financial pressures that may arise from these variances.

Any financial pressures which are expected to impact on future years are incorporated into the Medium-Term Financial Plan and the budget report for the following year. The 2023/24 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 actual spend.

### **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 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 relates to the management of the Council's social housing stock. Given the issues identified in the delivery of landlord health and safety compliance, considerable improvement plans were put in place between 2020/2021 and 2023/24 as part of the engagement with the Regulator of Social Housing. Significant improvements have been made in the service area over the last 3 years, the budgets were reviewed as part of the 2023/24 budget setting process to ensure that there was sufficient budget for all areas of expenditure, and it is anticipated that full compliance will be achieved during 2023/24.

## **EXPLANATION OF THE FINANCIAL STATEMENTS**

The 2023/24 Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2023/24, 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. As recommended by CIPFA and our external auditors the Council continues to 'de-clutter' the accounts by annually reviewing the content and removing unnecessary detail.

The accounts give a true and fair view of South Kesteven's financial position for the financial year 2023/24. The accounting policies are outlined on pages 74 to 85 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. They are 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 2023/24 (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 £19.037m in 2022/23 to £21.397m in 2023/24. Expenditure in the Growth and Culture Directorate has increased by £0.405m between 2022/23 and 2023/24, this difference primarily relates to an increase in employee expenses and supplies and services, offset by a reduction in premises expenses. The expenditure in the Housing and Projects Directorate has increased by £1.375m between 2022/23 and 2023/24 which primarily relates to an increase in supplies and services and premises expenses, this is offset by a reduction in employee expenses. Expenditure in the Corporate, Governance & Public Protection Service Directorate has increased by £0.672m between 2022/23 and 2023/24 which primarily relates to an increase in capital charges of £0.534m. There has been an increase in income received from government grants and contributions of £4.396m, this is due to an increase of £0.820m in Housing Benefit income, and a £3.6m increase in income from government grants which relates to grant income the council received in 2023/24 to fund expenditure relating to the Household Support Fund, Afghan Re-settlement Grant, Homes for Ukraine, Energy Bill Support Scheme, Swimming Pool Support Fund and UK Shared Prosperity Fund.

The decrease of £2.285m in Financing and Investment Income and Expenditure is technical in nature. The major movements are an increase in investment income of £2.005m and a decrease in net interest on the pension liability of £0.461m, offset by a movement of £0.408m in the fair value of investment property.

There has been an increase of £4.614m in the income received from taxation and non-specific grants. There were increases in Council tax of £0.422m, Non-Domestic Rates of £3.430m, New Homes Bonus reduced by £0.773m and Section 31 grants by £0.821m. Section 106 contributions reduced by £0.276m, but capital grants increased by £2,632m.

The combination of these variances means there has been a surplus of £2.443m on the 'Provision of Services'. Non-current assets have been revalued during the year and this has resulted in a surplus of £18.212m (Surplus of £26.896m in 2022/23) 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 £1.592m (2022/23 gain of £48.684m).

- **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 £19.063m largely due to:
  - an increase of £7.644m in Property, Plant and Equipment which relates to revaluation gains and the acquisition of new assets.
  - an increase in investment property of £7.766m due to St Martins Park being transferred from Assets under Construction.
  - An increase in Intangible Assets of £0.520k due to the acquisition of a new housing system.
  - a reduction of £1.183m in long term investments due to the repayment of equity in Gravitas Housing Ltd.
  - a reduction in Current Assets Held for Sale due to the sale of St Peters Hill offices.
  - an increase in short-term investments of £4.425m due to preferable rates compared to long-term.
  - a reduction in short term debtors resulting from the repayment of the Environment SK Ltd loan of £0.500m ESK Ltd loan and payments in advance less precepts and rent allowances
  - an increase of £1.622m in Short Term Creditors, relating the Business Rates Creditor with Central Government.
  - a reduction in the level of Provisions related to a fall in checks and challenges on business rates appeals.
  - a reduction in Long Term Borrowing of £3.222m due the capital repayment of the HRA self-financing debt.
  - an increase in Capital Grants Receipts in Advance primarily due to s106 receipts relating to Education and Health.
- **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 58)** - 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 surplus was £0.643m in 2023/24 (£2.871m in 2022/23) this decrease is mainly due to an increase in Depreciation and Impairment of Non-Current Assets of £5.621m offset by an increase in Investment Income of £1.076m and Recognised Capital Grants and Contributions of £2.557m.
- **Collection Fund (pages 65)** – 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 now in surplus of £2.175m compared with a deficit of £1.252m in 2022/23. There are a number of variables which affect the deficit including valuation appeals by businesses to the Valuation Office and collection rates. The surplus is distributed as follows:
  - £1.080m Central Government.
  - £0.879m South Kesteven District Council.
  - £0.216m Lincolnshire County Council.

The Council Tax element of the Collection Fund reflects and increased deficit of £0.552m compared with a deficit of £0.126m in 2022/23. The deficit is distributed as follows:

- £0.060m South Kesteven District Council.
  - £0.412m Lincolnshire County Council.
  - £0.080m Lincolnshire Police and Crime Commissioner
- **Statement of Group Accounts (page 68)** – according to statutory requirements the Council is required to produce Group Accounts where it has subsidiaries, joint ventures or associates. The Council has three wholly owned companies (EnvironmentSK, Gravitas Housing Ltd, and LeisureSK Ltd). EnvironmentSK Ltd and Gravitas Housing Ltd are in the process of being wound up, therefore, only the company accounts of LeisureSK have been consolidated with the Council's.

In the process of closing EnvironmentSK Ltd an outstanding loan of £132k payable to the Council was written off.

In the process of closing Gravitas Housing Ltd, there was a loss on disposal of £326k relating to the investment equity made by the Council. However, the Council in bringing back the function delivered 7 dwellings, in addition to the 25 already completed by Gravitas. This was undertaken using s106 funding of £440k. Over a 5 year period the Council benefits from additional gross rental income of £225k and an £240k of New Homes Bonus.

- **Glossary of Terms (page 86)** – 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](mailto: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:

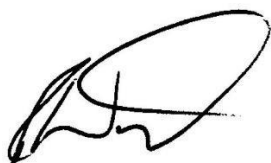
- selected suitable accounting policies and applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Local Authority Code

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 2024.



**Richard Wyles CPFA, ACMA, FCMA**  
**CHIEF FINANCE OFFICER**  
**6th September 2024**

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2022/23 Restated				2023/24		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000	Note	£000	£000	£000
5,132	(1,719)	3,413		5,804	(1,877)	3,927
44,417	(49,724)	(5,307)	Corporate, Governance & Public Protection Service	51,017	(53,649)	(2,632)
10,916	(3,803)	7,113	Finance, Property & Waste Services	11,321	(5,526)	5,795
16,522	(2,704)	13,818	Growth & Culture	17,897	(3,590)	14,307
<b>76,987</b>	<b>(57,950)</b>	<b>19,037</b>	Housing & Projects	<b>86,039</b>	<b>(64,642)</b>	<b>21,397</b>
			<b>Cost Of Services</b>			
			<b>Other Operating Expenditure</b>			
0	(1,667)	(1,667)	(Gain)/Loss Disposal of Fixed Assets	229	0	229
2,741	0	2,741	Precepts & Levies	2,975	0	2,975
4	0	4	Contribution Housing Capital Receipts to the Pool	0	0	0
0	(73)	(73)	Other Operating Income & Expenditure	132	(24)	108
<b>2,745</b>	<b>(1,740)</b>	<b>1,005</b>		<b>3,336</b>	<b>(24)</b>	<b>3,312</b>
			<b>Financing and Investment Income and Expenditure</b>			
2,334	0	2,334	Interest Payable on Debt	2,237	0	2,237
108	0	108	Net Interest on the net defined benefit liability (asset)	0	(353)	(353)
0	(1,917)	(1,917)	Interest & Investment Income	0	(3,922)	(3,922)
0	(676)	(676)	Income & Expenditure and Movement in Fair Value of Investment Property	0	(268)	(268)
519	0	519	Movement in the value of equity investments	389	0	389
<b>2,961</b>	<b>(2,593)</b>	<b>368</b>		<b>2,626</b>	<b>(4,543)</b>	<b>(1,917)</b>
<b>500</b>	<b>(21,121)</b>	<b>(20,621)</b>	<b>Taxation and Non-Specific Grant Income</b>	<b>500</b>	<b>(25,735)</b>	<b>(25,235)</b>
			<b>(211) (Surplus) or Deficit on Provision of Services</b>			<b>(2,443)</b>
			(26,896) (Surplus) or deficit on revaluation of non-current assets			(18,212)
			(48,684) Remeasurement of Defined Pension Liability			1,592
			<b>(75,580) Other Comprehensive Income and Expenditure</b>			<b>(16,620)</b>
			<b>(75,791) TOTAL COMPREHENSIVE INCOME &amp; EXPENDITURE</b>			<b>(19,063)</b>

## MOVEMENT IN RESERVES STATEMENT

	Note	General Fund Balance (including Earmarked Reserves)	Housing Revenue Accounts (including Earmarked Reserves)	Capital Receipts Reserve	Major Repairs Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2023 carried forward</b>		(22,483)	(17,176)	(15,657)	(19,553)	(74,869)	(311,321)	(386,190)
Movement in reserves during 2023/24								
Total Comprehensive Income & Expenditure		(1,800)	(643)	0	0	(2,443)	(16,620)	(19,063)
Transfers between Reserves		0	2,334	(429)	(2,311)	(406)	406	0
Adjustments between accounting basis & funding basis under regulations (Increase) or decrease in 2023/24	17	(1,018)	306	(615)	3,146	1,819	(1,819)	0
		(2,818)	1,997	(1,044)	835	(1,030)	(18,033)	(19,063)
<b>Balance at 31 March 2024 carried forward</b>		<b>(25,301)</b>	<b>(15,179)</b>	<b>(16,701)</b>	<b>(18,718)</b>	<b>(75,899)</b>	<b>(329,354)</b>	<b>(405,253)</b>

	Note	General Fund Balance (including Earmarked Reserves)	Housing Revenue Accounts (including Earmarked Reserves)	Capital Receipts Reserve	Major Repairs Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2022 carried forward</b>		(25,458)	(17,289)	(11,381)	(18,527)	(72,655)	(237,744)	(310,399)
Movement in reserves during 2022/23								
Total Comprehensive Income & Expenditure		2,660	(2,871)	0	0	(211)	(75,580)	(75,791)
Transfers between Reserves		0	1,872	(412)	(1,872)	(412)	412	0
Adjustments between accounting basis & funding basis under regulations (Increase) or decrease in 2022/23	17	315	1,112	(3,864)	846	(1,591)	1,591	0
		2,975	113	(4,276)	(1,026)	(2,214)	(73,577)	(75,791)
<b>Balance at 31 March 2023 carried forward</b>		<b>(22,483)</b>	<b>(17,176)</b>	<b>(15,657)</b>	<b>(19,553)</b>	<b>(74,869)</b>	<b>(311,321)</b>	<b>(386,190)</b>

## BALANCE SHEET

At 31 March 2023		Note	At 31 March 2024
£'000			£'000
407,770	Property Plant & Equipment	18	415,414
690	Heritage Assets	21	690
5,019	Investment Property	22	12,785
426	Intangible Assets	23	946
3,752	Long Term Investments	24	2,569
172	Long Term Debtors	26	144
<b>417,829</b>	<b>Long Term Assets</b>		<b>432,548</b>
1,090	Current Assets Held for Sale	27	490
48,499	Short Term Investments	24	52,924
17	Inventories		18
8,439	Short Term Debtors	26	6,065
17,607	Cash and Cash Equivalents	28	18,334
<b>75,652</b>	<b>Current Assets</b>		<b>77,831</b>
(3,245)	Short Term Borrowing	24	(3,244)
(13,423)	Short Term Creditors	30	(11,801)
(219)	Provisions	32	(684)
<b>(16,887)</b>	<b>Current Liabilities</b>		<b>(15,729)</b>
(2,286)	Provisions	32	(283)
(82,991)	Long Term Borrowing	24	(79,769)
(251)	Other Long Term Liabilities	33	(224)
(4,878)	Capital Grants Receipts in Advance	12	(9,123)
<b>(90,406)</b>	<b>Long Term Liabilities</b>		<b>(89,399)</b>
<b>386,188</b>	<b>Net Assets</b>		<b>405,251</b>
£'000			£'000
74,867	Usable Reserves	34	75,896
311,321	Unusable Reserves	35	329,355
<b>386,188</b>	<b>Total Reserves</b>		<b>405,251</b>

## 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.

2022/23 £'000		Notes	2023/24 £'000
	<b>Operating Activities</b>		
211	Net surplus or (deficit) on the provision of services		2,443
(9,426)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	36	18,032
(8,619)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	36	(7,734)
<b>(17,834)</b>	<b>Net cash flows from Operating Activities</b>		<b>12,741</b>
18,217	Net cash flows from investing activities	37	(8,423)
138	Net cash flows from financing activities	38	(3,591)
<b>521</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>727</b>
17,086	Cash and cash equivalents at the beginning of the reporting period		17,607
17,607	Cash and cash equivalents at the end of the reporting period	28	18,334
<b>521</b>			<b>727</b>

## **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 2023/24 (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 2024/25 Code:

- IFRS 16 Leases – This standard will require the Council to as Lessee to recognise most leases on the balance sheet as right of use assets with corresponding lease liabilities (excepting low value and short-term leases). The Council intends to adopt this standard with effect from 1 April 2024. The impact on the financial statements is not expected to be material.

### **2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies (see page 73), 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. The delayed Fairer Funding Review and Business Rates Retention Review has created a high degree of uncertainty about future levels of funding for local government. 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 the need to close facilities and reduce levels of service provision.

### **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 2024 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 2024.	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 0.4% this would result in a charge of approximately £1.6m to the Comprehensive Income and

		Expenditure Statement and the Revaluation Reserve.
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>A 0.1% decrease in the discount rate will increase the net pension liability by £20.18m;</p> <p>A 0.1% increase in the assumed level of pension increases will increase the net pension liability by £18.96m</p>

#### 4. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 6th September 2024. 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 2024, 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 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)	3,927
Finance, Property & Waste Services	(8,948)	(6,316)	(2,632)
Growth & Culture	3,201	(2,594)	5,795
Housing & Projects	8,879	(5,428)	14,307
<b>Net Cost of Services</b>	<b>5,665</b>	<b>(15,732)</b>	<b>21,397</b>
Other Income & Expenditure	(8,821)	15,019	(23,840)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(3,156)</b>	<b>(713)</b>	<b>(2,443)</b>

	Total £'000	General Fund £'000	HRA £'000
<b>Opening General Fund and HRA Balance</b>	(39,659)	(22,483)	(17,176)
Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year	(3,155)	(2,818)	(337)
Transfers to/ from reserves	2,334	0	2,334
<b>Closing General Fund and HRA Balance</b>	<b>(40,480)</b>	<b>(25,301)</b>	<b>(15,179)</b>



**Adjustments between Funding and Accounting Basis 2022/23  
(Restated)**

	<b>Net Expenditure Chargeable to the General Fund and HRA Balances £'000</b>	<b>Adjustments between the Funding and Accounting Basis £'000</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement £'000</b>
Corporate, Governance & Public Protection Service	3,047	(366)	3,413
Finance, Property & Waste Services	(12,097)	(6,790)	(5,307)
Growth & Culture	5,127	(1,986)	7,113
Housing & Projects	12,820	(998)	13,818
<b>Net Cost of Services</b>	<b>8,898</b>	<b>(10,140)</b>	<b>19,037</b>
Other Income & Expenditure	(7,682)	11,566	(19,248)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>1,216</b>	<b>1,426</b>	<b>(211)</b>
	<b>Total £'000</b>	<b>General Fund £'000</b>	<b>HRA £'000</b>
<b>Opening General Fund and HRA Balance</b>	(42,747)	(25,458)	(17,289)
Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year	1,216	2,975	(1,759)
Transfers to/ from reserves	1,872	0	1,872
<b>Closing General Fund and HRA Balance</b>	<b>(39,659)</b>	<b>(22,483)</b>	<b>(17,176)</b>

## 7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

### 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)
<b>Net Cost of Services</b>	<b>(14,430)</b>	<b>(1,266)</b>	<b>(36)</b>	<b>(15,732)</b>
Other Income and expenditure from the Expenditure and Funding Analysis	10,843	2,885	1,292	15,020
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(3,587)</b>	<b>1,619</b>	<b>1,256</b>	<b>(712)</b>

### Adjustments between Funding and Accounting Basis 2022/23 (Restated)

#### 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	(676)	294	16	(366)
Finance, Property & Waste Services	(5,944)	(854)	8	(6,790)
Growth & Culture	(2,461)	461	13	(1,986)
Housing & Projects	(1,614)	598	18	(998)
<b>Net Cost of Services</b>	<b>(10,694)</b>	<b>500</b>	<b>55</b>	<b>(10,140)</b>
Other Income and expenditure from the Expenditure and Funding Analysis	10,001	(1,108)	2,673	11,566
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(693)</b>	<b>(608)</b>	<b>2,728</b>	<b>1,426</b>

- 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

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>	<b>Expenditure/Income</b>	<b>£'000</b>
	<b>Expenditure</b>	
22,988	Employee benefits expenses	23,269
38,751	Other services expenses	43,458
15,247	Depreciation, amortisation, impairment	19,312
<b>76,986</b>	<b>Total expenditure</b>	<b>86,039</b>
	<b>Income</b>	
(9,137)	Fees, charges and other service income	(9,887)
(22,396)	Government grants and contributions	(26,792)
(25,258)	Dwelling Rents	(26,860)
(1,158)	Non- Dwelling rents	(1,103)
<b>(57,949)</b>	<b>Total income</b>	<b>(64,642)</b>
<b>19,037</b>	<b>Net cost of services</b>	<b>21,397</b>

## 9. PRECEPTS AND LEVIES

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
1,937	Parish Council Precepts	2,073
804	Drainage Board Levies	902
<b>2,741</b>		<b>2,975</b>

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

2022/23 £'000		2023/24 £'000
(320)	Income & Expenditure from investment properties	(325)
(356)	Movements in relation to changes in the fair value of investment properties	57
<b>(676)</b>		<b>(268)</b>

## 11. NON SERVICE RELATED GOVERNMENT GRANTS

2022/23 £'000		2023/24 £'000
(10,424)	Council Tax	(10,846)
(6,278)	Non-Domestic Rates	(8,049)
(1,232)	New Homes Bonus	(459)
(1,024)	S31 Grant	(1,862)
(306)	S106 Contribution	(30)
(1,857)	Capital Grants	(4,489)
500	Local Enterprise Partnership Grant Repayment	500
<b>(20,621)</b>		<b>(25,235)</b>

## 12. GRANT INCOME

The Council credited the following grants and contributions to the Cost of Services in the Comprehensive Income and Expenditure Statement in 2023/24

2022/23 £'000		2023/24 £'000
16,924	Benefits Subsidy	18,022
126	Local Council Tax Admin Subsidy	208
292	Housing Benefits Admin Grant	290
144	Discretionary Housing Payment	156
55	Welfare Reform	56
20	Neighbourhood Planning Grant	80
975	Disabled Facilities Grant	1,061
348	Homelessness	615
920	Rough Sleeping	634
405	Heritage Action Zone	57
281	Arts and Recreation Grants	142
510	Household Support Fund	943
0	Energy Bill Support Scheme	1,078
0	Electoral Integrity New Burdens Funding	58
0	Pathfinder	80
8	Welcome Back Fund	0
43	Afghan Resettlement	787
484	Homes for the Ukraine	587
20	UK Shared Prosperity Fund	1,419
206	ERDF - Blue Green Corridor	295
0	Garden Communities Programme	65
0	Swimming Pool Support Fund	345
180	Other Grants	226
<b>21,941</b>		<b>27,204</b>

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:

2022/23 £'000	Capital Grants Receipts in Advance	2023/24 £'000
1,287	Receipts in Advance	1,306
3,591	S106 Contributions	7,817
<b>4,878</b>		<b>9,123</b>

### 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:

2022/23		2023/24	
No. of officers	Remuneration Band	No. of officers	
6	£50,000 - £54,999	10	
0	£55,000 - £59,999	2	
3	£60,000 - £64,999	3	
1	£65,000 - £69,999	3	
0	£70,000 - £74,999	0	
4	£75,000 - £79,999*	0	
2	£80,000 - £84,999**	3	
<b>16</b>		<b>21</b>	

\*includes 1 officer who is also included in the senior officer note due to interim arrangements during the year

\*\*includes 1 officer who is also included in the senior officer note due to interim arrangements during the year

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

		<b>Salary, Fees &amp; Allowances</b>	<b>Bonuses &amp; Expenses Allowances</b>	<b>Compensation for Loss of Employment</b>	<b>Employers Pension contribution</b>	<b>Any other emolument</b>	<b>Total</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive	2023/24	149	0	0	36	11	196
	2022/23	135	15	0	24	13	187
Strategic Director	2023/24	0	0	0	0	6	6
	2022/23	96	0	56	17	0	169
Strategic Director	2023/24	101	0	0	25	0	126
	2022/23	96	0	0	17	0	113
Chief Finance and S151 Officer	2023/24	115	0	0	28	8	151
	2022/23	103	4	0	18	4	129
Deputy Chief Executive Monitoring Officer (1)	2023/24	32	0	23	7	0	62
	2022/23	106	0	0	19	0	125
Interim Director	2023/24	47	0	9	12	3	71
	2022/23	41	2	0	7	2	52
Monitoring Officer (2)**	2023/24	90	0	0	22	0	112
	2022/23	13	0	0	2	0	15

\*\* Monitoring Officer 1 statutory responsibility ended 26 January 2023, Monitoring Officer 2 statutory responsibility commenced 26 January 2023



## 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	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
	No.	No.	No.	No.	£'000	£'000
£0-£20,000	0	0	19	13	142	87
£20,001 - £40,000	0	0	4	2	117	45
£40,001 - £60,000	0	0	1	0	56	0
£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	24	15	315	132
Amounts provided for in CIES not included in bandings					0	0
Total Cost included in CIES					<b>315</b>	<b>132</b>

## 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 2024.

Members' allowances and expenses paid during the year amounted to £559,783 (2022/23 £532,759). 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 2023/24 is £265,074 of which £88,358 is attributable to South Kesteven District Council and accounted for within the Council's Comprehensive Income and Expenditure Statement.

South Kesteven District Council has a collaboration agreement with Burghley Land Ltd. No expenditure has been incurred under the joint agreement in 2023/24.

## **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.

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

<b>2023/24</b>	<b>General Fund</b>	<b>HRA</b>	<b>Capital Receipts Reserve</b>	<b>Major Repairs Reserve</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
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
Assets under construction discontinued	0	(29)	0	0	(29)	29
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>						
Adjustment to council tax income	(47)	0	0	0	(47)	47
Adjustment to NNDR income	1,339	0	0	0	1,339	(1,339)
<b>Adjustments primarily involving the Pension Fund</b>						
Adjustment of IAS 19 retirement entries for actual contributions	1,286	333	0	0	1,619	(1,619)
<b>Adjustments primarily involving the Accumulating Compensated Absences Account</b>						
	(27)	(9)	0	0	(36)	36
<b>Adjustments relating to the value of Financial Instruments</b>						
Financial Instruments	(389)	0	(794)	0	(1,183)	1,183
<b>Adjustments between Usable Reserves</b>						
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0
<b>Total Adjustments</b>	<b>(1,018)</b>	<b>306</b>	<b>(615)</b>	<b>3,146</b>	<b>1,819</b>	<b>(1,819)</b>

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

<b>2022/23</b>	<b>General Fund</b>	<b>HRA</b>	<b>Capital Receipts Reserve</b>	<b>Major Repairs Reserve</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
Depreciation of non-current assets	(3,054)	0	0	(4,553)	(7,607)	7,607
Amortisation of intangible assets	(60)	(90)	0	0	(150)	150
Revaluation gains/losses on PPE	(1,468)	1,705	0	0	237	(237)
Impairments charged to CIES	(306)	(5,450)	0	0	(5,756)	5,756
Movements in market value of investment properties	367	(11)	0	0	356	(356)
Revenue expenditure funded from capital under statute (REFCUS)	(1,866)	0	0	0	(1,866)	1,866
Financing of REFCUS	1,866	0	0	0	1,866	(1,866)
Capital expenditure	2,372	4,105	965	5,399	12,841	(12,841)
Statutory provision for financing of capital investment	131	0	0	0	131	(131)
Profit/Loss on disposal of non-current assets	598	1,069	(4,833)	0	(3,166)	3,166
Donated Asset	(5)	(101)	0	0	(106)	106
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>						
Adjustment to council tax income	(23)	0	0	0	(23)	23
Adjustment to NNDR income	2,696	0	0	0	2,696	(2,696)
<b>Adjustments primarily involving the Pension Fund</b>						
Adjustment of IAS 19 retirement entries for actual contributions	(483)	(125)	0	0	(608)	608
<b>Adjustments primarily involving the Accumulating Compensated Absences Account</b>						
	41	14	0	0	55	(55)
<b>Adjustments relating to the value of Financial Instruments</b>						
Financial Instruments	(491)	0	0	0	(491)	491
<b>Adjustments between Usable Reserves</b>						
Payments to Housing Capital Receipts Pool	0	(4)	4	0	0	0
<b>Total Adjustments</b>	<b>315</b>	<b>1,112</b>	<b>(3,864)</b>	<b>846</b>	<b>(1,591)</b>	<b>1,591</b>

## 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 2022/23						Movement in 2023/24							
Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000	Movement on Balances		Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000
						Cost or Valuation							
303,983	68,058	18,330	140	10,950	401,461	at 1 April 2022	at 1 April 2023	325,128	66,055	17,464	140	12,099	420,886
5,735	441	897	0	2,328	9,401	Additions		13,208	420	1,683	0	1,393	16,704
21,084	(147)	0	0	0	20,937	Revaluation increases/(decreases) recognised in the Revaluation Reserve		11,575	236	0	0	0	11,811
(4,199)	(1,604)	0	0	0	(5,803)	Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services		(9,199)	(5)	0	5	0	(9,199)
(2,548)	(193)	(1,763)	0	(106)	(4,610)	Derecognition (Assets under construction)/Disposals		(1,475)	(695)	(1,167)	0	(29)	(3,366)
0	(500)	0	0	0	(500)	Assets reclassified		0	(45)	0	45	0	0
1,073	0	0	0	(1,073)	0	Assets reclassified (to)/from Assets Under Construction		335	0	0	0	(8,387)	(8,052)
325,128	66,055	17,464	140	12,099	420,886	at 31 March 2023	at 31 March 2024	339,572	65,966	17,980	190	5,076	428,784
Accumulated Depreciation & Impairment													
(20)	(304)	(13,205)	0	0	(13,529)	at 1 April 2022	at 1 April 2023	(19)	(332)	(12,765)	0	0	(13,116)
(4,258)	(2,150)	(1,185)	(14)	0	(7,607)	Depreciation charge		(4,615)	(2,203)	(1,170)	(16)	0	(8,004)
3,831	1,961	0	14	0	5,806	Depreciation written out to the Revaluation Reserve		4,395	1,993	0	14	0	6,402
5,878	161	0	0	0	6,039	Depreciation written out to the Comprehensive Income & Expenditure Statement		9,377	144	0	2	0	9,523
(5,450)	0	0	0	0	(5,450)	Derecognition of Non Enhancing Capital Expenditure		(9,199)	0	0	0	0	(9,199)
0	0	1,625	0	0	1,625	Derecognition - Disposals		0	0	1,024	0	0	1,024
(19)	(332)	(12,765)	0	0	(13,116)	at 31 March 2023	at 31 March 2024	(61)	(398)	(12,911)	0	0	(13,370)
Net Book Value													
325,109	65,723	4,699	140	12,099	407,770	at 31 March 2023	at 31 March 2024	339,511	65,568	5,069	190	5,076	415,414
303,963	67,754	5,125	140	10,950	387,932	at 1 April 2022	at 1 April 2023	325,109	65,723	4,699	140	12,099	407,770

## **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.

## 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.

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
107,101	<b>Opening Capital Finance Requirement</b>	104,146
	<b>Capital Investment</b>	
285	Council Dwellings	4,009
441	Other land & buildings	420
897	Vehicles, plant & equipment	1,683
2,328	Assets under construction	1,393
0	Investment property	21
5,587	Capital expenditure	9,200
479	Intangible Assets	870
1,866	Revenue expenditure charged to capital under statute	2,053
	<b>Sources of Finance</b>	
(965)	Capital receipts	(3,113)
(2,526)	Capital grants & contributions	(4,818)
(11,347)	Sums set aside from revenue	(14,859)
<b>104,146</b>	<b>Closing Capital Financing Requirement</b>	<b>101,005</b>
	<b>Explanation of movements in year</b>	
(2,955)	Increase/(Decrease) in underlying need to borrow (supported by government financial assistance)	(3,141)
<b>(2,955)</b>	<b>Increase/ (Decrease) in Capital Financing Requirement</b>	<b>(3,141)</b>

## 20. CAPITAL COMMITMENTS

At 31 March 2024 the authority had entered into one contract for the construction or enhancement of property, plant and equipment in 2024/25.

	Contractor	£'000
Construction of 20 housing units	Lindum Group Ltd	2,802
<b>Contract commitments at 31 March 2024</b>		<b><u>2,802</u></b>

## 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	Miscellaneous Artefacts	Art Installation	
	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>				
1st April 2022	238	264	340	842
Revaluations	19	134	(305)	(152)
Additions in year	0	0	0	0
Disposals in Year	0	0	0	0
31st March 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	<b>257</b>	<b>398</b>	<b>35</b>	<b>690</b>

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



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	12th Century Priory listed ancient monument
Conduit, Grantham	16th Century Well Head
Dysart Park Band Stand, Grantham	Victorian wrought iron band stand
Wyndham Park Shelter, Grantham	World War 1 memorial shelter
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:

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
(361)	Rental income from investment property	(369)
41	Direct operating expenses arising from investment property	44
<b>(320)</b>		<b>(325)</b>

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

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

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
4,950	<b>Balance at start of year</b>	5,019
0	Additions - Purchases	21
0	Transfers from Assets under construction	8,052
356	Net gains/losses from fair value adjustments	(57)
(287)	Disposals	(250)
<b>5,019</b>	<b>Balance at end of year</b>	<b>12,785</b>

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:

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
	Balance at start of year:	
841	Gross carrying amount	1,243
(744)	Accumulated amortisation	(817)
<u>97</u>	Net carrying amount at start of year	<u>426</u>
479	Additions	870
(150)	Amortisation for the period	(350)
<u><b>329</b></u>		<u><b>520</b></u>
(77)	Disposals	(12)
77	Amortisation written back	12
<u><b>0</b></u>		<u><b>0</b></u>
426	Net carrying amount at end of year	946
<b>Comprising</b>		<b>Comprising</b>
1,243	Gross carrying amount	2,101
(817)	Accumulated amortisation	(1,155)
<u><b>426</b></u>		<u><b>946</b></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-24 £'000	31-Mar-23 £'000	31-Mar-24 £'000	31-Mar-23 £'000	31-Mar-24 £'000	31-Mar-23 £'000	31-Mar-24 £'000	31-Mar-23 £'000
<b>Amortised Cost</b>								
Principal	2,569	2,632	144	172	52,000	48,000	3,902	3,846
Investment Accrued Interest	0	0	0	0	924	499	0	0
Cash and cash equivalents (CCE)	0	0	0	0	18,334	17,607	0	0
<b>Fair value through other comprehensive income - other</b>	0	1,120	0	0	0	0	0	0
<b>Total financial assets</b>	<b>2,569</b>	<b>3,752</b>	<b>144</b>	<b>172</b>	<b>71,258</b>	<b>66,106</b>	<b>3,902</b>	<b>3,846</b>
Non financial assets	0	0	0	0	0	0	2,163	4,593
<b>Total</b>	<b>2,569</b>	<b>3,752</b>	<b>144</b>	<b>172</b>	<b>71,258</b>	<b>66,106</b>	<b>6,065</b>	<b>8,439</b>

## Financial Liabilities

	Non Current Investments		Current Investments		Current Creditors	
	31-Mar-24 £'000	31-Mar-23 £'000	31-Mar-24 £'000	31-Mar-23 £'000	31-Mar-24 £'000	31-Mar-23 £'000
<b>Amortised Cost</b>						
Principal	79,769	82,991	3,223	3,223	6,190	3,752
Interest	0	0	21	22	0	0
<b>Total financial liabilities</b>	<b>79,769</b>	<b>82,991</b>	<b>3,244</b>	<b>3,245</b>	<b>6,190</b>	<b>3,752</b>
Non financial liabilities	0	0	0	0	5,611	9,671
<b>Total</b>	<b>79,769</b>	<b>82,991</b>	<b>3,244</b>	<b>3,245</b>	<b>11,801</b>	<b>13,423</b>

## Designated to fair value through other comprehensive income

Gravitas Housing Limited is a wholly owned Local Authority Controlled Company. The company ceased trading on 31 March 2023 and the equity shares have now been repaid to the Council.

Description	31-Mar-24 £'000	31-Mar-23 £'000
Gravitas Housing Limited	0	1,120
<b>Total</b>	<b>0</b>	<b>1,120</b>

## 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.

	<b>31-Mar-24</b>		<b>31-Mar-23</b>	
	<b>Carrying</b>	<b>Fair</b>	<b>Carrying</b>	<b>Fair</b>
	<b>Amount</b>	<b>Value</b>	<b>Amount</b>	<b>Value</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
PWLB	83,013	0	86,236	79,982
Short Term				
Creditors	6,190	6,190	3,752	3,752
<b>Total</b>	<b>89,203</b>	<b>6,190</b>	<b>89,988</b>	<b>83,734</b>

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

	<b>31-Mar-24</b>		<b>31-Mar-23</b>	
	<b>Carrying</b>	<b>Fair</b>	<b>Carrying</b>	<b>Fair</b>
	<b>Amount</b>	<b>Value</b>	<b>Amount</b>	<b>Value</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash and Cash				
Equivalents	18,334	18,334	17,607	17,607
Short Term				
Investments	52,000	52,000	48,000	48,000
Long Term				
Investments	2,569	2,569	2,632	2,632
Short Term Debtors	3,902	3,902	3,846	3,846
Long Term Debtors	144	144	172	172
<b>Total</b>	<b>76,949</b>	<b>76,949</b>	<b>72,257</b>	<b>72,257</b>

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 2023/24 is available on the Council's website at

<https://moderngov.southkesteven.gov.uk/documents/s37040/Appendix%20G%20-%202023-24%20Treasury%20Management%20Strategy%20Statement.pdf>

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 12 to 13 of the Annual Investment Strategy. With particular regard to determining whether the credit risk of financial instruments has increase 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 Poors, 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 1 March 2023 and is available on the Council's website.

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

The Council's maximum exposure to credit risk in relation to its investments in banks, building societies, property fund and money market funds of £72.989m 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 2024 this was valued at £2.569m.

### 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 2024 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 2024 £'000	Historical Experience of Default %	Estimated maximum exposure to default and uncollectability at 31 March 2024 £'000
<b>Deposits with Banks and Financial Institutions</b>					
Standard Chartered Bank	Red	A+	4,000,000	0.015%	601
Standard Chartered Bank	Red	A+	5,000,000	0.018%	921
SMBC Bank International PLC	Red	A-	3,000,000	0.001%	44
Landesbank Hessen-Thueringen Girozentrale (Helaba)	Orange	A+	2,000,000	0.022%	436
Goldman Sachs International Bank	Red	A+	3,000,000	0.000%	7
Close Brothers Ltd	White	BBB+	3,000,000	0.015%	461
Close Brothers Ltd	White	BBB+	2,000,000	0.018%	361
Close Brothers Ltd	White	BBB+	3,000,000	0.031%	944
Close Brothers Ltd	White	BBB+	2,000,000	0.045%	898
Lloyds Bank Plc	Red	A+	4,000,000	0.001%	58
Lloyds Bank Plc	Red	A+	3,000,000	0.019%	578
CCLA Property Fund	Not Rated	Not Rated	3,000,000	0.000%	0
BNP Paribas MMF*	Yellow	AAA	5,000,000	0.000%	0
Federated Investors (UK) MMF*	Yellow	AAA	5,000,000	0.000%	0
LGIM MMF*	Yellow	AAA	5,000,000	0.000%	0
Aberdeen Standard Investments MMF*	Yellow	AAA	3,420,000	0.000%	0
NatWest Markets Plc (NRFB)	Red	A	5,000,000	0.000%	12
Santander UK PLC	Red	A	10,000,000	0.012%	1151
Highland Council	Yellow	AA-	3,000,000	0.013%	0
<b>Total Investments</b>			<b>73,420,000</b>		<b>6,472</b>

\*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:

	<b>At 31 March 2024 £'000</b>	<b>At 31 March 2023 £'000</b>	<b>At 31 March 2022 £'000</b>
Under 30 Days	112	132	113
30-60 days	1,157	2,521	1,392
60-90 days	146	122	128
Over 90 Days	568	639	507
<b>Total</b>	<b>1,983</b>	<b>3,414</b>	<b>2,140</b>

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

### **Liquidity risk**

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA 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:

	<b>At 31 March 2024 £'000</b>	<b>At 31 March 2023 £'000</b>	<b>At 31 March 2022 £'000</b>
Less than one year	70,420	65,509	83,286
Between one and two years	2,569	2,632	5,152
<b>Total</b>	<b>72,989</b>	<b>68,141</b>	<b>88,438</b>

### **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:

	<b>At 31 March 2024 £'000</b>	<b>At 31 March 2023 £'000</b>	<b>At 31 March 2022 £'000</b>
Less than one year	3,244	3,245	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	41,109	41,109	41,109
Over Fifteen Years	9,664	12,886	16,108
<b>Total</b>	<b>83,013</b>	<b>86,236</b>	<b>89,458</b>

## **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:

	<b>£'000</b>
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	<u>283</u>
Impact on Surplus or Deficit on the Provision of Services	<u><u>283</u></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) 13,785

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 2023 £'000		At 31 March 2024 £'000
	<b>Current Debtors</b>	
1,716	Government Departments	1,041
2,084	Other Local Authorities	1,639
19	NHS	19
4,620	Other entities and individuals	3,366
<b>8,439</b>		<b>6,065</b>
	<b>Long Term Debtors</b>	
172	Other	144
<b>172</b>		<b>144</b>

## 27. ASSETS HELD FOR SALE

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

2022/23 £'000		2023/24 £'000
590	Balance at start of year	1,090
	Assets newly classified as held for sale:	
500	Property, Plant & Equipment	0
0	Assets sold	(600)
<b>1,090</b>		<b>490</b>

## 28. CASH AND CASH EQUIVALENTS

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

At 31 March 2023 £'000		At 31 March 2024 £'000
3	Cash held by the authority	1
95	Bank current accounts	(87)
17,509	Short Term Deposits	18,420
<b>17,607</b>	<b>Total Cash &amp; Cash Equivalents</b>	<b>18,334</b>

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.

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>	<b>Analysis of Loans by Source</b>	<b>£'000</b>
82,991	PWLB	79,769
<b>82,991</b>		<b>79,769</b>
<b>£'000</b>	<b>Analysis of Loans by Maturity</b>	<b>£'000</b>
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
12,886	Over 15 years	9,664
<b>82,991</b>		<b>79,769</b>

Current Borrowing represents borrowing repayable within one year.

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
3,245	Balance at start of year	3,245
(3,244)	Borrowing repaid during year	(3,244)
3,222	Transferred from Non-Current Borrowing	3,222
22	Accrued interest at end of year	21
<b>3,245</b>	Balance at end of year	<b>3,244</b>

## 30. CREDITORS

An analysis of Creditors is shown below:

<b>At 31 March</b>		<b>At 31 March</b>
<b>2023</b>		<b>2024</b>
<b>£'000</b>		<b>£'000</b>
6,437	Government Departments	3,004
453	Other Local Authorities	394
6,533	Other entities and individuals	8,403
<b>13,423</b>	<b>Total</b>	<b>11,801</b>

## 31. LEASES

### a. Council as Lessee

#### Finance Leases

The Council has acquired a number of buildings under finance leases on a peppercorn basis. Typically the annual payments for these buildings are less than £1 per annum, so the future minimum lease payments due are immaterial. The assets acquired under these leases are carried as Property, Plant & Equipment in the Balance Sheet at the following net book values.

At 31 March		At 31 March
2023	Carrying Value	2024
£'000		£'000
<u>2,816</u>	Other Land & Buildings	<u>2,713</u>

None of these properties are sublet.

### b. Council as Lessor

#### Finance Leases

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. The gross investment is made up of the following amounts:

Gross Investment in the Lease		
At 31 March		At 31 March
2023		2024
£'000		£'000
11	Finance Lease Debtor (net present value of minimum lease payments)	11
52	Non-Current	51
1,740	Unearned finance income	1,740
<u>1,803</u>	Unguaranteed residual value of property	<u>1,802</u>
	Gross Investment in the Lease	

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

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

	<b>Gross Investment in the Lease</b>		<b>Minimum Lease Payments</b>	
	<b>At 31 March</b>	<b>At 31 March</b>	<b>At 31 March</b>	<b>At 31 March</b>
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Not later than one year	1	1	0	0
Between one & five years	5	5	1	1
Later than 5 years	1,797	1,798	11	12
	<b>1,803</b>	<b>1,804</b>	<b>12</b>	<b>13</b>

No allowance for uncollectible amounts has been set aside as at 31 March 2024.

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 2023/24 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:

<b>At 31 March</b>		<b>At 31 March</b>
<b>2023 restated</b>		<b>2024</b>
<b>£'000</b>		<b>£'000</b>
738	Not later than one year	771
1,657	Between one & five years	1,330
3,594	Later than 5 years	3,546
<b>5,989</b>		<b>5,647</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2023/24 no contingent rents were receivable by the Council.

## 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 £301k provided at 31<sup>st</sup> March 2024 £156k is expected to be settled in 2024/25.

	<b>Injury &amp; Damage Compensation Claims</b>	<b>Business Rates Appeals</b>	<b>Total</b>
<b>2023/24</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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)
<b>Total</b>	<b>301</b>	<b>666</b>	<b>967</b>
Split between:			
Short-term provisions	163	521	684
Long-term provisions	138	145	283
	<b>301</b>	<b>666</b>	<b>967</b>
<b>2022/23</b>			
Balance at 1 April 2022	293	2,048	2,341
Additional provisions made in 2022/23	72	321	393
Amounts used in 2022/23	(143)	(30)	(173)
Unused amounts reversed in 2022/23	(56)	0	(56)
<b>Total</b>	<b>166</b>	<b>2,339</b>	<b>2,505</b>
Split between:			
Short-term provisions	123	96	219
Long-term provisions	43	2,243	2,286
	<b>166</b>	<b>2,339</b>	<b>2,505</b>

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 is 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.



**2022/23**  
**£'000**

**2023/24**  
**£'000**

**Comprehensive Income and Expenditure Statement**

**Cost of Services**

4,414	- current service cost	2,744
262	- past service cost	8
97	Administration fee	108

**Financing & Investment Income & Expenditure**

4,706	- Net interest expense	6,210
(4,598)	-Expected return on assets in the scheme	(6,563)

4,881	Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	2,507
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**Other Post-employment benefits charged to the Comprehensive Income and Expenditure Statement**

Remeasurement of the net defined benefit liability comprising:

5,613	-return on plan assets (excluding the amount included in the net interest expense)	(6,467)
0	-Actuarial gains and losses arising on changes in demographic assumptions	(1,779)
(74,437)	-Actuarial gains and losses arising on changes in financial assumptions	(874)
5,322	Impact of pension net asset ceiling	10,330
14,818	-Other	382

<b>(43,803)</b>	<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>4,099</b>
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**Movement in Reserves Statement**

4,273	- Employers' contributions payable to scheme.	4,126
(4,881)	Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	(2,507)

<b>(608)</b>	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	<b>1,619</b>
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**Actual amount charged against the General Fund Balance for pensions in the year.**

<b>4,273</b>	- Employers' contributions payable to scheme.	<b>4,126</b>
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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:

2022/23 £'000		2023/24 £'000
	<b>Comprehensive Income and Expenditure Statement</b>	
125,457	Present Value of the defined benefit obligation	126,746
(130,779)	Fair value of plan assets	(142,666)
(5,322)	Deficit / (Surplus)	(15,920)
251	Present Value of unfunded obligation	224
5,322	Impact of asset ceiling	15,920
<b>251</b>	<b>Net liability arising from defined benefit obligation</b>	<b>224</b>

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

2022/23 £'000		2023/24 £'000
131,498	Opening fair value of scheme assets	130,779
4,598	Interest income	6,563
	Remeasurement gain/ (loss):	
	The return on plan assets, excluding the amount included	
(5,613)	in net interest	6,467
4,273	Contributions from employer	4,126
953	Contributions from employees into the scheme	1,064
(4,833)	Benefits paid	(6,225)
(97)	Administration Expense	(108)
<b>130,779</b>	<b>Closing fair value of scheme assets</b>	<b>142,666</b>

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. In July 2024, the Court of Appeal dismissed the appeal brought by Virgin Media Ltd against aspects of the June 2023 decision. The conclusions reached by the court in this case may have implications for other UK defined benefit plans. The Council are monitoring developments in terms of whether there is expected to be any impact on LGPS Funds and will consider if there are any implications for the Lincolnshire Pension Scheme. As a result, the Council does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.

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.

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

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
179,825	Opening balance at 1 April	125,708
4,414	Current Service Cost	2,744
4,706	Interest cost	5,942
953	Contributions from scheme participants	1,064
	Remeasurement (gains) and losses:	
0	Change in demographic assumptions	(1,779)
14,818	Experience loss/(gain) on defined benefit obligation	382
(74,437)	Actuarial gains/ losses arising from changes in financial assumptions	(874)
262	Past Service cost	8
(4,833)	Benefits paid	(6,225)
<b>125,708</b>	<b>Closing Balance at 31 March</b>	<b>126,970</b>

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
<b>0</b>	<b>Opening impact of asset ceiling</b>	<b>5,322</b>
	Interest on impact on asset ceiling	268
5,322	Actuarial losses / (gains)	10,330
<b>5,322</b>	<b>Closing impact of asset ceiling</b>	<b>15,920</b>

**f. Local Government Pension Scheme assets comprised**

<b>2022/23</b>	<b>Fair Value of Scheme Assets</b>	<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
72,843	Equities	71,338
17,297	Bonds	19,561
9,793	Property	9,704
4,160	Cash	3,622
5,095	Infrastructure	5,727
21,591	Absolute return fund	32,714
<b>130,779</b>	<b>Total Assets</b>	<b>142,666</b>

All scheme assets have quoted prices in active markets.

**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:

2022/23		2023/24
	<b>Mortality Assumptions</b>	
	Longevity at 65 for current pensioners:	
19.8	Men	19.5
22.9	Women	22.7
	Longevity at 65 for future pensioners:	
21.1	Men	20.8
24.4	Women	24.1
3.9%	Rate of increase in salaries	3.9%
2.9%	Rate of Increase in Pensions	2.9%
4.8%	Rate for discounting scheme liabilities	4.9%

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)	115	112
Rate of increase in salaries (increase or decrease by 0.1%)	2	2
Rate of increase in pensions (increase or decrease by 0.1%)	107	103
Rate of discounting scheme liabilities (Increase or decrease by 0.1%)	102	106

#### **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 £4.291m expected contributions to the scheme in 2024/25.

The weighted average duration of the defined benefit obligation for scheme members is 17

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 2022 £'000	Transfer To Reserve £'000	Transfer From Reserve £'000	Balance at 31 March 2023 £'000	Transfer To Reserve £'000	Transfer From Reserve £'000	Balance at 31 March 2024 £'000
<b>General Fund</b>							
Earmarked GF Capital Reserves	173	0	(121)	52	0	0	52
Earmarked GF Revenue Reserves:						0	
Discretionary Reserves	11,747	340	0	12,087	0	(1,029)	11,058
Governance Reserves	10,397	0	(3,578)	6,819	0	(1,575)	5,244
Government Grants Received	1,131	0	(67)	1,064	1,204	0	2,268
General Fund Balance	2,009	449	0	2,458	4,217	0	6,675
<b>General Fund Balance including Earmarked Reserves</b>	<b>25,457</b>	<b>789</b>	<b>(3,766)</b>	<b>22,480</b>	<b>5,421</b>	<b>(2,604)</b>	<b>25,297</b>
<b>Housing Revenue Account</b>							
Earmarked HRA Reserves	15,559	0	(145)	15,414	0	(2,530)	12,884
Housing Revenue Account Balance	1,731	31		1,762	534	0	2,296
<b>Housing Revenue Account including Earmarked Reserves</b>	<b>17,290</b>	<b>31</b>	<b>(145)</b>	<b>17,176</b>	<b>534</b>	<b>(2,530)</b>	<b>15,180</b>
<b>Total</b>	<b>42,747</b>	<b>820</b>	<b>(3,911)</b>	<b>39,656</b>	<b>5,955</b>	<b>(5,134)</b>	<b>40,477</b>

### 35. UNUSABLE RESERVES

At 31 March 2023 £'000		At 31 March 2024 £'000	
109,714	Revaluation Reserve	125,958	
202,892	Capital Adjustment Account	203,462	
(251)	Pensions Reserve	(224)	
(473)	Collection Fund Adjustment Account	819	
(204)	Accumulated Absences Adjustment Account	(240)	
10	Deferred Capital Receipts	10	
(367)	Financial Instruments Revaluation Reserve	(430)	
<b>311,321</b>		<b>329,355</b>	

#### 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.

#### REVALUATION RESERVE

2022/23 £'000		2023/24 £'000	
92,227	Balance at start of year	109,714	
29,841	Upward revaluation of assets	19,023	
(2,945)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	(811)	
119,123	Surplus/Deficit on revaluation of non-current assets not posted to Surplus/Deficit on Provision of Services	127,926	
(9,380)	Difference between fair value depreciation and historical cost depreciation	(1,629)	
(29)	Accumulated gains on assets sold or scrapped	(339)	
(9,409)	Amounts written off to the Capital Adjustment Account	(1,968)	
<b>109,714</b>	Balance at end of year	<b>125,958</b>	

#### **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

2022/23 £'000		2023/24 £'000
197,111	Balance at start of year	202,892
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income &amp; Expenditure Statement</b>	
(7,607)	Charges for depreciation of non-current assets	(8,004)
(5,450)	Charges for impairment of non-current assets	(9,331)
(2,383)	Revaluation losses on Property, Plant & Equipment	(47)
2,209	Revaluation gains reversing previous impairments charged to the Comprehensive Income & Expenditure Statement	341
(150)	Amortisation of intangible assets	(350)
(1,866)	Revenue expenditure funded from capital under statute	(2,053)
(3,137)	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)
178,727		180,625
9,380	Adjusting amounts written out of the Revaluation Reserve	1,629
188,107	Net written out amount of the cost of non-current assets consumed in the year	182,254
	<b>Capital financing applied in the year</b>	
965	Use of the Capital Receipts Reserve to finance new capital expenditure	3,113
5,399	Use of the Major Repairs reserve to finance new capital expenditure	8,027
2,220	Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	4,798
131	Statutory provision for the financing of capital investment charged against the General Fund & HRA balances	287
5,343	Self-financed capital expenditure	3,817
(409)	Long Term Debtor written down	(1,525)
780	Capital expenditure charged against the General Fund and HRA balances	2,748
14,429		21,265
356	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	(57)
<b>202,892</b>	<b>Balance at end of year</b>	<b>203,462</b>

### 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.

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
(48,327)	Balance at start of year	(251)
48,684	Remeasurement of the net defined benefit liability/ (asset)	(1,592)
(4,881)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on Provision of Services	(2,507)
4,273	Employer's pensions contributions and direct payments to pensioners payable in the year	4,126
<b>(251)</b>	<b>Balance at end of year</b>	<b>(224)</b>

### 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.

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
(3,146)	Balance at start of year	(473)
(23)	Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated in accordance with statute	(47)
2,696	Amount by which NNDR income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements	1,339
<b>(473)</b>	<b>Balance at end of year</b>	<b>819</b>

#### 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.

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
(259)	Balance at start of year	(204)
	Amounts accrued at the end of the current year	
	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statute	(36)
55		
<u>(204)</u>	Balance at end of year	<u>(240)</u>

#### 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.

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
15	Balance at start of year	10
(5)	Repayments received in year	0
<u>10</u>	Balance at end of year	<u>10</u>

#### **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 DLUHC (up to 31 March 2025) to account for any changes in the fair value on its pooled investments.

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
152	Balance at start of year	(367)
(519)	Downward Revaluation of Investments	(63)
<b>(367)</b>		<b>(430)</b>
0	Accumulated gains or losses on assets sold and maturing assets written out to the CIES as part of Other Investment Income	0
<b>(367)</b>	Balance at end of year	<b>(430)</b>

## 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;

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
7,607	Depreciation	8,004
5,624	Impairment & downward valuations	9,363
150	Amortisation	350
(24,376)	Increase/(Decrease) in Creditors	(1,363)
(2,528)	(Increase)/Decrease in Debtors	1,567
24	(Increase)/Decrease in Stock	(1)
608	Movement in pension liability	(1,619)
3,137	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	2,823
328	Other non-cash items charged to the net surplus or deficit on the provision of services	(1,092)
<b>(9,426)</b>	<b>Adjustment to surplus or deficit on the provision of services for noncash movements</b>	<b>18,032</b>

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

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
(4,833)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,957)
(3,786)	Other items for which the cash effects are investing or financing cash flows	(4,777)
<b>(8,619)</b>	<b>Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>	<b>(7,734)</b>

The cash flows for operating activities include the following items:

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
1,499	Interest Received	3,616
(2,336)	Interest Paid	(2,238)
<b>(837)</b>		<b>1,378</b>

### 37. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2022/23 £'000		2023/24 £'000
(10,449)	Purchase of property, plant and equipment, investment property and intangible assets	(17,595)
(46,000)	Purchase of short-term and long-term investments	(52,000)
(199)	Other payments for investing activities	(1,798)
4,838	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,957
66,000	Proceeds from short-term and long-term investments	48,000
4,027	Other receipts from investing activities	12,013
<b>18,217</b>	<b>Net cash flows from investing activities</b>	<b>(8,423)</b>

### 38. CASH FLOW STATEMENT – FINANCING ACTIVITIES

Cash flow Financing Activities:

2022/23 £'000		2023/24 £'000
0	Cash receipts of short- and long-term borrowing	
(3,221)	Repayments of short- and long-term borrowing	(3,222)
3,359	Other payments for financing activities	(369)
<b>138</b>	<b>Net cash flows from financing activities</b>	<b>(3,591)</b>

## **OTHER DISCLOSURE NOTES**

### **39. INTEREST IN OTHER COMPANIES AND ENTITIES**

South Kesteven District Council wholly owns Gravitass Housing Ltd, LeisureSK Limited and EnvironmentSK Limited. Group accounts have been produced for LeisureSK Limited and these are available on page 68 onwards.

#### **EnvironmentSK Limited**

The registered name of the company is Environment SK Limited, and this is a wholly owned subsidiary of South Kesteven District Council which ceased trading on 31 March 2023. The company was incorporated on 1 March 2019 and was created to “offer a range of quality, environmental services”.

The net assets of the Company as at 31 March 2024 are £254.11 (net liabilities £0.087m 2022/23). The accounts can be obtained from EnvironmentSK Limited, Council Offices, The Picture House, St Catherine’s Road, Grantham, Lincolnshire, NG31 6TT.

#### **Gravitass Housing Limited**

The registered name of the company is Gravitass Housing Limited, and this is a wholly owned subsidiary of South Kesteven District Council which ceased trading on 31<sup>st</sup> March 2023. The company was incorporated on 20th January 2017 and was created to deliver new housing outside of the Housing Revenue Account.

The net assets of the Company as at 31 March 2024 £262.12 (net liabilities £0.800m 2022/23).

## 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.

2022/23 £'000		2023/24 £'000
66	Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor.	151
6	Fees payable to the external auditors for the certification of grant claims.	27
12	Fees payable to external auditors for the certification of returns	12
<b>84</b>		<b>190</b>

## 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 31<sup>st</sup> March 2024 the boards were constituted as follows:

Gravitas Limited – Chief Finance Officer, Director of Housing and Vice Chairman of Licensing Committee

EnvironmentSK – Member of Environment Overview and Scrutiny Committee, Director of Housing and Head of Revenues, Benefits and Customer Services

LeisureSK – Head of Corporate Projects, Performance and Climate Change plus one independent non-executive director.



**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:

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
1,937	Town and Parish Councils	2,073
149	Upper Witham Drainage Board	172
63	Black Sluice Drainage Board	81
592	Welland and Deepings Drainage Board	649
<b>2,741</b>		<b>2,975</b>

## **42. AUTHORISATION OF ACCOUNTS FOR ISSUE**

The date that the Statement of Accounts was authorised for issue was 6<sup>th</sup> September 2024. 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 2024

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.

2022/23 £'000	2023/24 £'000
<b>Income</b>	
Gross Rental Income	
(25,248) - Dwelling Rents	(26,982)
(288) - Non-Dwelling Rents	(282)
(741) Charges for Services and Facilities	(831)
(229) Other Income	(77)
<b>(26,506) Total Income</b>	<b>(28,172)</b>
<b>Expenditure</b>	
9,111 Repairs and Maintenance	9,891
3,922 Supervision and Management	4,418
4 Rent, rates, taxes and other charges	58
296 Increase/(Decrease) in Prov'n for Doubtful Debts	431
8,489 Depreciation and impairment of Non-Current Assets	14,110
35 Debt Management Costs	40
<b>21,857</b>	<b>28,948</b>
<b>(4,649) Net Cost of HRA Services</b>	<b>776</b>
2,787 HRA share of Corporate and Democratic Core	2,759
<b>(1,862) Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>	<b>3,535</b>
(1,069) (Gain)/loss on sale of HRA assets	(371)
4 Contribution Housing Capital Receipts to the Pool	0
0 Other operating income (Right to Buy Discount Repaid)	(24)
2,335 Interest payable and similar charges	2,237
(1,226) Interest and Investment Income	(2,302)
(13) Investment Property Income and Expenditure	(24)
23 Pension Interest Costs and Expected Return on Assets	(74)
(1,063) Recognised capital grants and contributions	(3,620)
<b>(2,871) (Surplus)/Deficit for the year on HRA services</b>	<b>(643)</b>

## MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

<b>2022/23</b>			<b>2023/24</b>
<b>£'000</b>		Note	<b>£'000</b>
(1,731)	Balance on the HRA at the end of the previous year		(1,763)
(2,871)	(Surplus)/Deficit for the year on the HRA Income & Expenditure Statement		(643)
662	Adjustments between Accounting Basis and Funding Basis under statute	7	(2,378)
<b>(2,209)</b>	<b>Net (increase) or decrease before transfers to or from reserves</b>		<b>(3,021)</b>
2,177	Transfers to or (from) reserves		2,488
<b>(1,763)</b>	Balance on HRA at the end of the current year		<b>(2,296)</b>

## 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 5845 dwellings during 2023/24. The housing stock and changes during the year are as follows:

	<b>At 1 April 2023</b>	<b>Additions</b>	<b>Disposals /Sales</b>	<b>At 31 March 2024</b>
Rentable Stock				
- Houses	3,013	1	(21)	2,993
- Bungalows	1,499	21	(2)	1,518
- Flats	1,312	0	(2)	1,310
Shared Ownership	22	0	0	22
<b>Total</b>	<b>5,846</b>	<b>22</b>	<b>(25)</b>	<b>5,843</b>

## 2. LAND HOUSES AND OTHER PROPERTY

### Analysis of Housing Fixed Assets

The vacant possession value of dwellings at 31 March 2024 was £797.173m (£772.746m at 31 March 2023). 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 DCLG. 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	Other Land and Buildings	Vehicles, Plant & Equipment	Investment Properties	Assets Under Construction	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation at 1 April 2023</b>	325,128	4,282	1,584	450	1,027	332,471
Additions	13,208	0	19	0	1,024	14,251
Revaluation increases/(decreases) recognised in the Revaluation Reserve	11,575	60	0	0	0	11,635
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(9,199)	(19)	0	(3)	0	(9,221)
Derecognition - Disposals	(1,475)	0	(215)	0	0	(1,690)
Derecognition - Other					(29)	(29)
Assets reclassified	0	(45)	0	45	0	0
Assets reclassified to/from Assets Under Construction	335	0	0	0	(335)	0
<b>Gross Book Value as at 31 March 2024</b>	<b>339,572</b>	<b>4,278</b>	<b>1,388</b>	<b>492</b>	<b>1,687</b>	<b>347,417</b>
<b>Depreciation &amp; Impairments</b>						
<b>At 1 April 2023</b>	(19)	0	(1,051)	0	0	(1,070)
Depreciation charge	(4,615)	(220)	(46)	0	0	(4,881)
Depreciation written out to the revaluation reserve	4,395	165	0	0	0	4,560
Depreciation written out to the CI&E	9,377	54	0	0	0	9,431
Impairment losses/(reversals) recognised in the Surplus/Deficit on Provision of Services	(9,199)	0	0	0	0	(9,199)
Derecognition - Disposals	0	0	0	0	0	0
<b>At 31 March 2024</b>	<b>(61)</b>	<b>(1)</b>	<b>(1,097)</b>	<b>0</b>	<b>0</b>	<b>(1,159)</b>
<b>Balance Sheet Amount at 31 March 2024</b>	<b>339,511</b>	<b>4,277</b>	<b>291</b>	<b>492</b>	<b>1,687</b>	<b>346,258</b>

### 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 2024 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.

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
4,553	Depreciation	4,881
(1,694)	Revaluation Loss/(Gain)	(216)
5,551	Impairment Losses	9,228
<b>8,410</b>		<b>13,893</b>

### 4. MAJOR REPAIRS RESERVE

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

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
18,527	Opening balance on the Major Repairs Reserve	19,553
	Transfer to/ (from) the Major Repairs Reserve	
4,553	Transfer from HRA equal to depreciation	4,881
1,872	Additional contribution from HRA	2,311
(5,399)	Financing of Capital Expenditure	(8,027)
<b>19,553</b>	<b>Closing balance on the Major Repairs Reserve</b>	<b>18,718</b>

## 5. FINANCING CAPITAL EXPENDITURE

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

2022/23 £'000		2023/24 £'000
	<b>Expenditure</b>	
5,735	Council Dwellings	13,208
97	Plant and Equipment	19
450	Intangible Assets	565
391	Assets Under Construction	1,024
<b>6,673</b>	<b>Total</b>	<b>14,816</b>
	<b>Financed from:</b>	
5,399	Major Repairs Reserve	8,027
391	Capital Receipts	1,160
450	HRA Earmarked Reserves	2,684
433	Capital Grants and Contributions	2,945
<b>6,673</b>	<b>Total</b>	<b>14,816</b>

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	7
Sale of Council Dwellings	1,872
Repayment of discounts	24
<b>Total</b>	<b>1,903</b>

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

2022/23	Movement on the Housing Revenue Account Statement	2023/24
£'000		£'000
	<b>Adjustments between Accounting and Funding Basis:</b>	
(1,023)	IAS 19	(506)
898	- Pension Costs Charged to Rent Income	839
(5,551)	- Non-Enhancing Capital Expenditure	(9,228)
4,105	Capital Expenditure	6,169
1,069	Gains/losses on disposal of non current assets	372
1,694	Revaluation gains/(losses) on PPE	216
(4)	Payments to Housing Capital Receipts Pool	0
(90)	Depreciation of non-current assets	(231)
14	Compensated absences	(9)
<b>1,112</b>		<b>(2,378)</b>
	<b>Transfers to/from Earmarked Reserves:</b>	
1,872	- Transfers to/(from) reserves	2,465
<b>1,872</b>		<b>2,465</b>

## 8. RENT ARREARS

An analysis of rent arrears is shown below:

At 31st March 2023 £'000		At 31st March 2024 £'000
1,045	Current Tenants	1,515
888	Former Tenants	1,122
<b>1,933</b>	<b>Gross Rent Arrears</b>	<b>2,637</b>
<b>(1,267)</b>	<b>Impairment Provision for Bad &amp; Doubtful Debt</b>	<b>(1,698)</b>



# COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2024

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.

2022/23			2023/24		
Business Rates £'000	Council Tax £'000	Total £'000	Business Rates £'000	Council Tax £'000	Total £'000
			Note		
<b>Income</b>					
0	94,165	94,165		99,502	99,502
40,040	0	40,040		0	38,181
Apportionment of Previous Year Deficit -					
3,226	0	3,226		0	0
2,581	0	2,581		0	0
645	0	645		0	0
0	0	0		0	0
<u>46,492</u>	<u>94,165</u>	<u>140,657</u>	<u>38,181</u>	<u>99,502</u>	<u>137,683</u>
<b>Total Income</b>					
<b>Expenditure</b>					
38,695	93,606	132,301	3	39,822	139,243
173	0	173		0	174
(103)	0	(103)		0	(1,550)
Bad and doubtful Debts -					
0	138	138		266	561
367	186	553		144	292
725	0	725		0	(4,182)
Interest					
				0	15
Apportionment of Previous Year Surplus -					
0	0	0		0	16
0	54	54		11	24
0	359	359		72	75
0	63	63		14	14
<u>39,857</u>	<u>94,406</u>	<u>134,263</u>	<u>34,754</u>	<u>99,928</u>	<u>134,682</u>
<b>Total Expenditure</b>					
6,635	(241)	6,394		(426)	3,001
(7,887)	115	(7,772)		(126)	(1,378)
<u>(1,252)</u>	<u>(126)</u>	<u>(1,378)</u>	<u>2,175</u>	<u>(552)</u>	<u>1,623</u>
<b>Surplus/(Deficit) on Fund at End of Year</b>					
<b>Allocated to -</b>					
(661)	0	(661)		0	1,080
(459)	(13)	(472)		(60)	819
(132)	(95)	(227)		(412)	(196)
0	(18)	(18)		(80)	(80)
<u>(1,252)</u>	<u>(126)</u>	<u>(1,378)</u>	<u>2,175</u>	<u>(552)</u>	<u>1,623</u>

## 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 2023/24 increased to 49329.0 (48,706.7 in 2022/23)

The Council Tax base was calculated as follows:

Band	Estimated No. of Taxable Properties After Effect of Discounts	Ratio	Band D Equivalent Dwellings
A	13,535.40	6/9	9,023.6
B	12,434.40	7/9	9,671.2
C	10,227.30	8/9	9,090.9
D	8,667.00	9/9	8,667.0
E	5,545.20	11/9	6,777.5
F	2,863.90	13/9	4,136.7
G	1,057.80	15/9	1,763.0
H	71.70	18/9	143.4
Band A entitled to Disabled Relief Reduction	18.70	5/9	10.4
			49,283.7
Ministry of Defence Properties			45.3
<b>Council Tax Base</b>			<b><u>49,329.0</u></b>

### 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 2023/24 there are two multipliers:

Full	51.2p (51.2p for 2022/23)
Small Business	49.9p (49.9p for 2022/23)

The total Non-Domestic Rateable Value at 31 March 2024 was £114.342m (31 March 2023 £111.616m).

### 3. PRECEPTS AND DEMANDS

2022/23			2023/24		
£'000	£'000	£'000	£'000	£'000	£'000
Council Tax	Business Rates	Total	Council Tax	Business Rates	Total
0	19,235	19,235	0	19,673	19,673
69,756	3,847	73,603	74,172	3,935	78,107
13,458	0	13,458	14,367	0	14,367
10,392	15,613	26,005	10,882	16,214	27,096
<b>93,606</b>	<b>38,695</b>	<b>132,301</b>	<b>99,421</b>	<b>39,822</b>	<b>139,243</b>

## 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).

The Council has three wholly owned companies EnvironmentSK Limited and Gravitas Housing Limited both of which ceased trading 31 March 2023 and are being closed down and LeisureSK Limited who continue to trade and whose accounts require consolidation..

Further details regarding EnvironmentSK Limited and Gravitas Housing Limited can be found in Note 39 to the Council's Statement of Accounts.

LeisureSK Limited has been 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 2023/24 (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:

- £4.6m additional expenditure
- £3.5m 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	Unusable Reserves	Total Authority Reserves	Gravitas Housing Ltd	LeisureSK Ltd	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2023 brought forward</b>	<b>(74,869)</b>	<b>(311,321)</b>	<b>(386,190)</b>	<b>319</b>	<b>233</b>	<b>(385,638)</b>
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		0.00
Adjustments between accounting basis & funding basis under regulations	1,819	(1,819)	0	0		0.00
(Increase) or decrease in 2023/24	(1,030)	(18,033)	(19,063)	(319)	240	(19,142)
<b>Balance at 31 March 2024 carried forward</b>	<b>(75,899)</b>	<b>(329,354)</b>	<b>(405,253)</b>	<b>0</b>	<b>473</b>	<b>(404,780)</b>

	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Gravitas Housing Ltd	LeisureSK Ltd	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Restated</b>						
<b>Balance at 31 March 2022 brought forward</b>	<b>(72,655)</b>	<b>(237,744)</b>	<b>(310,399)</b>	<b>268</b>	<b>36</b>	<b>(310,095)</b>
Movement in reserves during 2022/23						
Total Comprehensive Income & Expenditure	(211)	(75,580)	(75,791)	51	197	(75,543)
Transfers between Reserves	(412)	412	0	0	0	0
Adjustments between accounting basis & funding basis under regulations	(1,591)	1,591	0	0	0	0
(Increase) or decrease in 2022/23	(2,214)	(73,577)	(75,791)	51	197	(75,543)
<b>Balance at 31 March 2023 carried forward</b>	<b>(74,869)</b>	<b>(311,321)</b>	<b>(386,190)</b>	<b>319</b>	<b>233</b>	<b>(385,638)</b>

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2022/23				2023/24			
Group Gross Expenditure	Group Gross Income	Group Net Expenditure		Group Gross Expenditure	Group Gross Income	Group Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
5,133	(1,708)	3,425	Corporate, Governance & Public Protection Service	5,804	(1,876)	3,928	
44,417	(49,693)	(5,276)	Finance, Property & Waste Services	50,984	(53,595)	(2,611)	
14,377	(7,111)	7,266	Growth & Culture	14,995	(8,999)	5,996	
17,874	(4,005)	13,869	Housing & Projects	17,897	(3,590)	14,307	
<b>81,801</b>	<b>(62,517)</b>	<b>19,284</b>	<b>Cost Of Services</b>	<b>89,680</b>	<b>(68,060)</b>	<b>21,620</b>	
			<b>Other Operating Expenditure</b>				
0	(1,667)	(1,667)	(Gain)/Loss Disposal of Fixed Assets	229	0	229	
2,741	0	2,741	Precepts & Levies	2,975	0	2,975	
4	0	4	Contribution Housing Capital Receipts to the Pool	0	0	0	
0	(73)	(73)	Other Operating Income and Expenditure	132	(24)	108	
<b>2,745</b>	<b>(1,740)</b>	<b>1,005</b>		<b>3,336</b>	<b>(24)</b>	<b>3,312</b>	
			<b>Financing and Investment Income and Expenditure</b>				
2,335	0	2,335	Interest Payable on Debt	2,237	0	2,237	
108	0	108	Net Interest on the net defined benefit liability (asset)	0	(353)	(353)	
0	(1,917)	(1,917)	Interest & Investment Income	0	(3,917)	(3,917)	
0	(676)	(676)	Income & Expenditure and Movement in Fair Value of Investment Property	0	(268)	(268)	
519	0	519	Movement in the value of property fund income	389	0	389	
<b>2,962</b>	<b>(2,593)</b>	<b>369</b>		<b>2,626</b>	<b>(4,538)</b>	<b>(1,912)</b>	
<b>0</b>	<b>(20,621)</b>	<b>(20,621)</b>	<b>Taxation and Non-Specific Grant Income</b>	<b>500</b>	<b>(25,735)</b>	<b>(25,235)</b>	
			<b>37 (Surplus) or Deficit on Provision of Services</b>			<b>(2,215)</b>	
			<b>0 Tax expenses of subsidiaries</b>			<b>0</b>	
			<b>37 Group (Surplus)/Deficit on Provision of Services</b>			<b>(2,215)</b>	
			(26,896) (Surplus) or deficit on revaluation of non-current assets			(18,212)	
			(48,684) Remeasurement of Defined Pension Liability			1,592	
			<b>(75,580) Other Comprehensive Income and Expenditure</b>			<b>(16,620)</b>	
			<b>(75,543) TOTAL COMPREHENSIVE INCOME &amp; EXPENDITURE</b>			<b>(18,835)</b>	

## 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 2023		Note	At 31 March 2024
£'000			£'000
407,857	Property Plant & Equipment		415,481
690	Heritage Assets		690
5,019	Investment Property		12,785
426	Intangible Assets		946
2,632	Long Term Investments		2,569
72	Long Term Debtors		71
<b>416,696</b>	<b>Long Term Assets</b>		<b>432,542</b>
1,090	Current Assets Held for Sale		490
48,499	Short Term Investments		52,924
35	Inventories		25
8,417	Short Term Debtors		6,128
18,568	Cash and Cash Equivalents	G1	18,462
<b>76,609</b>	<b>Current Assets</b>		<b>78,029</b>
(3,245)	Short Term Borrowing		(3,244)
(13,810)	Short Term Creditors		(12,464)
(219)	Provisions		(684)
<b>(17,274)</b>	<b>Current Liabilities</b>		<b>(16,392)</b>
(2,286)	Provisions		(283)
(82,994)	Long Term Borrowing		(79,771)
(251)	Other Long Term Liabilities		(224)
(4,878)	Capital Grants Receipts in Advance		(9,123)
<b>(90,409)</b>	<b>Long Term Liabilities</b>		<b>(89,401)</b>
<b>385,622</b>	<b>Net Assets</b>		<b>404,778</b>
<b>£'000</b>			<b>£'000</b>
74,301	Usable Reserves		75,423
311,321	Unusable Reserves		329,355
<b>385,622</b>	<b>Total Reserves</b>		<b>404,778</b>

## GROUP CASH FLOW STATEMENT

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

2022/23 £'000		Notes	2023/24 £'000
	<b>Operating Activities</b>		
(37)	Net surplus or (deficit) on the provision of services		2,215
(7,930)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	G2	18,249
(8,619)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(8,528)
<b>(16,586)</b>	<b>Net cash flows from Operating Activities</b>		<b>11,936</b>
	<b>Investing Activities</b>		
17,843	<b>Net cash flows from Investing Activities</b>		(8,453)
141	<b>Net cash flows from Financing Activities</b>		(3,590)
<b>1,398</b>	<b>Net increase or (decrease) in cash and cash</b>		<b>(107)</b>
17,170	Cash and cash equivalents at the beginning of the reporting period		18,568
18,568	Cash and cash equivalents at the end of the reporting period		18,461
<b>(1,398)</b>			<b>107</b>



## NOTE G1 – CASH & CASH EQUIVALENTS

At 31 March 2023		At 31 March 2024	
£'000		£'000	
217	Cash held by the authority	340	
842	Bank current accounts	(299)	
17,509	Short Term Deposits	18,420	
<b>18,568</b>	<b>Total Cash &amp; Cash Equivalents</b>	<b>18,461</b>	

## NOTE G2 – Cash Flow

2022/23		2023/24
£'000		£'000
7,607	Depreciation	8,027
5,624	Impairment & downward valuations	9,363
150	Amortisation	349
(24,260)	Increase/(Decrease) in Creditors	(1,088)
(2,364)	(Increase)/Decrease in Debtors	1,482
1,304	(Increase)/Decrease in Stock	10
608	Movement in pension liability	(1,619)
3,137	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	2,823
264	Other non-cash items charged to the net surplus or deficit on the provision of services	(1,098)
<b>(7,930)</b>		<b>18,249</b>

## **ACCOUNTING POLICIES**

### **I. GENERAL PRINCIPLES**

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. 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 2023/24 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 Statements 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, and EnvironmentSK. The nature of these relationships has been assessed and they are deemed to be subsidiaries. The Council is not currently required to produce group accounts on the grounds of materiality. In respect of Gravitas the Council produces Group Accounts.

## **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**

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### **The Council as Lessee**

##### **Finance Leases:**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the leases inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor e.g. payments net of financing costs. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into the lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the period in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the assets estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

##### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are



made on a straight line basis over the life of the lease, even if this does not match the patterns of payments (e.g. there is a rent free period at the commencement of the lease).

## **The Council as Lessor**

### **Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal and replaced by a long-term debtor in the Balance Sheet valued on the future income due under the finance lease.

### **Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the 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. 31<sup>st</sup> 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 1<sup>st</sup> April to 31<sup>st</sup> 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.

**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.









