



# Trustees' Annual Report for the period

From	Period start date			To	Period end date		
	1 <sup>st</sup>	April	2021		31 <sup>st</sup>	March	2022

## Section A Reference and administration details

**Charity name**

**Other names charity is known by**

**Registered charity number (if any)**

**Charity's principal address**

Ayscoughfee Hall Museum	
Churchgate	
Spalding, Lincolnshire.	
<b>Postcode</b>	PE11 2RA

### Names of the charity trustees who manage the charity

	Trustee name	Office (if any)	Dates acted if not for whole year	Name of person (or body) entitled to appoint trustee (if any)
1	Mr B Alcock	Councillor		The electorate of the South Holland district
2	Mr J Astill	Councillor		The electorate of the South Holland district
3	Mr A Beal	Councillor		The electorate of the South Holland district
4	Mr J E Avery	Councillor		The electorate of the South Holland district
5	Mr F Biggadike	Councillor		The electorate of the South Holland district
6	Mr H Bingham	Councillor		The electorate of the South Holland district
7	Mr M D Booth BEM	Councillor		The electorate of the South Holland district
8	Mr C J T H Brewis	Councillor		The electorate of the South Holland district
9	Ms T A Carter	Councillor		The electorate of the South Holland district
10	Mr A Casson	Councillor		The electorate of the South Holland district
11	Mr PE Coupland	Councillor		The electorate of the South Holland district
12	Mr A Cronin	Councillor		The electorate of the South Holland district
13	Mr H Drury	Councillor		The electorate of the South Holland district
14	Mr R Gambba-Jones	Councillor		The electorate of the South Holland district
15	Mr R Gibson	Councillor		The electorate of the South Holland district

16	Mr R Grocock	Councillor		The electorate of the South Holland district
17	Mr M Hazan	Councillor		The electorate of the South Holland district
18	Ms J L King	Councillor		The electorate of the South Holland district
19	Ms C J Lawton	Councillor		The electorate of the South Holland district
20	Mr J D McLean	Councillor		The electorate of the South Holland district
21	Mrs A M Newton	Councillor		The electorate of the South Holland district
22	Mr N Pepper	Councillor		The electorate of the South Holland district
23	The Lord Porter of Spalding CBE	Councillor		The electorate of the South Holland district
24	Mr P Redgate	Councillor		The electorate of the South Holland district
25	Ms J L Reynolds	Councillor		The electorate of the South Holland district
26	Mr G Rudkin	Councillor		The electorate of the South Holland district
27	Ms G Scalese	Councillor		The electorate of the South Holland district
28	Mr M D Seymour	Councillor		The electorate of the South Holland district
29	Mrs S Slade	Councillor		The electorate of the South Holland district
30	Mrs E J Sneath	Councillor		The electorate of the South Holland district
31	Mr G J Taylor	Councillor		The electorate of the South Holland district
32	Mr A C Tennant	Councillor		The electorate of the South Holland district
33	Mr J Tyrell	Councillor		The electorate of the South Holland district
34	Mr C Walsh	Councillor		The electorate of the South Holland district
35	Mr D Wilkinson	Councillor		The electorate of the South Holland district
36	Mr A R Woolf	Councillor		The electorate of the South Holland district
37	Mr C N Worth	Councillor		The electorate of the South Holland district

**Names of the trustees for the charity, if any, (for example, any custodian trustees)**

<b>Name</b>	<b>Dates acted if not for whole year</b>

**Names and addresses of advisers (Optional information)**

Type of adviser	Name	Address

**Name of chief executive or names of senior staff members (Optional information)**

Chief Executive – Robert Barlow  
 Assistant Chief Executive (Communities) – John Leach  
 Assistant Director – Phil Perry  
 Communities Manager – Emily Holmes

**Section B Structure, governance and management**

**Description of the charity’s trusts**

Type of governing document (eg. trust deed, constitution)	
How the charity is constituted (eg. trust, association, company)	Trust
Trustee selection methods (eg. appointed by, elected by)	Elected

**Additional governance issues (Optional information)**

You **may choose** to include additional information, where relevant, about:

- policies and procedures adopted for the induction and training of trustees;
- the charity’s organisational structure and any wider network with which the charity works;
- relationship with any related parties;
- trustees’ consideration of major risks and the system and procedures to manage them.

**Section C Objectives and activities**

**Summary of the objects of the charity set out in its governing document**

The objects of the Charity are the establishment and maintenance of a Recreation Ground and Museum.

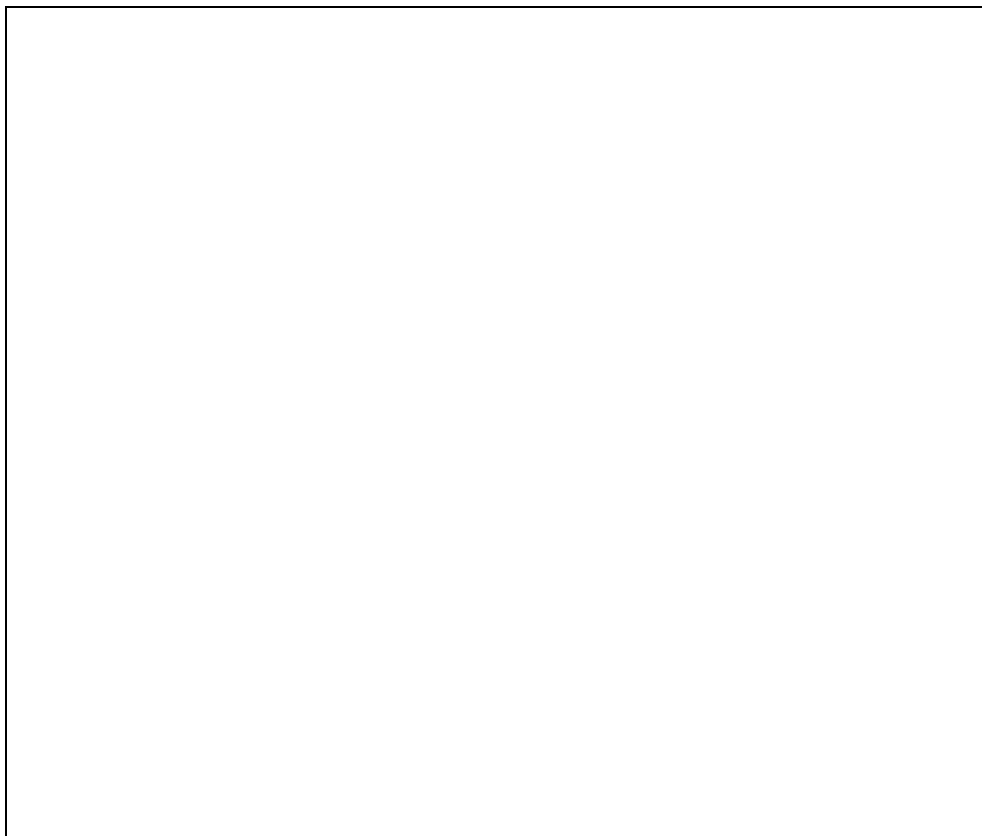
**Summary of the main activities undertaken for the public benefit in relation to these objects (include within this section the statutory declaration that trustees have had regard to the guidance issued by the Charity Commission on public benefit)**

Provision of a Museum and public gardens.

**Additional details of objectives and activities (Optional information)**

You **may choose** to include further statements, where relevant, about:

- policy on grantmaking;
- policy programme related investment;
- contribution made by volunteers.



## Section D

## Achievements and performance

**Summary of the main achievements of the charity during the year**

The year 2021-2022 continued to be challenging for Ayscoughfee Hall Museum & Gardens, due to the Covid 19 pandemic. Ayscoughfee Hall Museum reopened in September 2021 with reduced opening hours and strictly controlled visitor numbers. As national restrictions were gradually lifted, the restrictions at Ayscoughfee Hall Museum were also lifted, with an associated increase in visitor figures.

Ayscoughfee Gardens remained open as usual, and continued to be very popular with visitors.

## Section E Financial review

**Brief statement of the charity's policy on reserves**

The Charity does not have any reserves.

**Details of any funds materially in deficit**

Not applicable

### Further financial review details (Optional information)

You **may choose** to include additional information, where relevant about:


- the charity's principal sources of funds (including any fundraising);
- how expenditure has supported the key objectives of the charity;
- investment policy and objectives including any ethical investment policy adopted.

## Section F Other optional information

## Section G Declaration

The trustees declare that they have approved the trustees' report above.

Signed on behalf of the charity's trustees

<b>Signature(s)</b>	
<b>Full name(s)</b>	Julia Elizabeth Knight
<b>Position (eg Secretary, Chair, etc)</b>	Manager
<b>Date</b>	31/1/2023

CHARITY TRUST - AYSCOUGHFEE MUSEUM AND GARDENS

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH

Year	20202021	20212022
Employees Direct	177,794.00	203,611.94
Employees Indirect	75.00	265.19
Income	-48,785.00	-58,744.61
Premises	23,015.00	88,839.11
Supplies & Services	30,485.00	43,072.73
Support Services	61,835.00	73,296.66
Tax & Non Spec Grant	-6,500.00	0.00
Transfer Payments	200.00	
Transport	21.00	198.32
<b>Grand Total</b>	<b>238,140.00</b>	<b>350,539.34</b>





## **UNAUDITED FINANCIAL STATEMENTS**

**For the Year Ended 31 March 2022**

**C o n t e n t s**  
**FINANCIAL STATEMENTS**

	<b>Page</b>
Narrative Report	3 – 17
Statement of Responsibilities	18
 <b>CORE FINANCIAL STATEMENTS</b>	
Comprehensive Income and Expenditure Statement	19
Movement in Reserves Statement	20 – 21
Balance Sheet	22
Cash Flow Statement	23
Notes to the Accounts	24 – 86
 <b>SUPPLEMENTARY FINANCIAL STATEMENTS</b>	
Housing Revenue Account Income and Expenditure Statement	87
Movement on the Housing Revenue Account Statement	88
Notes to the Housing Revenue Account Statement	89 – 91
Collection Fund Statement	92
Notes to the Collection Fund Statement	93 – 94
Group Accounts	xx
 Glossary of Terms	 95 – 100
 Annual Governance Statement	 101 – 109

## **NARRATIVE REPORT 2021/22**

This report seeks to provide a summary and a straightforward explanation of, often complicated, local government finance arrangements. It aims to summarise the key events during the year, their associated financial impact and make the Financial Statements easier to understand. The Narrative Report, together with the Annual Governance Statement and the auditor's report, are outside the scope of the formal Accounts, but all the documents constitute the Council's Financial Report for 2021/22.

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

- understand the financial position of the Council and its outturn for 2021/22.
- have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner.
- be assured that the financial position of the Council is secure.

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

- An explanation of the Financial Statements
- The way we achieve best value for council taxpayers' money through effective Financial Management
- Information about South Holland as a place
- Information about the Councils structure and management
- A summary of Performance for the Council 2021/22
- Overview of the Council's finances
- Future financial challenges that the Council faces

The Statement of accounts was produced within the statutory deadlines set out in the Accounts and Audit Regulations 2015 and the Value for Money conclusion is unqualified indicating that the Council has proper arrangements in place to secure value for money.

The Council's approach to finance will continue to evolve, developing the self-service nature of financial/service management in all operations. This working model also supports current, and future, changes in the Council as it strives to increase income, reduce costs, manage demand, transform working practices, introduce innovation and maintain performance.

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

## 1. The Statement of Accounts

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

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

- the delivery of a balanced outturn position for 2021/22,
- the establishment of a balanced budget for 2022/23 with an embedded transformation programme aimed at delivering ongoing savings,
- the Council has sufficient resources to meet its immediate financial commitments and
- has robust governance arrangements in place.

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31st March 2022. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, which in turn is underpinned by International Financial Reporting Standards.

The main financial statements are

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

The Supplementary Financial Statements are

- The Collection Fund which reflects the statutory requirement for the Council to maintain a separate account providing details of receipts of Council Tax and Business Rates, and any associated payments to precepting authorities, and the Government.
- The Housing Revenue Account which reflects the statutory requirement for the Council to maintain a separate account providing details of receipts of housing rents and other housing related income, and any associated expenditure on the administration of the housing stock and repairs to it.

The Council has produced Group Accounts for 2021/22, consisting of a Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement, consolidating the transactions relating to the council's subsidiary companies Welland Homes and South Holland Homes together with its share of Public Sector Partnership Services Limited (PSPSL)

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

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

## 2. Financial Management

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

The Council's approach to these challenges is set out in the 2021/22 Budget and the Medium-Term Financial Plan, approved by Council on 3<sup>rd</sup> March 2021. These presented a balanced position after a wide-ranging review of activities and proactively sought reductions in costs and more efficient ways of working to ensure the Councils position remained stable. Within the capital programme, funding has been allocated to support growth in the district, specifically for commercial investments, more affordable housing, investment in new technology and improvements to private sector housing.

The council achieves effective financial management through:

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

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

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

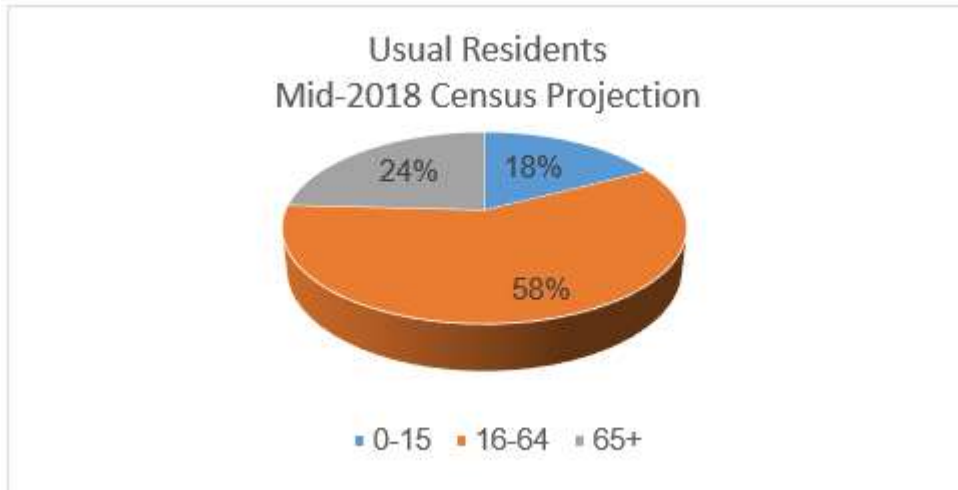
## 3. Our District

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

Our traditional market towns and villages retain the historic character that is unique to Lincolnshire. Our proud heritage, stretching back to Roman times, is displayed for all to see, from historic windmills to our modern day flower industry, with the fens and drains in between. The main towns and population centres of Spalding, Crowland, Holbeach, Donington, Long Sutton and Sutton Bridge all feature strong community identities and activities, matched by thriving business and industry. The population is expanding healthily there are now 92,500 residents in the area with estimates that the population will reach 105,400 by 2041.

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

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



**4. South Holland District Council**

**Organisational Structure**

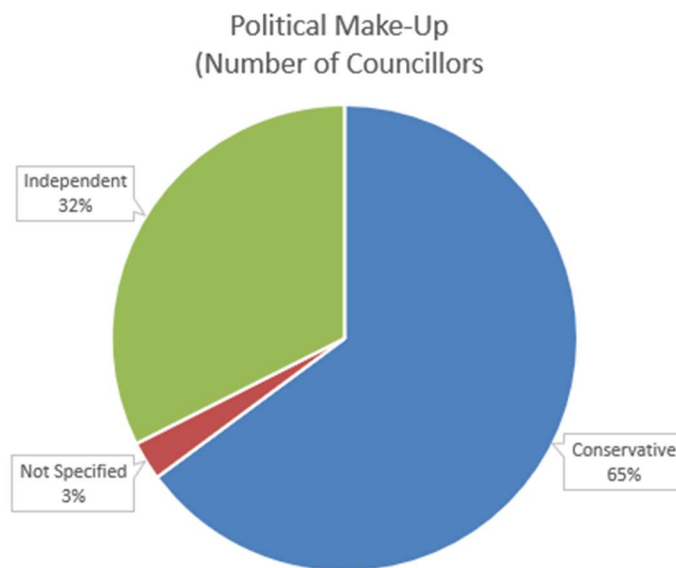
The Council, together with its partner organisations and external contractors, delivers a wide range of services to our residents, businesses and visitors.

The Council is organised into four directorates

- Communities dealing with Wellbeing and Community Leadership, Regulatory, Leisure and Culture and Neighborhoods
- Corporate development dealing with Corporate Strategy, Finance, Governance and Housing
- Growth dealing with Economic Growth, Planning and Strategic Infrastructure and Strategic Growth and Development
- Programme Delivery dealing with Strategic Projects and General Fund Assets

**Political structure**

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



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

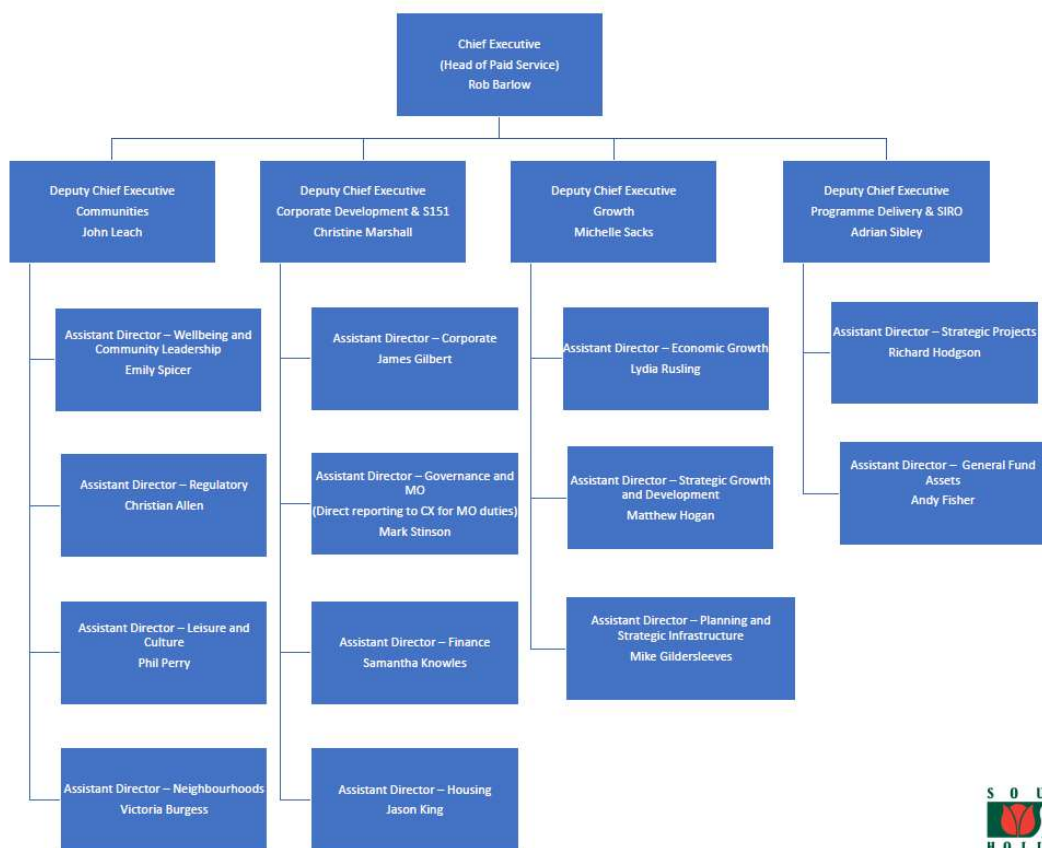
The Council has adopted the Leader and Executive model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation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

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

Cabinet Members are held to account by a system of scrutiny, which is also set out in the Constitution. Scrutiny of Cabinet decisions for 2021/22, including the setting of a balanced budget for 2021/22, has been undertaken by the Governance and Audit Committee

## Staffing

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



South & East Lincolnshire Councils Partnership



served by One Team

## 5. Council Priorities, Corporate Strategy and Performance

South Holland District Council's Corporate Plan sets out the direction of travel from 2019 to 2023 and is available on the Council's website:

[https://www.sholland.gov.uk/media/15826/SHDC-Corporate-Plan-2019-2023/pdf/approved\\_corporate\\_plan\\_2019-2023\\_26-02-20.pdf?m=637393249831130000](https://www.sholland.gov.uk/media/15826/SHDC-Corporate-Plan-2019-2023/pdf/approved_corporate_plan_2019-2023_26-02-20.pdf?m=637393249831130000)

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

The Strategy focuses on five priorities:

1. Your Home
2. Your Place
3. Your Health & Wellbeing
4. Your Opportunity
5. Our Council

### How South Holland District Council performed in 2021/22

The Council proactively monitors delivery of its services through a number of Key Performance Indicators (KPIs) which are linked to priorities within the Corporate Plan. The KPIs are monitored by the Council's Performance Team and reported to Management Team on a monthly basis and to the Council's Cabinet and Overview Committee on a quarterly basis. In 2021/22 the Council monitored a total of 26 KPIs. Out of the 26 KPIs there were 16 BPI's meeting or exceeding their target.

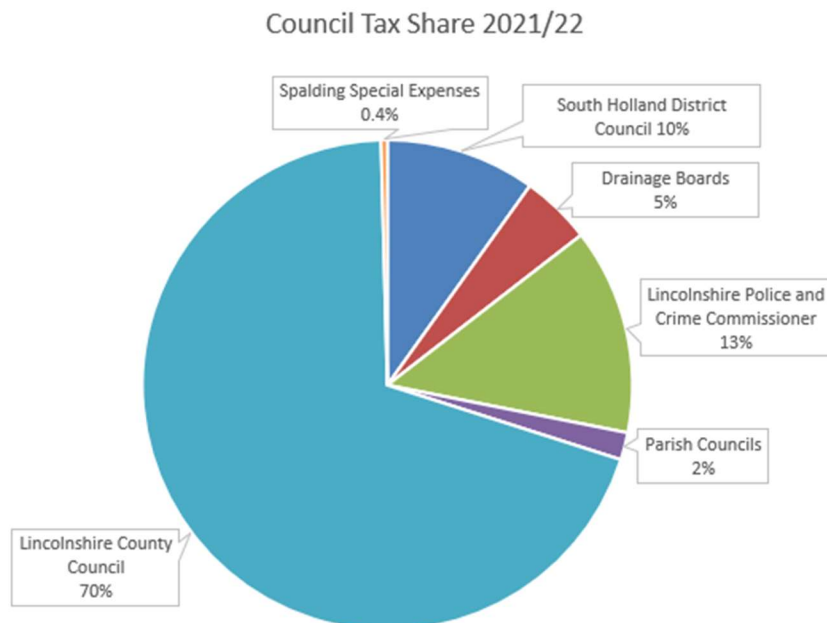
In 2021/22 the Council delivered the following actions from the Annual Delivery Plan:

- Created the South and East Lincolnshire Councils Partnership (SELCP) with East Lindsey District Council and Boston Borough Council. Initially creating a shared management team with the goal of creating efficiencies across all three Councils whilst also improving service delivery and creating a louder voice for Local government in Lincolnshire on the national stage.
- Continued the response locally to the pandemic by distributing monies to businesses and households from the government.
- Spent £1.838m on Disabled Facility grants to help disabled residents to continue living independently.
- Worked proactively with many of our more vulnerable residents to provide advice on housing, health, money management and access to education and training.

## 6 Financial Performance

### Council Tax

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



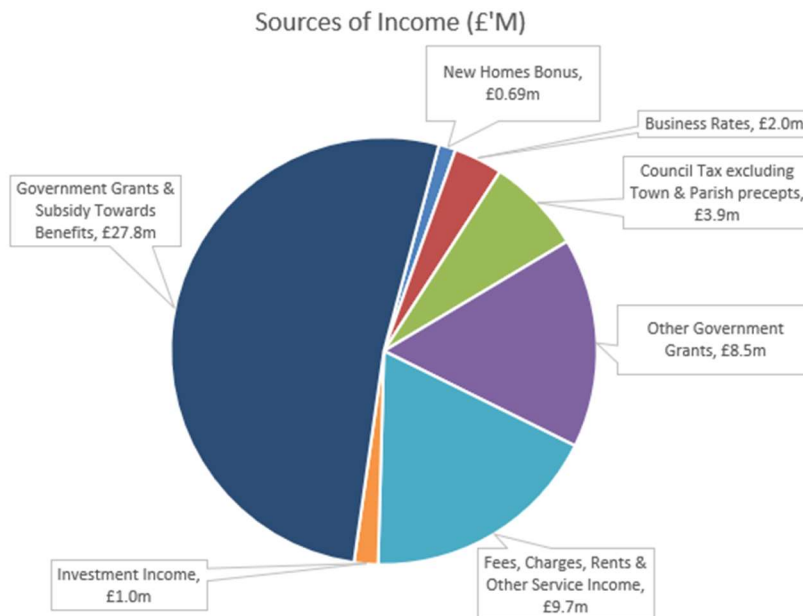
### Where the Money Came From

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

The majority of the income, £27.8m (45% of income) was from government funding through large grants and subsidies, a further £8.5m (14% of income) is from the Revenue Support Grant (RSG) and non-specific grants smaller government grants.

Council Tax receipts (excluding town and parish precepts) totalled £ 3.9m (11% of the income).

A total of £9.7m was received from fees, charges, rents and other service income (16% of total income). Income from investments and interest totalled £1.0m (2% of income). The new Homes Bonus provided £0.69m income (1%) in the year 2021/22.



**How the money was spent**

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

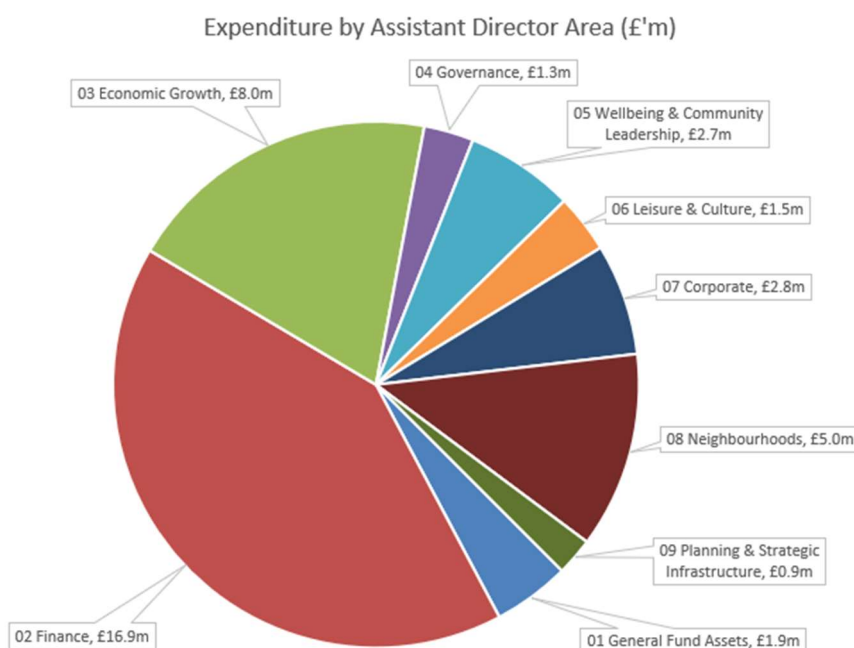
Running expenses and employee expenditure are included as part of the Assistant Director expenditure items.

Running expenses include costs relating to:

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

Employee’s expenditure includes costs relating to:

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



## Financial Performance

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

### General Fund

The full year outturn delivered an over budget spend of £0.247m as a result of redirecting significant budgeted resource to Covid compliance and community grant distribution activities which have been supported by grant from central government. Income losses arising from Covid compliance activity have also been compensated from government grant. The budget deficit below has been funded from Council reserves. The table below shows the outturn position reported to Cabinet:

Assistant Director Area	Revised Budget 2021/22	Outturn 2021/22	Variance (underspend)/overspend
	£'000	£'000	£'000
Corporate	2,411	2,459	48
Economic Growth	117	159	42
Finance	2,163	2,639	476
General Fund Assets	43	457	414
Governance	1,111	1,046	(65)
Leisure & Culture	780	381	(399)
Neighbourhoods	3,407	3,543	136
Planning & Strategic Infrastructure	111	(220)	(331)
Regulatory	441	417	(24)
Strategic Growth & Development	92	143	51
Wellbeing & Community Leadership	1,038	794	(244)
<b>Sub Total – Assistant Directors – Net Costs</b>	<b>11,714</b>	<b>11,818</b>	<b>104</b>
Covid Grants	-	(1,525)	(1,525)
Covid Related Expenditure	-	1,359	1,359
Recharges to HRA	(3,087)	(3,100)	(13)
Internal Drainage Boards and Parish Precepts	3,546	3,559	13
Investment Income	(182)	(197)	(16)
MRP	-	14	14
Impairment Allowance	-	(103)	(103)
Capital Expenditure Charged In Year	825	866	41
Transfers to/(from) Earmarked Reserves	134	6	(128)
Efficiencies Requirement	(507)	3	510
<b>Other Income and Expenditure</b>	<b>730</b>	<b>882</b>	<b>152</b>
<b>General Fund Budget net costs</b>	<b>12,444</b>	<b>12,700</b>	<b>256</b>
Funding (Council Tax, Government grants and business rates)	(12,444)	(12,453)	(9)
<b>Total Budget - (Surplus)/Deficit</b>	<b>-</b>	<b>247</b>	<b>247</b>

**Capital Financial Performance**

The capital outturn for 2021/22 reported to Cabinet by scheme is as follows:

<b>General Fund 2021/22 Capital Program and Outturn</b>			
<b>Service Area</b>	<b>Revised Budget 2021/22 £'000</b>	<b>Outturn 2021/22 £'000</b>	<b>Variance (Underspend) / Overspend £'000</b>
ICT Infrastructure	85	100	15
Public Protection Software	15	11	(4)
South Holland Centre Projects	71	82	11
Priory Road Projects	-	21	21
Swimming Pool Boiler	78	89	11
Caste Sports Pool Fire Alarm	31	48	17
West Marsh Road Fire Alarm	13	-	(13)
West Marsh Road Electrical Rewiring	43	-	(43)
Ayscoughfee Hall	186	146	(40)
Temporary Accommodation	20	19	(1)
Spalding Cemetery	159	159	-
Peele Leisure Lighting	19	18	(1)
NSAP Property Acquisitions	277	290	13
RSAP Property Acquisitions	698	662	(36)
Kings Road Land Acquisition	116	11	(105)
Grants for Growth	703	673	(30)
Food Enterprise Zone	2	6	4
South Western Relief Road	-	6,508	6,508
Garden Waste	184	240	56
Grounds Maintenance	25	16	(9)
Environmental Services Operational	1,138	1,138	-
Fleet Maintenance Vehicles	38	-	(38)
Disabled Facilities Grants	639	681	42
Decent Homes	75	-	(75)
Welland Homes	28	28	-
<b>Total</b>	<b>4,643</b>	<b>10,946</b>	<b>6,303</b>

<b>General Fund 2021/22 Capital Funding and Outturn</b>			
<b>Service Area</b>	<b>Revised Budget 2021/22 £'000</b>	<b>Outturn 2021/22 £'000</b>	<b>Variance (Underspend) / Overspend £'000</b>
Borrowing	(1,267)	(1,252)	15
Grants & Contributions	(1,419)	(8,142)	(6,723)
Capital Reserves	-	(685)	(685)
Direct Revenue Financing	(1,957)	(867)	1,090
<b>Total</b>	<b>(4,643)</b>	<b>(10,946)</b>	<b>(6,303)</b>

The 2021/22 capital budget planned to be spent on programmes in the year has not been fully utilised as these programmes are still in progress and therefore, the budgets are required for commitments to complete the programmes outlined in the Council's Capital Programme 2022/23. An analysis of non-current assets and funding of the capital expenditure is shown in notes 13-17 and 35.

## Housing Revenue Account

HRA 2021/22 Outturn

HRA - 2021/22 Outturn			
Service Area	Revised Budget 2021/22 £'000	Outturn 2021/22 £'000	Variance (Underspend)/ Overspend £'000
Rent Income - Dwellings	(15,280)	(15,265)	15
Rent Income Non Dwellings	-	(10)	(10)
Charges for Services & Facilities	(1,188)	(1,144)	44
Contribution towards Expenditure	(22)	(58)	(36)
<b>Total Income</b>	<b>(16,490)</b>	<b>(16,477)</b>	<b>13</b>
Repairs and Maintenance	3,006	2,739	(267)
Supervision and Management	2,424	2,401	(23)
Rents, Rates, Taxes and Other Charges	71	55	(16)
Depreciation and Impairment of Non-Current Assets	3,324	4,214	890
Movement in the Allowance for Bad Debts	271	15	(256)
Statutory Recharges to the HRA For Support services	3,089	3,092	3
Total Expenditure	12,185	12,516	331
Contribution from Operations	(4,305)	(3,961)	344
Interest and investment income	(12)	(21)	(9)
Interest payable and similar charges	2,347	2,347	-
<b>Net (Surplus) / Deficit</b>	<b>(1,970)</b>	<b>(1,635)</b>	<b>335</b>

Housing Revenue Account (HRA) Capital Programme

HRA 2021/22 Capital Program and Outturn			
Service Area	Revised Budget 2021/22 £'000	Outturn 2021/22 £'000	Variance (Underspend) / Overspend £'000
Central Heating	942	954	12
Kitchen/Bathroom	1,191	1,167	(24)
Renewable Energy	52	47	(5)
Smoke Alarms	118	108	(10)
Electrical Upgrade	90	115	25
Roofs and Gutters	960	936	(24)
Doors and Windows	7	-	(7)
Chimneys	182	160	(22)
Paths and Drives	43	50	7
Boundary Walls	154	80	(74)
Fees	233	233	-
Sewerage Treatment Plant	33	-	(33)

<b>HRA 2021/22 Capital Program and Outturn</b>			
<b>Service Area</b>	<b>Revised Budget 2021/22 £'000</b>	<b>Outturn 2021/22 £'000</b>	<b>Variance (Underspend) / Overspend £'000</b>
The Square	11	7	(4)
ICT Strategy / Infrastructure	45	49	4
Housing IT Systems Upgrade	168	168	-
Major Adaptions	623	590	(33)
Sheltered Alarm Upgrade	40	40	-
Housing Repairs Vehicles	50	48	(2)
Grounds Maintenance	7	9	2
Weston Development Scheme	5	5	-
Purchase of Units	6	4	(2)
Wignals Gate S106	392	360	(32)
Albion street Crowland	9	-	(9)
Scheme Subject to detailed approval	342	-	(342)
<b>Total</b>	<b>5,703</b>	<b>5,130</b>	<b>(573)</b>

<b>HRA 2021/22 Capital Funding and Outturn</b>			
<b>Service Area</b>	<b>Revised Budget 2021/22 £'000</b>	<b>Outturn 2021/22 £'000</b>	<b>Variance (Underspend) / Overspend £'000</b>
Capital Receipts	(1,350)	(457)	893
Major Repairs Reserve	(4,353)	(4,626)	(273)
Direct Revenue Financing	-	-	-
Grants & Contributions	-	(47)	(47)
<b>Total</b>	<b>(5,703)</b>	<b>(5,130)</b>	<b>573</b>

### Collection Fund financial performance

The balance on the Council Tax Collection Fund at 31 March 2022 showed a £0.437m surplus. This will be shared between the District, Lincolnshire County Council and Lincolnshire Police and Crime Commissioner in proportion with each authority's relative precept. This surplus has resulted from a higher than budgeted tax base, SHDC's share is £0.052m.

The balance on the NNDR Collection Fund at 31 March 2022 showed a £6.551m deficit. This will be shared between the District, Lincolnshire County Council and the Government in proportion with each party's relative proportionate share. This deficit has resulted from Covid-19 business rates reliefs provided in year after the budget had been set, however Government have provided grants to offset the lost income from the reliefs leaving a smaller 'real' deficit to be funded by the Council. Notes 12 and 32 provides further detail on the impact of the pandemic on these accounts.

## Reserves and balances

The net decrease in specific and general reserves and balances for 2021/22 was £1.878m. The table below shows the balances at 31/03/22 by reserve:

Specific and General Reserves Balance				
Reserve	Balances at 1 April 2021	Contributions into Reserves	Use of Reserves	Balances at 31 March 2022
	£'000	£'000	£'000	£'000
<b>General Fund</b>				
Council Tax	1,809	48	(272)	1,585
Investment and Growth	4,489	843	(1,196)	4,136
Replacement and Refurbishment	172	-	(95)	77
Transformation	71	26	-	97
Earmarked Grants	4,874	1,716	(2,948)	3,642
<b>Specific Reserves Total</b>	<b>11,415</b>	<b>2,633</b>	<b>(4,511)</b>	<b>9,537</b>
General Fund	2,078	-	-	2,078
<b>Total</b>	<b>13,493</b>	<b>2,633</b>	<b>(4,511)</b>	<b>11,615</b>

Please note the following reserve movements that have taken place in 2021/22:

- Council Tax
  - Additions – Elections and Noise monitoring equipment
  - Use of reserve (Capital) – South Holland Centre, General Fund deficit.
- Investment and Growth
  - Additions – Repayment of Workshop van, Leisure management cost recovery, new homes bonus and green waste capital repayment.
  - Use of reserve (Revenue) – Digital Strategy, Delivery Unit, Food Enterprise Zone, corporate efficiencies, Town Centre Improvement.
  - Use of reserve (Capital) – Temporary establishment funding, PSPS Transformation plan, Environmental Services vehicle and equipment replacements programme, Castle Sports fire alarm, ICT infrastructure, Accommodation works, Ayscoughfee Hall works, South Holland Centre emergency lighting, works to Priory Road offices and Industrial Units, Sports Hall Boiler, Spalding Cemetery and Future Towns.
- Replacement and Refurbishment
  - Use of reserve (Revenue) – Programmed use of reserve for revenue maintenance works.
  - Use of reserve (Capital) – Peel Leisure works
- Transformation Reserve
  - Additions – Underspends on staff training to be utilised in 2022/23
- Earmarked Grants Reserve
  - Additions – Additional S31 Grant received in year, surplus planning fees, elections grant, domestic abuse grant, NSAP surplus
  - Use of reserve (Revenue) – Section 31 Grant received in 2020/21.
  - Use of reserve (Capital) – Spalding Specials contribution to Cemetery works

<b>HRA Reserves Balance</b>				
<b>Reserve</b>	<b>Balances at 1 April 2021</b>	<b>Contributions into Reserves</b>	<b>Use of Reserves</b>	<b>Balances at 31 March 2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>HRA</b>				
HRA	24,624	1,635	-	26,099
MRR	4,356	4,214	(4,626)	3,944
Insurance Reserve	200	-	-	200
<b>Total</b>	<b>29,020</b>	<b>5,849</b>	<b>(4,626)</b>	<b>30,243</b>

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

### **Pension fund**

The accounts and notes with relation to the pension fund have been prepared in accordance with International Accounting Standard (IAS) 19. The Pension Fund liability shown in the Balance Sheet as at 31 March 2022 stands at £47.254m compared with £56.694m the previous year, this represents the liability to the Lincolnshire Pension Fund. This amount is matched by a pension reserve also shown in the Balance Sheet and therefore has no impact on the Council's overall financial position at 31 March 2022. The IAS 19 Balance Sheet position for the Council shows an reduced obligation and the net liability to the Council under IAS 19 pension deficit is higher in monetary terms at 31 March 2022. The actuary uses a set of demographic assumptions that are consistent with those used for the Lincolnshire Pension Fund. These are highlighted in note 36. Following the results of the triennial review in 2019, the Council's budget includes both a pension contribution percentage and also a lump sum payment each year which is forecast to bring the pension scheme into a fully funded position over a 20-year term.

### **Cash flows**

The table below shows the level of investments held by the Council which are used to fund day to day cash flow requirements, achieve a return on investments to help support the low levels of council tax, support the reserves expenditure and to fund capital expenditure. Short term investments maturing in 2020/21 and long term investments mature beyond this or are open-ended.

Capital spend will reduce the cash held, however the Council does not currently have a need to borrow over the medium term. The Council's overall Capital Financing Requirement (CFR) which details the Council's underlying need to borrow can be found at Note 33.

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

## **7 Current economic climate, outlook and risk**

The current economic climate, including rising inflation and wage pressures, unprecedented circumstances from events such as the Pandemic and Brexit plus the continuing reduction and un-certainty in Central Government funding continues to add pressures to the Council's budgets. Future changes relating to the percentage of retained Business Rates is now planned by Government to be implemented for 2023/24 alongside the Fair Funding review. This is a fundamental review by Government on how to calculate the 'needs' of each authority in order to determine the amount of funding each local authority requires through grant funding. This continues to add further uncertainty for our budget setting in the medium term as funding levels past 2022/23 are still not known, neither is the percentage share of retained NNDR under the new scheme and neither is sufficient detail available on the Fair Funding review to calculate estimated funding shares.

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

<https://democracy.sholland.gov.uk/documents/s34993/Appendix%20A%20-%20Final%20Budget%202022.23%20and%20Medium%20Term%20Financial%20Strategy%202022.23%20to%202026.27.pdf>

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

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

### **Key Risks**

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

### **Future Opportunities**

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

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

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

Christine Marshall, Deputy Chief Executive Corporate Development and Section 151 Officer  
30 July 2022

## STATEMENT OF RESPONSIBILITIES

### The Council's Responsibilities

The Council is required to:

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

### The Chief Financial Officer's Responsibilities

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

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

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

### Certification by the Chief Financial Officer

I hereby certify that the unaudited Financial Statements give a 'true and fair' view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31 March 2022.

*C A Marshall*

Christine Marshall  
Deputy Chief Executive  
Corporate Development

Dated: 30 July 2022

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

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

The Council recognises its share (28%) of expenses incurred and income it earns from the activity of Public Sector Partnership Services Ltd (formerly Compass Point Business Services (East Coast) Ltd) in the Comprehensive Income and Expenditure Statement – see note 40 Joint Operation for full details.

2020/21 RESTATED				2021/22		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
2,054	(666)	1,388	General Fund Assets	1,942	(829)	1,113
17,916	(14,956)	2,960	Finance	17,048	(14,032)	3,016
5,402	(4,899)	503	Economic Growth	7,976	(7,532)	444
959	(36)	923	Governance	1,254	(231)	1,023
3,607	(1,965)	1,642	Wellbeing and Community Leadership	2,746	(2,129)	617
1,435	(280)	1,155	Leisure and Culture	1,475	(617)	858
2,249	(67)	2,182	Corporate	2,908	(582)	2,326
4,655	(513)	4,142	Neighbourhoods	4,952	(668)	4,284
1,140	(1,395)	(255)	Planning and Strategic Infrastructure	946	(1,261)	(315)
1,433	(924)	509	Regulatory	1,405	(908)	497
7,439	(16,275)	(8,836)	Housing	7,316	(16,477)	(9,161)
<b>48,289</b>	<b>(41,976)</b>	<b>6,313</b>	<b>Cost of Services</b>	<b>49,968</b>	<b>(45,266)</b>	<b>4,702</b>
6,340	(2,326)	4,014	Other operating expenditure (Note 10)	6,088	(2,657)	3,431
4,547	(1,769)	2,778	Financing and investment income and expenditure (Note 11)	5,458	(3,441)	2,017
6,162	(20,793)	(14,631)	Taxation and non-specific grant income and expenditure (Note 12)	6,687	(20,806)	(14,119)
<b>65,338</b>	<b>(66,864)</b>	<b>(1,526)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>68,201</b>	<b>(72,170)</b>	<b>(3,969)</b>
		(3,577)	Surplus on revaluation of property, plant and equipment assets			(9,110)
		-	Surplus on change in ownership of joint operation			(1,337)
		7,562	Remeasurements of the net defined benefit liability			(11,484)
		<b>3,985</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(21,931)</b>
		<b>2,459</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(25,900)</b>

The notes to the accounts on pages 24 - 86 form an integral part of the Financial Statements.

**MOVEMENT IN RESERVES STATEMENT**

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

The Council recognises its share (28%) of the movement in reserves from the activity of Public Sector Partnership Services Ltd (formerly Compass Point Business Services (East Coast) Ltd) in the Movement in Reserves Statement – see note 40 Joint Operation for full details.

2021/22	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	HRA Earmarked Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2021</b>	2,378	11,415	22,828	200	4,356	3,220	3,184	47,581	89,234	136,815
<b>Movement in Reserves during 2021/22</b>										
Total Comprehensive Income and Expenditure	(1,667)	-	5,636	-	-	-	-	3,969	21,931	25,900
Adjustments between accounting basis and funding basis under regulations (Note 8)	(99)	-	(4,000)	-	(412)	1,115	968	(2,428)	2,428	-
<b>Increase/(Decrease) in 2021/22</b>	<b>(1,766)</b>	<b>-</b>	<b>1,636</b>	<b>-</b>	<b>(412)</b>	<b>1,115</b>	<b>968</b>	<b>1,541</b>	<b>24,359</b>	<b>25,900</b>
Transfer to/(from) Earmarked Reserves	1,878	(1,878)	-	-	-	-	-	-	-	-
<b>Balance at 31 March 2022 carried forward</b>	<b>2,490</b>	<b>9,537</b>	<b>24,464</b>	<b>200</b>	<b>3,944</b>	<b>4,335</b>	<b>4,152</b>	<b>49,122</b>	<b>113,593</b>	<b>162,715</b>

2020/21	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	HRA Earmarked Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2020</b>	<b>2,443</b>	<b>8,013</b>	<b>19,809</b>	<b>200</b>	<b>3,586</b>	<b>3,061</b>	<b>2,991</b>	<b>40,103</b>	<b>99,171</b>	<b>139,274</b>
<b>Movement in Reserves during 2020/21</b>										
Total Comprehensive Income and Expenditure	(3,489)	-	5,015	-	-	-	-	1,526	(3,985)	(2,459)
Adjustments between accounting basis and funding basis under regulations (Note 8)	6,826	-	(1,996)	-	770	159	193	5,952	(5,952)	-
<b>Increase/(Decrease) in 2020/21</b>	<b>3,337</b>	<b>-</b>	<b>3,019</b>	<b>-</b>	<b>770</b>	<b>159</b>	<b>193</b>	<b>7,478</b>	<b>(9,937)</b>	<b>(2,459)</b>
Transfer to/(from) Earmarked Reserves	(3,402)	3,402	-	-	-	-	-	-	-	-
<b>Balance at 31 March 2021 carried forward</b>	<b>2,378</b>	<b>11,415</b>	<b>22,828</b>	<b>200</b>	<b>4,356</b>	<b>3,220</b>	<b>3,184</b>	<b>47,581</b>	<b>89,234</b>	<b>136,815</b>

The notes to the accounts on pages 24 - 86 form an integral part of the Financial Statements

**BALANCE SHEET**

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

The Council recognises its share (28%) of its rights to the assets and obligations for the liabilities from the activity of Public Sector Partnership Services Ltd (formerly Compass Point Business Services (East Coast) Ltd) in the Balance Sheet – see note 40 Joint Operation for full details.

<b>31 March 2021 £'000</b>		<b>Note</b>	<b>31 March 2022 £'000</b>
201,712	Property, Plant and Equipment	13	212,624
105	Heritage Assets	14	107
1,573	Investment Property	15	2,146
708	Intangible Assets	16	603
3,963	Long Term Investments	17	4,841
3,966	Long Term Debtors		3,957
<b>212,027</b>	<b>Long Term Assets</b>		<b>224,278</b>
34,524	Short Term Investments		36,028
1,391	Assets Held for Sale	20	3,592
8,710	Short Term Debtors	18	7,386
10,528	Cash and Cash Equivalents	19	12,353
<b>55,153</b>	<b>Current Assets</b>		<b>59,359</b>
-	Cash and Cash Equivalents	19	-
(26)	Short Term Borrowing		(26)
(16,960)	Short Term Creditors	21	(16,797)
(638)	Provisions	22	(512)
<b>(17,624)</b>	<b>Current Liabilities</b>		<b>(17,335)</b>
(67,456)	Long Term Borrowing		(67,456)
(43,953)	Other Long Term Liabilities – Pension Liability	36	(34,244)
(1,332)	Grants Receipts in Advance – Capital	32	(1,887)
<b>(112,741)</b>	<b>Long Term Liabilities</b>		<b>(103,587)</b>
<b>136,815</b>	<b>Net Assets</b>		<b>162,715</b>
47,581	<b>Usable Reserves*</b>		49,122
89,234	<b>Unusable Reserves</b>	24	113,593
<b>136,815</b>	<b>Total Reserves</b>		<b>162,715</b>

The notes to the accounts on pages 24 - 86 form an integral part of the Financial Statements.

\* See Movement in Reserves Statement on page 20.

**CASH FLOW STATEMENT**

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

The Council recognises its share (28%) of cash flows from the activity of Public Sector Partnership Services Ltd (formerly Compass Point Business Services (East Coast) Ltd) in the Cash Flow Statement – see note 40 Joint Operation for full details.

2020/21 £'000	2020/21 £'000		2021/22 £'000	2021/22 £'000
	1,526	Net surplus on the provision of services		3,969
12,731		Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 25)	10,001	
(7,980)	4,751	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 25)	(11,898)	(1,897)
	6,277	Net cash flows from Operating Activities		2,072
	(6,223)	Investing Activities (Note 26)		(3,171)
	(1,564)	Financing Activities (Note 27)		2,929
	(1,510)	Net increase in cash and cash equivalents		1,830
	12,040	Cash and cash equivalents at the beginning of the reporting period		10,528
	(2)	Other Cash Movements		(5)
	<b>10,528</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 19)</b>		<b>12,353</b>

The notes to the accounts on pages 24 - 86 form an integral part of the Financial Statements.

## NOTES TO THE ACCOUNTS

### NOTE 1 – ACCOUNTING POLICIES

#### 1. General Principles

The Financial Statements summarise the Council's transactions for the 2021/22 financial year and its position at the year end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS).

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

#### 2. Accruals of Income and Expenditure

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

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

#### 3. Cash and Cash Equivalents

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

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

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

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

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

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

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

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

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

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

## 6. Council Tax and Non-Domestic Rates

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

### *Accounting for Council Tax and NDR*

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

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

## 7. Employee Benefits

### *Benefits Payable during Employment*

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements, or any form of leave e.g. time off in lieu, earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefits**

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

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

### **Post-Employment Benefits**

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

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

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

The liabilities of the Lincolnshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (2.0% in 2020/21), based on the indicative rate of return on high quality corporate bonds.

The assets of the Lincolnshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

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

### **Service Cost comprising:**

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

the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

#### Remeasurements comprising:

- **the return on plan assets** – excluding amounts included in the net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **actuarial gains and losses** – changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **contributions paid to the Lincolnshire County Council pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

#### Discretionary Benefits

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

### 8. Events after the Reporting Period

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

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

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

### 9. Financial Instruments

#### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

The Council has provided a guarantee in relation to the liabilities of Public Sector Partnership Services, based on 37% of any outstanding liabilities, in the event that the Company should cease trading. Details can be found in the Joint Operations note (note 40).

## **Financial Assets**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**10. Government Grants and Contributions**

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance and Housing Revenue Account Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## 11. Heritage Assets

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

Civic Regalia and Works of Art:

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

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

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

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

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

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

## 12. Intangible Assets

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

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

- Computer software and licences – straight line basis

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

### 13. Interest in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost.

### 14. Joint Operations

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

South Holland has joint control with East Lindsey District Council over Public Sector Partnership Services Ltd (formerly Compass Point Business Services (East Coast) Ltd), a company established in 2010 to provide 'back office' services to both Councils.

The Council recognises on its Balance Sheet an appropriate share of its rights to the assets and obligations for the liabilities and debits and credits the Comprehensive Income and Expenditure Statement with its share of expenses incurred and income it earns from the activity of the Company.

### 15. Investment Property

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

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

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

### 16. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. 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 has no finance lease commitments as at 31 March 2022.

#### **The Council as Lessee - 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 pattern of payments (e.g. there is a rent free period at the commencement of the lease).

### **The Council as Lessor - *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 relevant 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). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

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

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

### **18. Overheads and Support Services**

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

### **19. Property, Plant and Equipment**

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

#### ***Recognition***

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

#### ***Measurement***

Assets are initially measured at cost, comprising;

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

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

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

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

- infrastructure assets, community assets and assets under construction – depreciated historical cost

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

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

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

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

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

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

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

### ***Impairment***

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

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

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

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

### ***Depreciation***

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

Depreciation is calculated on the following bases:

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

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

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

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

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

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

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

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

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

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

## **20. Fair Value Measurement**

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

the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

## **21. Provisions**

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

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

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

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

## **22. Contingent Liabilities**

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

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

## 23. Contingent Assets

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

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

## 24. Reserves

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

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

## 25. Revenue Expenditure Funded from Capital under Statute

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

## 26. VAT

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

## NOTE 2 – ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) has introduced several changes in accounting standards which will be required from 1 April 2022.

- IFRS 16 Leases (for authorities that have decided to adopt IFRS 16 in the 2022/23 year)
- Annual Improvements to IFRS Standards 2018 – 2020. The annual IFRS improvement programme notes 4 changed standards:
  - IFRS 1 (First time adoption) – amendment relating to foreign operations of acquired subsidiaries transitioning to IFRS
  - IAS 37 (Onerous contracts) – clarified the intention of the standard
  - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
  - IAS 41 (Agriculture) – one of a small number of IFRS' that are only expected to apply to local authorities in limited circumstances.
- Property, Plant and Equipment: Proceeds before intended use (amendments to IAS 16)

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

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

### **NOTE 3 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

There was a high level of uncertainty about the longer-term impact of the Coronavirus pandemic at the time the accounts were prepared, and this has presented challenges in preparing the financial statements. Further information about volatility in financial and other markets at 31 March 2021 that became available up until the date the accounts were authorised for issue has been taken into account.

The critical judgements made in the Financial Statements are:

- There is a large degree of uncertainty about future levels of funding for local government. The council has determined that this high level of uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- At the time the accounts were authorised for issue, the Council's valuers have provided values for the Council's assets taking into account what was known at the time. The Council's judgement was that there was not enough information to indicate that the assets were impaired and that balance sheet values should be reduced.
- The Council has examined its leases, and classified them as either operating leases or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgements in determining whether the lease is a finance lease that transfers substantially all the risks and rewards incidental to ownership. With effect from 2023/24 financial accounts all lessee operational agreements (apart from those of less than 12 months or those of low value assets) are required to be shown on the balance sheet.
- One factor that has had a demonstrable impact on the accounts in the past five years concerns the assumptions surrounding pensions and the likelihood of legislative change and the impact of such change. The sensitivity analysis, shown in note 36, estimates the likely impact of changes to the assumptions used when reporting the pension liability.
- Investments - Investment in banks and other financial institutions are secure and will not suffer impairments. A certain amount of volatility in financial markets was apparent at the time the accounts were authorised for issue and expected credit losses were calculated based on information available at the time.

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

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

The items in the Council's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

## Pensions Liability

The estimation of the net liability (£34.244m at 31 March 2022) to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied.

During 2021/22, the actuaries advised that the net pension liability had decreased by £9.709m. This is made up of:

- £11.484m actuarial gain
- £3.176m loss arising from employer contributions of £2.497m being less than the pension obligations of £5.673m.
- £1.401m opening balance adjustment

## Debt Impairment

At 31 March 2022, the Council had a balance of sundry debtor and housing benefit overpayments of £1.068m. The Council's normal approach to review significant items suggested that an impairment allowance for doubtful debts of 64.5% (£0.689m) was appropriate. However, in the current economic climate it is not certain that the allowance will be sufficient.

If collection rates were to deteriorate, increasing the impairment for doubtful debts to 70% of the total debt would require an additional £0.059m to be set aside as an allowance.

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

## Business Rates

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities need to account for any reduction in Business Rates income and repayment to ratepayers, in respect of successful appeals against business rates for current and earlier years. A provision has been made in the accounts based on the best estimate of the amount that the Council might need to repay as a result of successful appeals up to 31 March 2022.

For appeals already lodged, this estimate has been calculated using the latest Valuation Office Agency list of outstanding appeals with an assessment being made of the likely impact of those appeals, taking into account past national decisions together with any specific / local implications. This assessment has been undertaken by an external provider, and reviewed by officers to reflect local circumstances. The Council's share of the provision as at 31 March 2022 is £0.512m (40% of £1.279m), but it is possible that this will need to increase in the future, partially due to the restrictions put in place by the government during the pandemic. The restrictions have had an adverse impact on many businesses, resulting in some reducing operations and some closing down, but at the time the accounts were finalised it was not possible to predict the impact of this on the Council's overall business rates income.

If the appeals provision increased by 10% the Council's share would increase to £0.563m.

## Fair Value Measurements

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

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

### **Asset Lives**

Asset lives are determined by the valuers and if asset lives were reduced by one year the impact on the depreciation charged to the CIES would be immaterial.

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

The unaudited Financial Statements were authorised for issue by the Deputy Chief Executive – Corporate Development on 30 July 2022. 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 at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

**NOTE 6 – EXPENDITURE AND FUNDING ANALYSIS**

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

2020/21 RESTATED				2021/22		
Net Expenditure Chargeable to the General Fund and HRA Balance £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund and HRA Balance £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
1,147	241	1,389	General Fund Assets	1,206	(93)	1,113
2,738	222	2,960	Finance	2,649	367	3,016
502	1	503	Economic Growth	431	13	444
906	18	924	Governance	995	28	1,023
2,029	(387)	1,642	Wellbeing and Community Leadership	1,171	(554)	617
846	308	1,154	Leisure and Culture	761	97	858
2,017	165	2,182	Corporate	2,194	132	2,326
3,720	422	4,142	Neighbourhoods	3,873	411	4,284
(287)	32	(255)	Planning and Strategic Infrastructure	(369)	54	(315)
451	58	509	Regulatory	410	87	497
(7,082)	(1,754)	(8,836)	Housing	(5,551)	(3,610)	(9,161)
<b>6,987</b>	<b>(674)</b>	<b>6,313</b>	<b>Net Cost of Services</b>	<b>7,770</b>	<b>(3,068)</b>	<b>4,702</b>
(13,343)	5,504	(7,839)	Other Income and Expenditure	(7,640)	(1,031)	(8,671)
<b>(6,356)</b>	<b>4,830</b>	<b>(1,526)</b>	<b>(Surplus) or Deficit</b>	<b>130</b>	<b>(4,099)</b>	<b>(3,969)</b>

<b>General Fund Balance</b>	<b>HRA Balance</b>	<b>Total</b>		<b>General Fund Balance</b>	<b>HRA Balance</b>	<b>Total</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>2,443</b>	<b>19,809</b>	<b>22,252</b>	<b>Opening Balance at 1 April</b>	<b>2,378</b>	<b>22,828</b>	<b>25,206</b>
(65)	3,019	2,954	Surplus or (Deficit) in Year (after transfers to/from earmarked reserves)	113	1,635	1,748
<b>2,378</b>	<b>22,828</b>	<b>25,206</b>	<b>Closing Balance at 31 March</b>	<b>2,491</b>	<b>24,463</b>	<b>26,954</b>

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

2021/22				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
General Fund Assets	(144)	51	-	(93)
Finance	-	367	-	367
Economic Growth	(18)	31	-	13
Governance	6	22	-	28
Wellbeing and Community Leadership	(618)	64	-	(554)
Leisure and Culture	74	23	-	97
Corporate	41	15	76	132
Neighbourhoods	253	158	-	411
Planning and Strategic Infrastructure	-	54	-	54
Regulatory	3	84	-	87
Housing	(3,898)	292	(4)	(3,610)
<b>Net Cost of Services</b>	<b>(4,301)</b>	<b>1,161</b>	<b>72</b>	<b>(3,068)</b>
Other Income and Expenditure from the Funding Analysis	(682)	2,014	(2,363)	(1,031)
<b>Difference between General Fund (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (Surplus)/Deficit</b>	<b>(4,983)</b>	<b>3,175</b>	<b>(2,291)</b>	<b>(4,099)</b>

2020/21 RESTATED				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
General Fund Assets	219	22	-	241
Finance	12	210	-	222
Economic Growth	(19)	20	-	1
Governance	6	12	-	18
Wellbeing and Community Leadership	(433)	46	-	(387)
Leisure and Culture	286	22	-	308
Corporate	60	(75)	180	165
Neighbourhoods	331	91	-	422
Planning and Strategic Infrastructure	-	32	-	32
Regulatory	3	55	-	58
Housing	(1,965)	162	49	(1,754)
<b>Net Cost of Services</b>	<b>(1,500)</b>	<b>597</b>	<b>229</b>	<b>(674)</b>
Other Income and Expenditure from the Funding Analysis	557	1,061	3,886	5,504
<b>Difference between General Fund (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (Surplus)/Deficit</b>	<b>(943)</b>	<b>1,658</b>	<b>4,115</b>	<b>4,830</b>

## Adjustments for Capital Purposes

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

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## Net Change for the Pensions Adjustments

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

- **For services** - this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

## Other Differences

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

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

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

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

<b><u>2021/22</u></b>	<b>SHDC Income and Expenditure £'000</b>	<b>Remove amounts paid to/received from PSPS £'000</b>	<b>Add PSPS subjective analysis £'000</b>	<b>Total Income and Expenditure £'000</b>
<b><u>Expenditure</u></b>				
Employee benefits expenses	14,330	-	3,203	17,533
Other service expenses	23,028	(3,504)	466	19,990
Benefits expenditure	11,486	-	-	11,486
Depreciation, amortisation, impairment	5,282	-	36	5,318
Interest payments	2,347	-	-	2,347
Precepts and levies	3,559	-	-	3,559
Increase in impairment allowance	77	-	-	77
Payments to Housing Capital Receipts Pool	431	-	-	431
Business Rates tariff and levy	6,687	-	-	6,687
Loss on disposal of non-current assets	45	-	-	45
Share of PSPS Taxation	-	-	5	5
Pensions interest cost	2,031	-	986	3,017
<b>Total Expenditure</b>	<b>69,303</b>	<b>(3,504)</b>	<b>4,696</b>	<b>70,495</b>
<b><u>Income</u></b>				
Income from council tax and non-domestic rates	(15,339)	-	-	(15,339)
Government grants and contributions	(13,244)	-	-	(13,244)
Other grants and contributions	(14,537)	-	-	(14,537)
Fees, charges and other service income	(24,467)	166	(23)	(24,324)
Decrease in impairment allowance	(165)	-	-	(165)
Interest and investment income	(218)	-	-	(218)
Change in fair value of equity investments	(878)	-	-	(878)
Changes in fair value of investment property	(573)	-	-	(573)
Gain on revaluation of non-current assets	(3,099)	-	-	(3,099)
Gain on disposal of non-current assets	(604)	-	-	(604)
Pensions interest income	(1,242)	-	(241)	(1,483)
<b>Total Income</b>	<b>(74,366)</b>	<b>166</b>	<b>(264)</b>	<b>(74,464)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(5,063)</b>	<b>(3,338)</b>	<b>4,432</b>	<b>(3,969)</b>

<u>2020/21</u>	SHDC Income and Expenditure £'000	Remove amounts paid to/received from PSPS £'000	Add PSPS subjective analysis £'000	Total Income and Expenditure £'000
<b><u>Expenditure</u></b>				
Employee benefits expenses	12,734	-	3,119	15,853
Other service expenses	20,319	(3,575)	436	17,180
Depreciation, amortisation, impairment	4,916	-	15	4,931
Benefits expenditure	12,500	-	-	12,500
Interest payments	2,347	-	-	2,347
Precepts and levies	3,457	-	-	3,457
Increase/(Decrease) in Impairment Allowance (General Fund)	78	-	-	78
Payments to Housing Capital Receipts Pool	431	-	-	431
Business Rates tariff and levy	6,162	-	-	6,162
Loss on disposal of non-current assets	2,452	-	-	2,452
Share of PSPS Taxation	-	-	4	4
Pensions interest cost	2,115	-	324	2,439
<b>Total Expenditure</b>	<b>67,511</b>	<b>(3,575)</b>	<b>3,898</b>	<b>67,834</b>
<b><u>Income</u></b>				
Income from council tax and non-domestic rates	(12,076)	-	-	(12,076)
Government grants and contributions	(28,459)	-	-	(28,459)
Other grants and contributions	(1,253)	-	-	(1,253)
Fees, charges and other service income	(21,974)	241	(20)	(21,753)
Interest and investment income	(325)	-	(1)	(326)
Change in fair value of equity investments	(23)	-	-	(23)
Changes in fair value of investment property	-	-	-	-
Gain on revaluation of non-current assets	(1,538)	-	-	(1,538)
Gain on disposal of non-current assets	(2,326)	-	-	(2,326)
Pensions interest income	(1,345)	-	(261)	(1,606)
<b>Total Income</b>	<b>(69,319)</b>	<b>241</b>	<b>(282)</b>	<b>(69,360)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(1,808)</b>	<b>(3,334)</b>	<b>3,616</b>	<b>(1,526)</b>

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

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

### **General Fund Balance**

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

### **Housing Revenue Account Balance**

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

### **Major Repairs Reserve**

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

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

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

2021/22	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments to Revenue Resources</b>					
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>					
• Pension costs	2,704	472	-	-	-
• Council Tax and Non-Domestic Rates	(1,486)	-	-	-	-
• Holiday pay	76	(4)	-	-	-
• Movements in the market value of Investment Properties	(573)	-	-	-	-
• Movements in fair value of financial assets designated to fair value other comprehensive income	(878)	-	-	-	-
• Capital grants and contributions applied to capital financing	(8,310)	(47)	-	-	-
• Capital grants and contributions not applied to capital financing	(308)	-	-	-	308
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	9,183	2,967	-	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>408</b>	<b>3,388</b>	<b>-</b>	<b>-</b>	<b>308</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(57)	(2,563)	2,620	-	-
Administrative costs of non-current asset disposals	-	49	(49)	-	-
Payments to the government housing receipts pool	431	-	(431)	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	(4,214)	-	4,214	-
Capital expenditure financed from revenue balances	(867)	-	-	-	-
Minimum Revenue Provision	(14)	-	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(507)</b>	<b>(6,728)</b>	<b>2,140</b>	<b>4,214</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>					
Use of Capital Receipts Reserve to finance capital expenditure	-	-	(1,027)	-	-
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	(4,626)	-
Use of capital grants to finance capital expenditure	-	(660)	-	-	660
Cash payments in relation to deferred capital receipts	-	-	2	-	-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>(660)</b>	<b>(1,025)</b>	<b>(4,626)</b>	<b>660</b>
<b>Total Adjustments</b>	<b>(99)</b>	<b>(4,000)</b>	<b>1,115</b>	<b>(412)</b>	<b>968</b>

2020/21	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments to Revenue Resources</b>					
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>					
• Pension costs	1,324	334	-	-	-
• Council Tax and Non-Domestic Rates	3,908	-	-	-	-
• Holiday pay	180	48	-	-	-
• Movements in the market value of Investment Properties	-	-	-	-	-
• Movements in fair value of financial assets designated to fair value other comprehensive income	(23)	-	-	-	-
• Capital grants and contributions applied to capital financing	(5,333)	(190)	-	-	-
• Capital grants and contributions not applied to capital financing	(193)	-	-	-	193
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	7,481	3,891	-	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>7,344</b>	<b>4,083</b>	<b>-</b>	<b>-</b>	<b>193</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	541	(2,340)	2,340	-	-
Administrative costs of non-current asset disposals	-	77	(77)	-	-
Payments to the government housing receipts pool	431	-	(431)	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	(3,816)	-	3,816	-
Capital expenditure financed from revenue balances	(1,490)	-	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(518)</b>	<b>(6,079)</b>	<b>1,832</b>	<b>3,816</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>					
Use of Capital Receipts Reserve to finance capital expenditure	-	-	(1,676)	-	-
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	(3,046)	-
Use of capital grants to finance capital expenditure	-	-	-	-	-
Cash payments in relation to deferred capital receipts	-	-	3	-	-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>(1,673)</b>	<b>(3,046)</b>	<b>-</b>
<b>Total Adjustments</b>	<b>6,826</b>	<b>(1,996)</b>	<b>159</b>	<b>770</b>	<b>193</b>

**NOTE 9 – MOVEMENTS IN EARMARKED RESERVES**

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2021/22.

	Balance 31 March 2020 £'000	Transfers Out 2020/21 £'000	Transfers In 2020/21 £'000	Balance 31 March 2021 £'000	Transfers Out 2021/22 £'000	Transfers In 2021/22 £'000	Balance 31 March 2022 £'000
<b>General Fund</b>							
Council Tax Reserve	2,061	(614)	362	1,809	(272)	48	1,585
Replacement and Refurbishment Reserve	96	(60)	136	172	(95)	-	77
Investment and Growth Reserve	5,264	(1,970)	1,195	4,489	(1,196)	843	4,136
Transformation Reserve	141	(70)	-	71	-	26	97
Earmarked Grants Reserve	451	(180)	4,603	4,874	(2,948)	1,716	3,642
<b>Total General Fund</b>	<b>8,013</b>	<b>(2,894)</b>	<b>6,296</b>	<b>11,415</b>	<b>(4,511)</b>	<b>2,633</b>	<b>9,537</b>
<b>Housing Revenue Account</b>							
Insurance Reserve	200	-	-	200	-	-	200
<b>Total Housing Revenue Account</b>	<b>200</b>	<b>-</b>	<b>-</b>	<b>200</b>	<b>-</b>	<b>-</b>	<b>200</b>
<b>Total Earmarked Reserves</b>	<b>8,213</b>	<b>(2,894)</b>	<b>6,296</b>	<b>11,615</b>	<b>(4,511)</b>	<b>2,633</b>	<b>9,737</b>

The Earmarked Reserves have had an exceptional contribution during 2020/21 in respect of £4.006m Tax Income Guarantee funds from MHCLG to support the distribution of Business Rates collected on behalf of other authorities. This was partially drawn down in 2021/22 to fund the Business Rates deficit.

**NOTE 10 – OTHER OPERATING EXPENDITURE**

2020/21 £'000		2021/22 £'000
897	Parish Council Precepts	935
2,560	Internal Drainage Board Levies	2,624
431	Payments to the Government Housing Capital Receipts Pool	431
126	(Gains)/Losses on the disposal of non-current assets	(559)
<b>4,014</b>	<b>Total</b>	<b>3,431</b>

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

2020/21 £'000		2021/22 £'000
2,347	Interest payable and similar charges	2,347
833	Net interest on the net defined benefit liability for pensions	1,534
(326)	Interest receivable and similar income	(219)
78	Movement in the impairment allowance for bad debts	(88)
(135)	Income and expenditure in relation to investment properties and changes in their fair value	(684)
(23)	Movements in fair value of financial assets designated to fair value other comprehensive income	(878)
4	Share of PSPS Taxation	5
<b>2,778</b>	<b>Total</b>	<b>2,017</b>

Following the introduction of IFRS9 Financial Instruments, the Council is required to value its equity stake in South Holland Local Housing Community Interest Company and Welland Homes Limited at fair value.

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

2020/21 £'000		2021/22 £'000
(6,246)	Council Tax income	(6,527)
332	Retained Business Rates income and expenditure	(2,124)
(1,252)	Section 31 Grant	(1,154)
(4,005)	Section 31 Grant – Extended Reliefs	(1,419)
(13)	Council Tax Income Compensation	-
(275)	Revenue Support Grant	(277)
(1,235)	Non-ringfenced government grants	(934)
(190)	Capital grants and contributions	(1,171)
(1,340)	Covid-19 Support Grant	(477)
(407)	Covid-19 Sales, Fees and Charges Income Compensation	(36)
<b>(14,631)</b>	<b>Total</b>	<b>(14,119)</b>

Additional Business Rates reliefs were provided in 2020/21 and 2021/22 year to businesses to provide financial assistance in response to the Covid-19 pandemic, resulting in reduced income due from ratepayers, and therefore lost income to the Council in the current financial year. However, Central Government have provided compensation to the Council to offset this lost income, in the form of Section 31 Grant for extended reliefs.

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

2021/22	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Movements on balances</u></b>								
<b>Cost or Valuation</b>								
<b>At 1 April 2021</b>	<b>176,134</b>	<b>21,583</b>	<b>6,036</b>	<b>2,444</b>	<b>962</b>	<b>941</b>	<b>133</b>	<b>208,233</b>
Adjustment to share of joint operation at 1 April 2021	-	-	(36)	-	-	-	-	(36)
Additions	4,426	319	1,766	-	159	-	1,312	7,982
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	4,439	1,635	-	-	-	221	-	6,295
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	1,749	(120)	-	-	-	-	-	1,629
Derecognition – disposals	(1,005)	(20)	-	-	-	-	-	(1,025)
Assets reclassified (to)/from Held for Sale	(1,171)	(1,600)	-	-	-	-	(391)	(3,162)
<b>Other movements in Cost or Valuation</b>	<b>(1,171)</b>	<b>(1,600)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(391)</b>	<b>(3,162)</b>
<b>At 31 March 2022</b>	<b>184,572</b>	<b>21,797</b>	<b>7,766</b>	<b>2,444</b>	<b>1,121</b>	<b>1,162</b>	<b>1,054</b>	<b>219,916</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2021</b>	<b>-</b>	<b>-</b>	<b>(4,322)</b>	<b>(2,053)</b>	<b>(146)</b>	<b>-</b>	<b>-</b>	<b>(6,521)</b>
Adjustment to share of joint operation at 1 April 2021	-	-	36	-	-	-	-	36
Depreciation charge	(3,879)	(425)	(660)	(147)	-	-	-	(5,111)
Depreciation written out to the Revaluation Reserve	2,419	392	-	-	-	-	-	2,811
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,438	33	-	-	-	-	-	1,471
Derecognition – disposals	22	-	-	-	-	-	-	22
<b>At 31 March 2022</b>	<b>-</b>	<b>-</b>	<b>(4,946)</b>	<b>(2,200)</b>	<b>(146)</b>	<b>-</b>	<b>-</b>	<b>(7,292)</b>
<b>Net Book Value</b>								
<b>At 31 March 2021</b>	<b>176,134</b>	<b>21,583</b>	<b>1,715</b>	<b>391</b>	<b>816</b>	<b>941</b>	<b>133</b>	<b>201,712</b>
<b>At 31 March 2022</b>	<b>184,572</b>	<b>21,797</b>	<b>2,820</b>	<b>244</b>	<b>975</b>	<b>1,162</b>	<b>1,054</b>	<b>212,624</b>

2020/21	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Movements on balances</u></b>								
<b>Cost or Valuation</b>								
<b>At 1 April 2020</b>	<b>169,365</b>	<b>23,039</b>	<b>5,886</b>	<b>2,444</b>	<b>962</b>	<b>1,446</b>	<b>1,774</b>	<b>204,916</b>
Additions	3,543	462	270	-	-	-	1,293	5,568
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	2,338	(1,120)	-	-	-	20	-	1,238
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	205	(244)	-	-	-	-	-	(39)
Derecognition – disposals	(1,073)	(2)	(120)	-	-	(525)	(63)	(1,783)
Assets reclassified (to)/from Held for Sale	-	(552)	-	-	-	-	-	(552)
Other movements in Cost or Valuation	1,756	-	-	-	-	-	(2,871)	(1,115)
<b>At 31 March 2021</b>	<b>176,134</b>	<b>21,583</b>	<b>6,036</b>	<b>2,444</b>	<b>962</b>	<b>941</b>	<b>133</b>	<b>208,233</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2020</b>	<b>-</b>	<b>-</b>	<b>(3,733)</b>	<b>(1,897)</b>	<b>(146)</b>	<b>-</b>	<b>-</b>	<b>(5,776)</b>
Depreciation charge	(3,493)	(428)	(682)	(156)	-	(7)	-	(4,766)
Depreciation written out to the Revaluation Reserve	1,936	403	-	-	-	-	-	2,339
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,551	25	-	-	-	-	-	1,576
Derecognition – disposals	6	-	93	-	-	7	-	106
<b>At 31 March 2021</b>	<b>-</b>	<b>-</b>	<b>(4,322)</b>	<b>(2,053)</b>	<b>(146)</b>	<b>-</b>	<b>-</b>	<b>(6,521)</b>
<b>Net Book Value</b>								
<b>At 31 March 2020</b>	<b>169,365</b>	<b>23,039</b>	<b>2,153</b>	<b>547</b>	<b>816</b>	<b>1,446</b>	<b>1,774</b>	<b>199,140</b>
<b>At 31 March 2021</b>	<b>176,134</b>	<b>21,583</b>	<b>1,714</b>	<b>391</b>	<b>816</b>	<b>941</b>	<b>133</b>	<b>201,712</b>

## Depreciation

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

- Council Dwellings – major components
  - Structure – 36-70 years
  - Roofs – 1-80 years
  - Kitchens – 1-20 years
  - Bathrooms – 1-25 years
  - Windows and Doors – 1-30 years
- Other Land and Buildings – 2-72 years
- Vehicles, Plant, Furniture & Equipment – 4-25 years
- Infrastructure – 2-19 years

## Capital Commitments

At 31 March 2022, the Council has entered into contracts for the enhancement of Property, Plant and Equipment in 2021/22 and future years budgeted at a cost of £8.4m. Similar commitments at 31 March 2021 were £3.1m, mainly relating to works to dwellings. The major commitments are:

- |                                 |       |
|---------------------------------|-------|
| • Central Heating Replacements  | £1.6m |
| • Kitchen and Bathroom Upgrades | £1.1m |
| • Roofing                       | £5.7m |

## Effects of Changes in Estimates

No material changes were made to the Council's accounting estimates for Property, Plant and Equipment 2021/22.

## Revaluations

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

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

Revaluations during 2021/22 were undertaken by Darren Fabris BSc (Hons) MRICS, RICS Registered Valuer (Kier) and Guy S C Harbord MA MRICS, IRRV (Hons), RICS Registered Valuer (Wilks Head and Eve).

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	-	7,766	2,444	1,121	-	1,054	<b>12,385</b>
Valued at fair value as at: 31 March 2022	184,572	21,797	-	-	-	1,162	-	<b>207,531</b>
<b>Total Cost or Valuation</b>	<b>184,572</b>	<b>21,797</b>	<b>7,766</b>	<b>2,444</b>	<b>1,121</b>	<b>1,162</b>	<b>1,054</b>	<b>219,915</b>

### Fair Value Hierarchy – Surplus Assets

Details of the authority's surplus assets and information about the fair value hierarchy as at 31 March 2022 is as follows:

Fair Value Level 2 2020/21 £'000		Fair Value Level 2 2021/22 £'000
941	Surplus Land	1,162
<b>941</b>	<b>Balance at end of the year</b>	<b>1,162</b>

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

#### Significant Observable Inputs – Level 2

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

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

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

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

#### Highest and best use of Surplus Assets

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

#### Valuation Process for Surplus Assets

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

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

## NOTE 14 – HERITAGE ASSETS

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

2020/21 £'000		Civic Regalia and Works of Art	Archaeological Sites, Smallholdings and other Land and Sites of Special Interest	Total
2021/22 £'000		2021/22 £'000	2021/22 £'000	2021/22 £'000
105	<b>Cost or valuation</b>			
	1 April	62	43	105
-	Revaluations	-	2	2
<b>105</b>	<b>31 March</b>	<b>62</b>	<b>45</b>	<b>107</b>

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

Heritage assets recognised on the Council's Balance Sheet:

Civic Regalia and Works of Art:

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

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

- Chain Bridge Forge – recorded at existing use value as determined by the Council's external valuer, Guy S C Harbord MA MRICS, IRRV (Hons), RICS Registered Valuer Wilks, Head and Eve and were last valued on 31 March 2022.
- Nature reserve – recorded at Historic Cost.

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

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

**NOTE 15 – INVESTMENT PROPERTY**

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

2020/21		2021/22
£'000		£'000
(145)	Rental Income from investment property	(123)
10	Direct operating expenses arising from investment property	17
-	Net (gains)/losses from fair value adjustments	(573)
(135)	<b>Net (gain)/loss</b>	<b>(679)</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.

2020/21		2021/22
£'000		£'000
1,021	Balance at start of the year	1,573
552	Reclassification to Investment Property	-
-	Net gains/(losses) from fair value adjustments	573
<b>1,573</b>	<b>Balance at end of the year</b>	<b>2,146</b>

**Fair Value Hierarchy**

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2022 is as follows:

Fair Value Level 2		Fair Value Level 2
2020/21		2021/22
£'000		£'000
1,573	Commercial Industrial Units	2,146
<b>1,573</b>	<b>Balance at end of the year</b>	<b>2,146</b>

**Valuation Techniques Used to Determine Level 2 for Investment Properties****Significant Observable Inputs – Level 2**

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

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

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

Valuation inputs for rental and yield which are directly applicable i.e. an almost identical property let to a similar covenant on the same repairing and insuring terms for a similar term to the valuation subject are said

to be 'observable inputs' as they are directly comparable with limited adjustment and are said to be a Level 2 in the fair value hierarchy.

### Highest and best use of Investment Properties

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

### Valuation Process for Investment Properties

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

## NOTE 16 – INTANGIBLE ASSETS

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

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The carrying amount of intangible assets is amortised on a straight-line basis, over 1 to 10 years. The amortisation of £287,000 was charged to an overhead account and then absorbed across service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

2020/21 £'000		2021/22 £'000
	<b>Balance at start of year:</b>	
2,004	- Gross carrying amounts	2,175
(1,303)	- Accumulated amortisation	(1,467)
<b>701</b>	<b>Net carrying amount at start of year</b>	<b>708</b>
	Adjustment to reflect % change of share of joint operation	(51)
	Additions:	
171	- Purchases	233
(164)	Amortisation for the period	(287)
-	Derecognition	-
<b>708</b>	<b>Net carrying amount at end of year</b>	<b>603</b>
	<b>Comprising:</b>	
	Adjustment to reflect % change of share of joint operation	(51)
2,175	- Gross carrying amounts	2,328
(1,467)	- Accumulated amortisation	(1,674)
<b>708</b>		<b>603</b>

**NOTE 17 – FINANCIAL INSTRUMENTS**

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

Financial Assets	Non-Current				Current				Total	
	Long-term Investments		Long-term Debtors		Short-term Investments		Short-term Debtors			
	31	31	31	31	31	31	31	31	31	31
	March	March	March	March	March	March	March	March	March	March
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through other comprehensive income – Designated equity instruments	3,963	4,841	-	-	-	-	-	-	3,963	4,841
Amortised cost										
Investments	-	-	-	-	34,524	36,028	-	-	34,524	36,028
Cash & cash equivalents	-	-	-	-	10,528	12,353	-	-	10,528	12,353
Mortgages and car loans	-	-	113	84	-	-	38	36	151	120
Loans to Welland Homes	-	-	3,710	3,730	-	-	-	-	3,710	3,730
Trade debtors	-	-	143	143	-	-	1,560	2,615	1,703	2,758
<b>Total financial assets</b>	<b>3,963</b>	<b>4,841</b>	<b>3,966</b>	<b>3,957</b>	<b>45,052</b>	<b>48,381</b>	<b>1,598</b>	<b>2,651</b>	<b>54,579</b>	<b>59,829</b>

Financial Liabilities	Non-Current				Current				Total	
	Long-term Borrowings		Long-term Creditors		Short-term Borrowings		Short-term Creditors			
	31	31	31	31	31	31	31	31	31	31
	March	March	March	March	March	March	March	March	March	March
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost										
External borrowing	(67,456)	(67,456)	-	-	(26)	(26)	-	-	(67,482)	(67,482)
Trade creditors	-	-	-	-	-	-	(2,746)	(3,448)	(2,746)	(3,448)
<b>Total financial liabilities</b>	<b>(67,456)</b>	<b>(67,456)</b>	<b>-</b>	<b>-</b>	<b>(26)</b>	<b>(26)</b>	<b>(2,746)</b>	<b>(3,448)</b>	<b>(70,228)</b>	<b>(70,930)</b>

**Income, expense, gains and losses**

	2020/21 Surplus or Deficit on the Provision of Services £'000	2021/22 Surplus or Deficit on the Provision of Services £'000
<b>Net gains/losses on:</b>		
Financial assets measured at fair value other comprehensive income	(23)	(878)
<b>Interest Revenue</b>		
Financial assets measured at amortised cost	(326)	(214)
<b>Interest expense</b>	2,347	2,347
<b>Fee Expense</b>		
Brokers fees	3	-

**Fair Value of Financial Assets**

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

The authority is the sole shareholder of Welland Homes Limited, which is the Council's wholly owned Housing Development Company. The fair value of the equity balance brought forward was £2.889m. This equity is categorised as Level 3 inputs due to there being no active market for the shares. The Company accounts reported capital and reserves balances of £3.672m as at 31 March 2022. This is presented in the Financial Assets table above, as fair value through other comprehensive income – designated equity instruments. The authority did not intend to dispose of the shares at the Balance Sheet date.

The authority is also the sole shareholder of South Holland Local Community Housing Interest Company. The fair value of the equity balance brought forward was £1.074m and this equity is categorised as Level 3 inputs due to there being no active market for the shares. The Company accounts reported capital and reserves balances of £1.169m as at 31 March 2022. This is presented in the Financial Assets table above, as fair value through other comprehensive income – designated equity instruments. The authority did not intend to dispose of the shares at the Balance Sheet date.

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

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

**Changes in the Valuation Technique**

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

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

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

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

alternative valuation;

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

The fair values calculated are as follows:

LIABILITIES	31 March 2021		31 March 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Borrowing	(67,482)	(93,676)	(67,482)	(84,931)

For long term borrowing, the fair value is higher than the carrying amount because the authority's portfolio of loans includes fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2022) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £84.931m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty Interest rates. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £67.482m would be valued at £84.931m. But, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £106.448m.

ASSETS	31 March 2021		31 March 2022	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£'000	£'000	£'000	£'000
Short Term investments	34,524	34,524	36,028	36,028
Welland Homes	3,710	3,710	3,738	3,738
Castle Sports	143	143	143	143

The loans to Welland Homes were made at the market rate at the time of issue. As at 31 March 2022 there had been no material changes to the market rates so the fair value of the loans are deemed to be unchanged.

**NOTE 18 – DEBTORS**

31 March 2021 Net £'000		31 March 2022 Gross £'000	31 March 2022 Impairment £'000	31 March 2022 Net £'000
213	Trade debtors	1,255	(157)	1,098
5,649	Council Tax & NDR debtors	4,625	(1,154)	3,471
1,151	Related parties	864	-	864
284	Prepayments	517	-	517
120	Costs	353	(233)	120
1,293	Other entities and individuals	2,411	(1,094)	1,317
<b>8,710</b>	<b>Total</b>	<b>10,025</b>	<b>(2,638)</b>	<b>7,386</b>

**NOTE 19 – CASH AND CASH EQUIVALENTS**

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

31 March 2021 £'000		31 March 2022 £'000
1,571	Bank current accounts	1,538
8,957	Deposits with Banks on Instant Access	10,815
<b>10,528</b>	<b>Cash and Cash Equivalents categorised as Current Assets</b>	<b>12,353</b>
-	Bank current accounts	-
-	<b>Cash and Cash Equivalents categorised as Current Liabilities</b>	-
<b>10,528</b>	<b>Total Cash and Cash Equivalents</b>	<b>12,353</b>

**NOTE 20 – ASSETS HELD FOR SALE**

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

The balance outstanding at 31 March 2022 has significantly increased from the prior year due to more RTB applications being at the accepted stage by tenants who are eligible to purchase them.

2020/21 £'000		2021/22 £'000
<b>989</b>	<b>Balance outstanding at start of year</b>	<b>1,391</b>
1,184	Assets newly classified as held for sale:	3,162
	- Property, Plant and Equipment	
(70)	Assets declassified as held for sale:	-
	- Property, Plant and Equipment	
(712)	Assets sold	(961)
<b>1,391</b>	<b>Balance outstanding at year end</b>	<b>3,592</b>

**NOTE 21 – CREDITORS**

2020/21 £'000		2021/22 £'000
(1,963)	Trade payables	(2,793)
(5,094)	Council Tax & NDR payables	(2,753)
(1,816)	Other payables	(1,819)
(8,087)	Receipts in Advance	(9,432)
<b>(16,960)</b>	<b>Total</b>	<b>(16,797)</b>

**NOTE 22 – PROVISIONS**

	Business Rate Appeals £'000
<b>Balance at 1 April 2021</b>	<b>(638)</b>
Additional provisions made in 2021/22	(78)
Amounts used in 2021/22	26
Unused amounts reversed in 2021/22	178
<b>Balance at 31 March 2022</b>	<b>(512)</b>

The provision represents South Holland's share (40% of £1.279m) of the total provision for appeals against the rateable values set by the Valuation Office Agency (VOA) not settled as at 31 March 2022. The total provision has been recognised in the Collection Fund Statement (page 92).

**NOTE 23 – USABLE RESERVES**

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

**NOTE 24 – UNUSABLE RESERVES**

31 March 2021 £'000		31 March 2022 £'000
31,952	Revaluation Reserve	39,632
103,743	Capital Adjustment Account	108,422
(43,953)	Pensions Reserve	(34,244)
44	Deferred Capital Receipts Reserve	42
(4,054)	Collection Fund Adjustment Account	(2,568)
(237)	Accumulated Absences Account	(308)
1,739	Financial Instruments Revaluation Reserve	2,617
<b>89,234</b>	<b>Total Unusable Reserves</b>	<b>113,593</b>

**Revaluation Reserve**

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

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

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

2020/21 £'000	2020/21 £'000		2021/22 £'000	2021/22 £'000
	<b>29,370</b>	<b>Balance at 1 April</b>		<b>31,952</b>
5,184		Upward revaluation of assets	9,896	
(1,607)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(786)	
	<b>3,577</b>	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		<b>9,110</b>
(732)		Difference between fair value depreciation and historical cost depreciation	(976)	
(262)		Accumulated gains on assets sold or scrapped	(454)	
	<b>(995)</b>	Amount written off to the Capital Adjustment Account		<b>(1,430)</b>
	<b>31,952</b>	<b>Balance at 31 March</b>		<b>39,632</b>

### Pensions Reserve

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

2020/21 £'000		2021/22 £'000
<b>(34,733)</b>	<b>Balance at 1 April</b>	<b>(43,953)</b>
	Adjustment to opening balance to reflect change in share of joint operation at 1 April 2021	1,401
(7,562)	Remeasurements of the net defined benefit liability	11,484
	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(5,673)
(4,019)	Employer's pensions contributions and direct payments to pensioners payable in the year	2,497
2,361		
<b>(43,953)</b>	<b>Balance at 31 March</b>	<b>(34,244)</b>

### Capital Adjustment Account

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

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

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

2020/21 £'000	2020/21 £'000		2021/22 £'000	2021/22 £'000
	<b>102,926</b>	<b>Balance at 1 April</b>		<b>103,743</b>
	-	Adjustment to opening balance to reflect change in share of joint operation at 1 April 2021		(66)
		<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
(4,767)		Charges for depreciation and impairment of non-current assets	(5,111)	
1,538		Reversal of Revaluation losses on Property, Plant and Equipment	3,099	
(164)		Amortisation of intangible assets	(207)	
(6,129)		Revenue expenditure funded from capital under statute	(7,886)	
(2,390)		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,044)	
	(11,912)			(12,149)
	262	Adjusting amounts written out of the Revaluation Reserve		454
	732	Net written out amount of the cost of non-current assets consumed in the year		976
		<b>Capital financing applied in the year:</b>		
1,676		Use of the Capital Receipts Reserve to finance new capital expenditure	1,027	
3,046		Use of the Major Repairs Reserve to finance new capital expenditure	4,626	
535		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	8,357	
-		Minimum Revenue Provision	14	
4,988		Application of grants to capital financing from the Capital Grants Unapplied Account	-	
1,490		Capital expenditure charged against the General Fund and HRA balances	867	
	11,735			14,283
	-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		573
	<b>103,743</b>	<b>Balance at 31 March</b>		<b>108,422</b>

### Deferred Capital Receipts Reserve

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

2020/21 £'000		2021/22 £'000
47	<b>Balance at 1 April</b>	44
(3)	Transfer to the Capital Receipts Reserve upon receipt of cash	(2)
-	Other Movements	-
44	<b>Balance at 31 March</b>	42

### 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 rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2020/21 £'000		2021/22 £'000
(146)	<b>Balance at 1 April</b>	(4,054)
(3,908)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	1,486
(4,054)	<b>Balance at 31 March</b>	(2,568)

### Accumulated Absences Account

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

2020/21 £'000	2020/21 £'000	2021/22 £'000	2021/22 £'000
	(9)		(237)
	-		3
9		234	
(237)		(308)	
	(228)		(74)
	(237)		(308)

**Financial Instruments Revaluation Reserve**

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

2020/21 £'000		2021/22 £'000
<b>1,716</b>	<b>Balance at 1 April</b>	<b>1,739</b>
12	Welland Homes equity	783
11	South Holland Local Housing Community Interest Company equity	95
-	Investment in Municipal Bonds Agency (MBA)	-
<b>1,739</b>	<b>Balance at 31 March</b>	<b>2,617</b>

**NOTE 25 – CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

2020/21 £'000		2021/22 £'000
414	Interest received	34
(2,347)	Interest paid	(2,347)

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

2020/21 £'000		2021/22 £'000
4,766	Depreciation	5,111
236	Impairment and downward valuations	91
(1,774)	Impairment and revaluation losses/(gains) on HRA non dwellings	(3,190)
164	Amortisation of intangible assets	207
88	(Increase)/decrease in interest debtors	(4)
4,695	Increase in creditors	4,352
748	(Increase)/decrease in debtors	(1,086)
1,658	Movement in pension liability	3,176
(203)	Contribution to/(from) provisions	(127)
(23)	Adjustment for movements in fair value of investments classified as Fair Value through Other Comprehensive Income	-
2,390	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	2,044
-	Movement in Investment Property Values	(573)
(14)	Other non-cash items charged to the net surplus or deficit on the provision of services	-
<b>12,731</b>		<b>10,001</b>
(5,716)	<i>Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities</i>	
	Capital Grants credited to surplus or deficit on the provision of services	(9,326)
(2,264)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,752)
<b>(7,980)</b>		<b>(11,898)</b>

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

2020/21 £'000		2021/22 £'000
(5,708)	Purchase of property, plant and equipment, investment property and intangible assets	(8,797)
(247,869)	Purchase of short term and long term investments	(56,329)
(494)	Other payments for investing activities	-
2,267	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,574
239,100	Proceeds from sale of short term investments	49,500
6,481	Other receipts from investing activities	9,881
<b>(6,223)</b>	<b>Net cash flows from investing activities</b>	<b>(3,171)</b>

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

2020/21 £'000		2021/22 £'000
(1,564)	Other payments for financing activities	(302)
<b>(1,564)</b>	<b>Net cash flows from financing activities</b>	<b>(302)</b>

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

	2021/22 1 April £'000	Financing Cashflows £'000	Non-Cash Changes £'000	2021/22 31 March £'000
Debtors	5,053	(2,943)	2,110	(833)
Creditors	(4,720)	2,308	(2,412)	(104)
<b>Total Liabilities from Financing Activities</b>	<b>333</b>	<b>(635)</b>	<b>(302)</b>	<b>(937)</b>

**NOTE 29 – MEMBERS' ALLOWANCES**

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

	2021/22 £'000	2020/21 £'000
Basic Allowance	233	233
Special Responsibility	169	163
Expenses	4	4
<b>Total</b>	<b>406</b>	<b>400</b>

**NOTE 30 – OFFICERS’ REMUNERATION**

The remuneration paid to the Council’s senior employees is as follows:

		Salary, Fees and Allowances	Expenses Allowances	Pension Contribution	Redundancy Payments	Total
		£	£	£	£	£
* Chief Executive	2021/22	-	-	-	-	-
	2020/21	-	-	-	-	-
* Deputy Chief Executive - Communities	2021/22	-	-	-	-	-
	2020/21	-	-	-	-	-
Deputy Chief Executive - Corporate Development and S151	2021/22	105,942	15	18,562	-	124,519
	2020/21	-	-	-	-	-
* Deputy Chief Executive - Growth	2021/22	-	-	-	-	-
	2020/21	-	-	-	-	-
* Deputy Chief Executive - Programme Delivery & SIRO	2021/22	-	-	-	-	-
	2020/21	-	-	-	-	-
Assistant Director - Governance and MO	2021/22	70,317	497	12,803	-	83,617
	2020/21	-	-	-	-	-

The Council has entered into a shared management arrangement with Boston Borough Council and East Lindsey District Council where the three councils share members of the management team. The Executive Managers referred to in the table above are employed by South Holland District Council. The remaining management team are employed by either Boston Borough Council or East Lindsey District Council. Details relating to the cost of this arrangement are included in the Related Party Transactions Note 33.

In October 2020 a strategic review of the shared management structure between South Holland and Breckland Councils was commissioned. Both councils have successfully developed and operated a shared management model for over 10 years which has been replicated across the Local Government sector, however during the covid-19 pandemic there was a ‘temporary uncoupling’ of shared managers to enable each council to focus on their own ‘places’. As a result of this successful place based working and the evolving needs to provide service to our residents to meet the challenges of the Covid-19 pandemic, Full Council approved in February 2021 that the existing shared management arrangements with Breckland would end with effect from May 2021. Staff have been ‘landed’ in their new roles at either South Holland or Breckland Councils, there were no redundancies. Some sharing of other services is continuing (such as legal and procurement) in the same manner as prior to May 2021.

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

Remuneration Band	2021/22 Number of Employees	2020/21 Number of Employees
£50,000 – £54,999	4	5
£55,000 – £59,999	3	1
£60,000 – £64,999	1	4
£65,000 – £69,999	2	-
£70,000 – £74,999	1	-
£75,000 – £79,999	1	1
£80,000 – £84,999	1	1

The Council terminated the contracts of 2 employees in 2021/22 incurring liabilities of £5,026 (£17,119 in 2020/21). The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
£0-£20,000	2	10	-	1	2	11	5,026	17,119
£20,001 - £40,000		-		-		-		-
<b>Total cost included in bandings and in CIES (£)</b>							<b>5,026</b>	<b>17,119</b>

**NOTE 31 – EXTERNAL AUDIT COSTS**

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

	2021/22 £'000	2020/21 £'000
<b>Statutory Audit Services</b>		
Fees payable to Ernst & Young with regard to external audit services carried out for the year by the appointed auditor for the year	34	34
Audit Fees to prior years	47	20
Fees payable to KPMG LLP with regard to certification of grants and claims	16	14
	<b>97</b>	<b>68</b>
<b>Other Audit Services</b>		
Share of fees payable to KPMG LLP with regard to external audit services carried out for the year on behalf of Public Sector Partnership Services Ltd (formerly Compass Point Business Services)	3	3
	<b>3</b>	<b>3</b>
<b>Total</b>	<b>100</b>	<b>71</b>

**NOTE 32 – GRANT INCOME**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22.

	2021/22	2020/21
	£'000	£'000
<b>Credited to Taxation and Non Specific Grant Income and Expenditure</b>		
<b>Covid-19 Related Grants and Contributions</b>		
Local Authority Covid Support Grant	(477)	(1,340)
Covid-19 Income Compensation	(36)	(407)
Local Tax Income Guarantee	-	(856)
Business Rates Relief Grant – Expanded Retail and Nursery Relief	(1,419)	(3,149)
<b>Other Grants and Contributions</b>		
Revenue Support Grant	(277)	(275)
S31 Grant – Business Rates	(1,154)	(1,252)
S31 Grant - Council Tax	-	(13)
New Homes Bonus Scheme Grant	(758)	(1,067)
Other non-specific grants	(176)	(168)
Grants in relation to capital expenditure	(1,171)	(190)
<b>Total Credited to Taxation and Non Specific Grant Income and Expenditure</b>	<b>(5,466)</b>	<b>(8,717)</b>
<b>Credited to Services</b>		
<b>Other Grants and Contributions</b>		
Housing Benefit Subsidy	(11,293)	(12,244)
Council Tax and Housing Benefit Administration	(339)	(263)
Discretionary Housing Payments	(115)	(150)
Disabled Facilities Grant	(875)	(694)
Electoral Commission	-	(8)
Homelessness Grants	(273)	(185)
Grants for Growth	(789)	(740)
Housing Infrastructure Funding	(6,508)	(3,863)
Covid-19	(1,074)	(1,702)
Other grants	(1,047)	(1,146)
<b>Total Credited to Services</b>	<b>(22,313)</b>	<b>(20,995)</b>
<b>Total Grants</b>	<b>(27,779)</b>	<b>(29,712)</b>
<b>Sources of Grants:</b>		
Central Government	(26,026)	(28,459)
Other Local Authorities	(1,336)	(962)
Other Bodies	(417)	(291)
<b>Total</b>	<b>(27,779)</b>	<b>(29,712)</b>

**Grants Received in Advance - Capital**

	2021/22	2020/21
	£'000	£'000
<b>Long Term Liabilities</b>		
MHCLG – Gypsy and Travellers	(196)	(196)
Private Developers – S106 Funding	(1,691)	(1,136)
<b>Total</b>	<b>(1,887)</b>	<b>(1,332)</b>

**NOTE 33 – RELATED PARTIES**

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

**Central Government**

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

Details of material transactions with Central Government are shown below. 2020/21 comparators shown in brackets.

• Funding from Government	Note 32	£226.026m	(£28.459m)
• Non-Domestic Rates Share Payable	Collection Fund	£12.519m	(£12.248m)
• Debtors		£2.374m	(£5.213m)
• Creditors		£1.520m	(£12.512m)

**Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2021/22 is shown in note 29. During 2021/22 a number of members had links to local Parish Councils, held positions on Internal Drainage Boards and other Local Community associations. Two members are Directors of Public Sector Partnership Services Ltd (formerly Compass Point Business Services (East Coast) Ltd). During 2021/22 four members were Directors of South Holland Local Housing Community Interest Company, and five members were Directors of Welland Homes Ltd.

Payments to Companies during the year (other than to those companies mentioned above) for which members are directors, amounted to £54,825 (£25,884 in 2020/21).

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

**Other Public Bodies**

Until 1 May 2021, joint management arrangements existed between South Holland District Council and Breckland District Council. The costs of this arrangement are shared between the two Councils. During the year, the Council paid Breckland £695k (£1.105m in 2020/21) for shared Breckland employee and other costs and received £64k (£206k in 2020/21) from Breckland for payment of shared South Holland employees and other costs. There was an outstanding balance of £95k due by South Holland and Breckland owed South Holland a balance of £21k at the end of March 2022.

Transactions with the Lincolnshire Pension Fund are detailed in note 36, Defined Benefits Pension Scheme.

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

The precept value paid to parish and town councils is included in Other Operating Expenditure in Note 10 and was £935,000 in 2021/22 (£935,000 in 2020/21)

**Entities Controlled or Significantly Influenced by the Council*****Public Sector Partnership Services Ltd (formerly Compass Point Business Services)***

Joint merged service organisation arrangements for the shared provision of a number of back office services with East Lindsey District Council and Boston Borough Council were implemented with effect from 1 April 2021, delivered through Public Sector Partnership Services Ltd (PSPS, formerly Compass Point Business Service (East Coast) Ltd (CPBS)). The Council's share of the Company's assets, liabilities, income and expenditure are shown in note 40. The balances outstanding between the Council and the Company at 31 March 2022 were Creditors £256.2k and Debtors £58.6k. One officer and two councillors were directors of PSPS Ltd during the year.

During 2021/22 payments totalling £3.5m were paid to PSPS (£3.5m 2020/21).

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

***South Holland Homes and Welland Homes Ltd***

The Council has two wholly owned subsidiary companies, South Holland Local Housing Community Interest Company and Welland Homes Ltd. Information and transactions for the year are set out in the group accounts. One officer was the company secretary of South Holland Homes during 2021/22 and another officer was the company secretary for Welland Homes Ltd.

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

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

	2021/22	2020/21
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>75,893</b>	<b>74,992</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	7,833	5,567
Intangible Assets	329	89
Revenue Expenditure Funded from Capital under Statute	7,886	6,129
Long Term Investments – Welland Homes	-	276
Long Term Debtor – Welland Homes	28	484
<b>Sources of finance</b>		
Capital receipts	(1,027)	(1,676)
Government grants and other contributions	(8,304)	(5,451)
Major Repairs Reserve	(4,626)	(3,046)
<b>Sums set aside from revenue:</b>		
Direct revenue contributions	(867)	(1,471)
Minimum Revenue Provision	(14)	-
<b>Closing Capital Financing Requirement</b>	<b>77,131</b>	<b>75,893</b>
<b>Explanation of movements in year</b>		
Minimum Revenue Provision	(14)	-
Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	1,252	901
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>1,238</b>	<b>901</b>

**NOTE 35 – LEASES****Council as Lessee****Operating Leases**

The Council has acquired some of its vehicle fleet by entering into operating leases, which typically have a 5 year life. It also has entered into some property leases.

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

	31 March 2022 £'000	31 March 2021 £'000
Not later than 1 year	20	20
Later than 1 year and not later than 5 years	72	1
	<b>92</b>	<b>21</b>

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2021/22 £'000	2020/21 £'000
Minimum lease payments	23	19
	<b>23</b>	<b>19</b>

**Council as Lessor****Operating Leases**

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

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

	31 March 2022 £'000	31 March 2021 £'000
Not later than 1 year	342	222
Later than 1 year and not later than 5 years	512	197
Later than 5 years	152	196
	<b>1006</b>	<b>615</b>

In addition, the Council received £119,325 as a charge for office space (£190,281 in 2020/21) from Public Sector Partnership Services Ltd in respect of the usage of office space only. No formal long term arrangement currently exists.

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

**NOTE 36 – DEFINED BENEFIT PENSION SCHEMES****Participation in Pension Schemes**

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

The Council participates in the Local Government Pension Scheme, administered by Lincolnshire County Council. This is a funded defined benefit scheme, meaning that the employer and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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

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

The financial information contained in this note includes the position for South Holland District Council together with a share for Public Sector Partnership Services Ltd (formerly Compass Point Business Services Ltd) to comply with the accounting requirements for Joint Operations.

## Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme	
	2021/22	2020/21 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Cost of Services:</i>		
<i>Service cost comprising</i>		
Current service cost	4,777	3,164
Administration Costs	54	51
Past Service costs (including curtailments)	-	13
<i>Financing and Investment Income and Expenditure</i>		
Net interest expense	842	791
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>5,673</b>	<b>4,019</b>
<i>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>		
Remeasurement of net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(6,438)	(13,789)
Actuarial (gains) and losses arising on changes in demographic assumptions	-	(1,103)
Actuarial (gains) and losses arising on changes in financial assumptions	(5,312)	23,639
Other experience	267	(1,185)
<b>Total Remeasurements recognised in Other Comprehensive Income and Expenditure</b>	<b>(11,483)</b>	<b>7,562</b>
<b>Total Post-employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(5,810)</b>	<b>11,581</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(3,176)	(1,658)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
Employers' contributions payable to scheme	2,417	2,274
Contributions in respect of unfunded benefits	80	87

## Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme	
	2021/22 £'000	2020/21 £'000
Present Value of the defined obligation	(116,173)	(120,008)
Fair Value of plan assets	81,929	76,055
<b>Net Liability arising from defined benefit obligation</b>	<b>(34,244)</b>	<b>(43,953)</b>

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

	Local Government Pension Scheme	
	2021/22 £'000	2020/21 £'000
Opening fair value scheme assets	76,054	61,610
Change in PSPS ownership	(3,413)	-
Interest Income	1,483	1,255
Remeasurement gain/(loss)		
The return on plan assets, excluding the amount included in the net interest expense	6,438	13,789
Contributions from employer	2,417	2,274
Contributions from employees into the scheme	590	526
Contributions in respect of unfunded benefits	80	87
Settlement prices/(paid)	1,002	-
Administration Cost	(54)	(51)
Benefits paid	(2,668)	(3,435)
<b>Closing fair value of scheme assets</b>	<b>81,929</b>	<b>76,055</b>

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

	Local Government Pension Scheme	
	2021/22 £'000	2020/21 £'000
Opening Balance at 1 April	120,008	96,343
Change in PSPS ownership	(4,815)	-
Current Service Cost	4,131	3,164
Past Service Cost	-	13
Interest Cost	2,324	2,046
Contributions from scheme participants	590	526
Liabilities Assumed/(Extinguished on Settlements)	1,648	-
<i>Remeasurements (gains) and losses:</i>		
Actuarial (gains) and losses arising on changes in demographic assumptions	-	(1,103)
Actuarial (gains) and losses arising from changes in financial assumptions	(5,312)	23,639
Other experience	267	(1,185)
Benefits paid	(2,668)	(3,435)
<b>Closing Balance at 31 March</b>	<b>116,173</b>	<b>120,008</b>

## Local Government Pension Scheme assets comprised:

	2021/22		2020/21	
	Quoted prices in active markets £'000	% of Total assets	Quoted prices in active markets £'000	% of Total assets
Cash and Cash Equivalents	3,113	4%	3,422	5%
<u>Equity Instruments</u>				
UK	12,945	16%	12,321	16%
Overseas	32,608	40%	31,259	41%
<u>Debt Securities</u>				
Corporate Bonds - UK	7,537	9%	7,529	10%
Corporate Bonds - Overseas	-	-	-	-
Fixed Interest Government - UK	819	1%	837	1%
Fixed Interest Government - Overseas	-	-	-	-
Index Linked Government - UK	1,229	1%	1,293	2%
Index Linked Government - Overseas	-	-	-	-
Property	5,653	7%	5,324	7%
Private equity	246	-	228	-
<u>Others</u>				
Hedge Fund	164	-	-	-
Infrastructure	492	1%	456	1%
Bonds	-	-	-	-
Commodities	492	1%	380	-
Credit Diversified Income	3,769	5%	2,510	3%
Other Diversified Alternatives	1,229	1%	1,217	2%
Private Debt	-	-	-	-
Forward Currency Contracts	-	-	-	-
<b>Total</b>	<b>70,296</b>	<b>86%</b>	<b>66,776</b>	<b>88%</b>

	2021/22		2020/21	
	Unquoted prices in active markets £'000	% of Total assets	Unquoted prices in active markets £'000	% of Total assets
Cash and Cash Equivalents	-	-	-	-
<u>Equity Instruments</u>				
UK	-	-	-	-
Overseas	-	-	-	-
<u>Debt Securities</u>				
Corporate Bonds - UK	-	-	-	-
Corporate Bonds - Overseas	-	-	-	-
Fixed Interest Government - UK	-	-	-	-
Fixed Interest Government - Overseas	-	-	-	-
Index Linked Government - UK	-	-	-	-
Index Linked Government – Overseas	-	-	-	-
Property	328	-	228	-
Private equity	5,407	7%	4,259	5%
<u>Others</u>				
Hedge Fund	2,294	3%	2,282	3%
Infrastructure	2,622	3%	1,977	3%
Bonds	-	-	-	-
Commodities	-	-	-	-
Credit Diversified Income	-	-	-	-
Other Diversified Alternatives	164	-	(152)	-
Private Debt	819	1%	761	1%
Forward Currency Contracts	82	-	(76)	-
		-		-
<b>Total</b>	<b>11,716</b>	<b>14%</b>	<b>9,279</b>	<b>12%</b>

### Basis for estimating Assets and Liabilities

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

The Local Government Pension Scheme has been assessed by Barnett Waddingham, an independent firm of actuaries; estimates for the Lincolnshire Pension Fund are based on the latest full valuation of the scheme as at 31 March 2019, transferred from Hymans Robertson.

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

	Local Government Pension Scheme	
	2021/22	2020/21
<i>Mortality assumptions:</i>		
Longevity at 65 for current pensioners (years):		
- Men	21.2	21.1
- Women	23.7	23.6
Longevity at 65 for future pensioners (years):		
- Men	22.1	22.0
- Women	25.1	25.0
Rate of increase in salaries	3.5%	3.1%
Rate of increase in pensions	3.2%	2.8%
Rate for discounting scheme liabilities	2.6%	2.0%

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

	Impact on the Defined Benefit Obligation in the Scheme	
	Present Value of Obligation £'000	Projected Service Cost £'000
0.1% decrease in Discount Rate	101,435	3,870
0.1% increase in the Salary Increase Rate	99,799	3,770
0.1% increase in the Pension Increase Rate	101,217	3,869

### Impact on the Council's Cash Flows

The contributions paid by the Council are set by the Fund Actuary at each triennial actuarial valuation, the most recent being 31 March 2019. The employer's contributions rate, over the period to 31 March 2023 will be 17.4%, a 0.7% increase from the level set at the previous triennial valuation.

Employer contributions payable to the scheme in 2022/23 are estimated to be £2.383m.

### NOTE 37 – CONTINGENT LIABILITIES

At 31 March 2022 the Council identified no material contingent liabilities.

### NOTE 38 – CONTINGENT ASSETS

At 31 March 2022 the Council has identified the following material contingent assets:

#### Decent Homes Loans

The Council has, for a number of years, been giving property owners loans to enable them to improve their homes to meet a decent standard. These loans have been registered with Land Registry and will only become repayable, together with interest and a proportion of the increased property value, once the dwelling is sold

or otherwise disposed of. The disposal and therefore repayment could be many years in the future. Loans outstanding as at 31 March 2022 are £501,000 (£514,000 at 31 March 2021).

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

### Key risks

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

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

### Overall procedures for managing risk

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

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

### Credit Risk

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

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

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

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

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

The full Investment Strategy for 2021/22 was approved by Council on 3 March 2021 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 and building societies of £29.5m 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, but there was no evidence at 31 March 2022 that this was likely to crystallise.

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

	Amount at 31 March 2022 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2022 %	Estimated maximum exposure to default and uncollectability at 31 March 2022 £'000	Estimated maximum exposure at 31 March 2021 £'000
	A	B	C	(A x C)	
Debtors	2,651	0.66%	0.66%	17	49

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 credit for its customers, such that £755,833 of the £2.651m trade debtor balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2022 £'000	31 March 2021 £'000
Less than three months	117	450
Three to six months	38	8
Six months to one year	237	57
More than one year	364	144
<b>TOTAL</b>	<b>756</b>	<b>659</b>

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

### Liquidity Risk

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

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

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

	31 March 2022 £'000	31 March 2021 £'000
Less than one year	26	26
More than ten years	67,456	67,456
	<b>67,482</b>	<b>67,482</b>

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

## Refinancing and maturity risk

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

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

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

## Market Risk

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

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

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

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

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

	£'000
Increase in interest receivable on variable rate investments	172
Impact on Surplus or Deficit on the Provision of Services	<b>172</b>
Share of overall impact credited to the HRA	69

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

**Price Risk** - The Council does not generally invest in equity share or marketable bonds. However, it does have shareholdings in Public Sector Partnership Services Ltd (formerly Compass Point Business Services (East Coast) Ltd), a joint venture with East Lindsey District Council and Boston Borough Council.

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

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

#### NOTE 40 – JOINT OPERATION

As at 31 March 2022, South Holland has shared control with East Lindsey District Council and Boston Borough Council over Public Sector Partnership Services Limited (formerly Compass Point Business Services (East Coast) Ltd), a company established in 2010 to provide 'back office' services to the Councils. From 1 April 2021, East Lindsey owns 48% of the company, South Holland owns 28% and Boston Borough Council owns 24%, but voting rights are split equally. In 2020/21 and prior years, East Lindsey owned 63% and South Holland owned 37%.

This arrangement is classified as a joint operation. The Council recognises on its Balance Sheet an appropriate share of its rights to the assets and obligations for the liabilities and debits and credits the Comprehensive Income and Expenditure Statement with its share of expenses incurred and income it earns from the activity of the Company.

Public Sector Partnership Services' attributable proportion included in the Council's Balance Sheet as at 31 March 2022:

31 March 2021 £'000		31 March 2022 £'000
3	Property, Plant and Equipment	1
211	Intangible Assets	178
<b>214</b>	<b>Long Term Assets</b>	<b>179</b>
64	Short Term Debtors	104
471	Cash and Cash Equivalents	567
<b>535</b>	<b>Current Assets</b>	<b>671</b>
-	Cash and Cash Equivalents	-
(224)	Short Term Creditors	(231)
<b>(224)</b>	<b>Current Liabilities</b>	<b>(231)</b>
<b>(5,759)</b>	<b>Other Long Term Liabilities</b>	<b>(3,499)</b>
<b>(5,234)</b>	<b>Net Liabilities</b>	<b>(2,880)</b>
	<b>Usable Reserves</b>	
300	General Fund	438
	<b>Unusable Reserves</b>	
235	Capital Adjustment Account	187
(5,759)	Pension Reserve	(3,499)
(10)	Accumulated Absences Adjustment Account	(6)
<b>(5,534)</b>		<b>(3,318)</b>
<b>(5,234)</b>	<b>Total Reserves</b>	<b>(2,880)</b>

Public Sector Partnership Services' attributable proportion included in the Council's Comprehensive Income and Expenditure Account for the year:

31 March 2021 £'000		31 March 2022 £'000
3,119	Gross Pay, National Insurance and Pensions	3,203
(8)	Premises Related Expenses	(3)
21	Transport Related Expenses	18
423	Supplies and Services	452
15	Depreciation and Amortisation	36
<b>3,570</b>	<b>Gross Operating Expenditure</b>	<b>3,706</b>
(20)	Other Income	(23)
<b>3,550</b>	<b>Cost of Services</b>	<b>3,683</b>
63	Net interest on the net defined benefit liability	745
(1)	Interest receivable and similar income	-
4	Tax liability	5
<b>3,616</b>	<b>(Surplus)/Deficit on the Provision of Services</b>	<b>4,432</b>
2,548	Remeasurements of the net defined benefit liability	(3,573)
<b>6,164</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>859</b>

#### NOTE 41 – TRUST FUNDS

The Council is custodian trustee for:

##### ***IVO Day Care Centre***

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

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

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

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

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

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

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

Ayscoughfee Hall and Gardens £1,456,000 last revalued as at 31 March 2022.

Sir Halley Stewart Playing Field £144,300 last revalued as at 31 March 2022.

Trust Fund Revenue Account	2021/22			2020/21		
	Expenditure £'000	Income £'000	Net £'000	Expenditure £'000	Income £'000	Net £'000
Ayscoughfee Hall and Gardens	409	(59)	<b>350</b>	293	(55)	<b>238</b>
Sir Halley Stewart Playing Field	34	(3)	<b>31</b>	41	(1)	<b>40</b>

**NOTE 42 – GOING CONCERN**

The CIPFA Code confirms that local authority accounts must be prepared on a going concern basis. The coronavirus restrictions across the UK, have created significant issues for many businesses and residents and as a result from April 2020, Council income was affected detrimentally as payers sought to defer payments. The government has provided some support for lost income and for the additional costs borne by authorities because of the crisis and the Council has received just over £3.191 million in this regard to date.

<b>Covid-19 Grant Support funding</b>	<b>Year</b>	<b>£'000</b>
<b>Local Authority Support Grant</b>		
Tranche 1	2019/20	59
Tranches 2 to 4	2020/21	1,340
Tranche 5	2021/22	477
<b>Sales, Fees and Charges</b>	2020/21	407
<b>Compensation</b>	2021/22	37
<b>New Burdens Grant</b>	2020/21	189
	2021/22	297
<b>Test &amp; Trace</b>	2021/22	385
<b>Total</b>		<b>3,191</b>

Our most recent year end balances, as reported in these statements are as follows.

Date	General Fund	Earmarked reserves
31 March 2022	£2.078m	£9.783m

We have carried out an assessment of the impact of Covid-19 on our future finances and we are satisfied that there is no material uncertainty relating to the Council's going concern. Through our assessment we have identified that we have had reductions in our major income sources in 2021/22 as follows:

- Car park income – £172k reduction.

Additional costs relating to Covid-19 have been identified for 2021/22 as £1.018m.

Allowing for the expected income grant from government and allowances within reserves already set aside to cover these types of events, we would expect our 2021/22 outturn to show a revised deficit of £0.249m, before application of government grants and taking into account a cautious recovery from the impact of Covid-19 on income streams and a likely reduction in the availability of support grants. This would be funded from a combination of government grants and reserves which would then protect the General Fund balance to remain at £2.078m at 31 March 2022.

The Council has undertaken cash flow modelling through to March 2023 which demonstrates the Council's ability to work within its Capital Financing Requirement and Cash management framework, with a positive cash position throughout the period.

The Council thereby concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will be a going concern to March 2023, 12 months from the date of authorisation of these Financial Statements, based on its cash flow forecasting and the resultant liquidity position of the Council, taking account of the cash and short-term investment balances of £47.7 million at 31 March 2022. This demonstrates that the Council has sufficient liquidity over the same period, and no requirement to borrow.

**SUPPLEMENTARY FINANCIAL STATEMENTS****HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT**

2020/21 £'000		2021/22 £'000
	<b>Expenditure</b>	
2,461	Repairs and maintenance	2,899
4,291	Supervision and management	4,904
61	Rents, rates, taxes and other charges	55
3,816	Depreciation of non-current assets (Note 6)	4,214
82	Debt management expenses	82
<b>10,711</b>	<b>Total Expenditure</b>	<b>12,154</b>
	<b>Income</b>	
(15,066)	Dwelling and non dwelling rents	(15,275)
(1,203)	Charges for services & facilities	(1,144)
(5)	Contribution towards expenditure	(58)
(1,775)	Revaluation of non current assets	(3,190)
<b>(18,049)</b>	<b>Total Income</b>	<b>(19,667)</b>
<b>(7,338)</b>	<b>Net income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>	<b>(7,513)</b>
469	HRA share of Corporate and Democratic Core	633
<b>(6,869)</b>	<b>Net income for HRA Services</b>	<b>(6,880)</b>
	<b>HRA Share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement</b>	
(414)	(Gain)/loss on sale of HRA non-current assets	(570)
2,347	Interest payable and similar charges	2,347
18	Movement in the allowance for bad debts	15
(79)	Interest and investment income	(21)
172	Net interest on the net defined benefit liability	180
(190)	Capital grants and contributions	(707)
<b>(5,015)</b>	<b>Surplus for the year on HRA services</b>	<b>(5,636)</b>

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

**MOVEMENT ON THE HRA STATEMENT**

2020/21 £'000		2021/22 £'000
<b>19,809</b>	Balance on the HRA at the end of the previous reporting period	<b>22,828</b>
5,015	Surplus for the year on the HRA Income and Expenditure Statement	5,636
(1,996)	Adjustments between accounting basis and funding basis under statute	(4,000)
<b>22,828</b>	<b>Balance on the HRA at the end of the current reporting period</b>	<b>24,464</b>

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

2020/21 £'000		2021/22 £'000
(414)	(Gain)/loss on sale of HRA non-current assets	(570)
48	Employee Benefits	(5)
334	HRA Share of contributions to or from the Pension Reserve	472
(3,816)	Transfers to the Major Repairs Reserve	(4,214)
(190)	Application of Capital Grants to Capital Adjustment Account	(707)
3,816	Differences relating to changes in property values Funding of depreciation from Capital Adjustment Account	4,214
(1,774)	Reversal of Revaluation losses on HRA Property	(3,190)
<b>(1,996)</b>	<b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b>	<b>(4,000)</b>

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

## NOTES TO THE HOUSING REVENUE ACCOUNT

### NOTE 1 – PURPOSE OF HRA STATEMENT

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

### NOTE 2 – HOUSING STOCK

The Council was responsible for managing 3,764 dwellings at 31 March 2022 (3,793 at 31 March 2021). The stock is analysed below by number of bedrooms. The Council has an equity share in 28 shared ownership properties, with the Council's equity share being equivalent to 16 dwellings.

Analysis of Housing Stock at 31 March 2022	1 Bed	2 Bed	3 Bed	3+ Bed	Total
HRA Housing Stock					
Houses	8	340	1,451	14	1,813
Bungalow	670	990	-	-	1,660
Flats	110	153	-	-	263
Shared Ownership	1	15	12	-	28
<b>Total</b>	<b>789</b>	<b>1,498</b>	<b>1,463</b>	<b>14</b>	<b>3,764</b>

### NOTE 3 – RENT ARREARS

Rent arrears at 31 March 2022 amounted to £692,000 (£742,000 in 2020/21) and are analysed as follows:

	31 March 2022 £'000	31 March 2021 £'000
<b>Rent Arrears Due From</b>		
Residential - Current Tenants	358	436
- Former Tenants	321	292
Non Residential - Garages	13	14
<b>Total</b>	<b>692</b>	<b>742</b>
These arrears include all charges due from tenants: rents, service charges and other charges.		
Allowance for bad debts	(405)	(398)

**NOTE 4 – ASSET VALUES**

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

	31 March 2022 £'000	31 March 2021 £'000
<b>Property, Plant and Equipment</b>		
Council Dwellings	184,572	176,134
Other Land and Buildings	283	283
Infrastructure – Housing Sewerage	225	362
Vehicles, Plant and Equipment	366	324
Surplus Assets	668	468
Community Assets	46	46
	<b>186,160</b>	<b>177,617</b>
<b>Non-operational assets</b>		
Assets Under Construction	161	131
<b>Intangible Non-Current Assets</b>	358	288
<b>Assets Held For Sale</b>	1,993	1,391
<b>Total</b>	<b>188,672</b>	<b>179,427</b>

**NOTE 5 – VACANT POSSESSION**

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

	2021/22 £'000	2020/21 £'000
Vacant possession value	441,663	419,367

**NOTE 6 – DEPRECIATION**

	2021/22 £'000	2020/21 £'000
<b>Depreciation</b>		
Council dwellings	3,879	3,497
Other Land and Buildings	4	-
Infrastructure - Housing Sewerage	137	145
Vehicles, Plant & Equipment	96	94
	<b>4,116</b>	<b>3,736</b>
<b>Amortisation</b>		
Intangible Assets	98	80
<b>Total</b>	<b>4,214</b>	<b>3,816</b>

**NOTE 7 – CAPITAL EXPENDITURE AND FINANCING**

	2021/22 £'000	2020/21 £'000
<b>Expenditure</b>		
Improvements and enhancements to Council Dwellings	4,448	2,969
New Build – Council Dwellings	5	1,258
Improvements to wastewater treatments	-	-
Purchase of Units	364	607
Vehicles, Plant & Equipment	96	19
Information systems	217	59
<b>Total Expenditure</b>	<b>5130</b>	<b>4,912</b>
<b>Financing</b>		
Capital receipts	457	1,676
Major Repairs Reserve	4,626	3,046
Grants and Contributions	47	190
<b>Total Financing</b>	<b>5,130</b>	<b>4,912</b>

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

	2021/22 £'000	2020/21 £'000
Sale of Council Houses under the Right to Buy Scheme	2,372	1,024
Repayment of RTB Discount	27	-
Shared Ownership Sales Proceeds	156	1,259
<b>Total from Disposals</b>	<b>2,555</b>	<b>2,283</b>

**NOTE 9 – MAJOR REPAIRS RESERVE**

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

	2021/22 £'000	2020/21 £'000
<b>Balance at 1 April</b>	<b>4,356</b>	<b>3,586</b>
Transfers from the HRA		
Depreciation	4,214	3,816
Funding set-aside for Capital Investment		
Financing of Capital Investment	(4,626)	(3,046)
<b>Balance at 31 March</b>	<b>3,944</b>	<b>4,356</b>

**COLLECTION FUND STATEMENT**

2020/21			2021/22			
Council Tax £'000	Non-Domestic Rates £'000	Total £'000		Council Tax £'000	Non-Domestic Rates £'000	Total £'000
(51,934)		(51,934)	<b>Income</b>			
	(19,747)	(19,747)	Council Tax receivable (Note 2)	(54,286)		(54,286)
			Non-Domestic Rates receivable (Note 3)		(22,857)	(22,857)
			Contributions towards previous year's Collection Fund deficit			
	(520)	(520)	Central Government		(3,698)	(3,698)
-	(430)	(430)	South Holland District Council		(2,958)	(2,958)
-	(113)	(113)	Lincolnshire County Council		(740)	(740)
<b>(51,934)</b>	<b>(20,810)</b>	<b>(72,744)</b>	<b>Total Income</b>	<b>(54,286)</b>	<b>(30,253)</b>	<b>(84,539)</b>
			<b>Expenditure</b>			
			Precepts, demands and shares			
	12,248	12,248	Central Government		12,519	12,519
6,241	9,799	16,040	South Holland District Council	6,480	10,015	16,495
38,110	2,450	40,560	Lincolnshire County Council	39,280	2,504	41,784
7,162		7,162	Police and Crime Commissioner for Lincolnshire	7,668		7,668
	2,882	2,882	Transitional Protection Payments		1,790	1,790
			Impairment of debts/appeals			
392	2,320	2,712	Increase in allowance for impairment	464	(416)	48
	266	266	Increase/(decrease) in provision for appeals (Note 4)		(251)	(251)
	104	104	Cost of Collection Allowance		105	105
	356	356	Renewable Energy		359	359
			Contributions towards previous year's Collection Fund surplus			
64	-	64	South Holland District Council	12	-	12
	-	-	Central Government		-	-
390	-	390	Lincolnshire County Council	75	-	75
66		66	Police and Crime Commissioner for Lincolnshire	14		14
<b>52,425</b>	<b>30,425</b>	<b>82,850</b>	<b>Total Expenditure</b>	<b>53,993</b>	<b>26,625</b>	<b>80,618</b>
<b>491</b>	<b>9,615</b>	<b>10,106</b>	<b>(Surplus)/Deficit arising during year</b>	<b>(293)</b>	<b>(3,628)</b>	<b>(3,921)</b>
(635)	564	(71)	Deficit/(surplus) at beginning of year	(144)	10,179	10,035
<b>(144)</b>	<b>10,179</b>	<b>10,035</b>	<b>Deficit/(surplus) at end of year (Note 5)</b>	<b>(437)</b>	<b>6,551</b>	<b>6,114</b>

**NOTES TO THE COLLECTION FUND STATEMENT****NOTE 1 – PURPOSE OF COLLECTION FUND STATEMENT**

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

**NOTE 2 – COUNCIL TAX RECEIVABLE**

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

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

The council tax base was calculated as follows:

<b>Band</b>	<b>No. of properties on Valuation List</b>	<b>No. of chargeable dwellings</b>	<b>Ratio</b>	<b>Band D equivalent dwellings</b>
A (with Disabled Relief)		38	5/9	21
A	15,927	11,849	6/9	7,899
B	9,098	7,714	7/9	6,000
C	10,156	9,054	8/9	8,048
D	4,287	4,301	9/9	4,301
E	1,907	1,780	11/9	2,175
F	390	370	13/9	534
G	109	99	15/9	165
H	13	9	18/9	18
Band D Equivalents				29,161
Allowance for non-collection (1.26%)				(367)
<b>District Tax Base</b>				<b>28,794</b>

The basic amount of council tax for a band D property including an average parish charge, £1,822.81 (2020/21 £1,808.01), is then multiplied by the ratio specified for the particular band to give an individual amount due.

**NOTE 3 – NON-DOMESTIC RATES RECEIVABLE**

Under the arrangements for non-domestic rates, the Council collects rates for its area based on local rateable values (determined by the Valuation Office Agency, an executive agency of HM Revenue and Customs) multiplied by the multiplier (determined by the Government). For 2021/22 there are two multipliers, the non-domestic rating multiplier of 51.2p and the small business non-domestic rating multiplier of 49.9p.

The Council's total Non-Domestic Rates Rateable Value at 31 March 2022 was £60.556m (31 March 2021 £61.124m).

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

The Collection Fund provides for a provision for appeals against the Rateable Value set by the Valuation Office Agency (VOA) not settled at 31 March 2022.

	Business Rate Appeals	
	£'000	£'000
<b>Balance at 1 April 2021</b>		<b>(1,595)</b>
Amounts used in 2021/22		65
Additional provisions made in 2021/22	(196)	
Unused amounts reversed in 2021/22	447	
		251
<b>Balance at 31 March 2022</b>		<b>1,279</b>

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

As at 31 March 2022, the net deficit on the Collection Fund is £6.114m (Net deficit £10.035m at 31 March 2021).

The Council Tax surplus is apportioned to the relevant precepting bodies based on the following year's Council Tax requirement. The Business Rates deficit relating to 2021/22 is apportioned to South Holland (40%), Central Government (50%) and Lincolnshire County Council (10%).

The balance on the Collection Fund is allocated as follows:

2020/21			2021/22	
Council Tax £'000	Non-Domestic Rates £'000		Council Tax £'000	Non-Domestic Rates £'000
	5,089	Central Government		3,276
(17)	4,072	South Holland District Council	(52)	2,620
(106)	1,018	Lincolnshire County Council	(323)	655
(21)		Police and Crime Commissioner for Lincolnshire	(62)	
<b>(144)</b>	<b>10,179</b>	<b>(Surplus)/deficit</b>	<b>(437)</b>	<b>6,551</b>

## GLOSSARY OF TERMS

### **Accounting Period**

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

### **Accruals Basis**

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

### **Actuarial Gains and Losses**

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

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

### **Appointed Auditors**

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

### **Balance Sheet**

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

### **Balances**

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

### **Capital Adjustment Account**

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

### **Capital Expenditure**

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

### **Capital Receipts**

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

### **Carrying Amount**

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

### **Cash Flow Statement**

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

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

CIPFA is the leading professional accountancy body for public services

### **Collection Fund**

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

### **Community Assets**

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

### **Contingent Liabilities or Assets**

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

### **Council Tax**

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

### **Council Tax Requirement**

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

### **Creditors**

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

### **Current Service Cost**

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

### **Curtailement**

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

### **Debtors**

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

### **Deferred Capital Receipts**

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

### **Defined Benefit Scheme**

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

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

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

### **Depreciation**

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

### **Earmarked Reserves**

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

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

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

### **Exceptional Items**

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

### **External Audit**

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

### **Expenditure**

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

### **Fair Value**

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

### **Finance Lease**

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

### **Financial Instruments**

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

### **General Fund**

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

### **Heritage Assets**

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

### **Housing Revenue Account**

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

### **Impairment**

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

### **Income**

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

### **Infrastructure Assets**

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

### **Intangible Assets**

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

### **Internal Borrowing**

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

### **International Financial Reporting Standards**

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

### **Joint Operation**

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

### **Liabilities**

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

### **Materiality**

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

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

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

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

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

### **Net Debt**

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

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

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

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

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

### **Non-Operational Assets**

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

### **Operational Assets**

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

### **Operational Boundary**

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

### **Operating Lease**

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

### **Precept**

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

### **Prior Year Adjustment**

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

### **Provision**

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

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

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

### **Related Parties**

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

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

### **Remuneration**

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

### **Reserves**

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

### **Revaluation Reserve**

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

### **Revenue Expenditure**

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

### **Revenue Expenditure Funded From Capital under Statute (REFCUS)**

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

### **Revenue Support Grant**

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

**Service Potential**

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

**Treasury Management**

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

**Treasury Management Strategy**

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

## **DRAFT ANNUAL GOVERNANCE STATEMENT**

**For the Year Ended 31 March 2022**

### **Scope of responsibilities**

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

In discharging this overall responsibility, South Holland District Council is also responsible for ensuring that there is a sound system of governance which facilitates the effective exercise of its functions, guarantees that the financial and operational management of the authority is effective and includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is due to be reviewed in line with the latest guidance. This work will be undertaken in 2022, this will be to ensure it is consistent with the principles of the latest CIPFA / SOLACE Framework Delivering Good Governance in Local Government guidance. A copy of the Council's code is on our website at [www.sholland.gov.uk](http://www.sholland.gov.uk) or can be obtained from the Council offices.

This statement explains how South Holland District Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to consideration of the findings of a review of the system of internal control and approval and publication of an annual governance statement.

### **The purpose of the Governance Framework**

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

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

The Governance Framework has been in place at South Holland District Council for the year ended 31 March 2022 and up to the date of approval of the Financial Statements.

### **The Governance Framework**

**Vision and Priorities** – the Council's ambition is to continue to increase the prosperity and wellbeing of residents and businesses, whilst striving to protect and enhance the district's environment and its unique and historic character. Council priorities are:

- To develop safer, stronger, healthier and more independent communities while protecting the most vulnerable,
- To have pride in South Holland by supporting the district and residents to develop and thrive,
- To provide the right services, at the right time and in the right way, and
- To encourage the local economy to be vibrant with continued growth.

**Quality of Services** - The Council has an established Performance Management Strategy which sets out how it monitors both performance and the delivery of objectives and risks. The framework for managing

performance has been completely reviewed in light of changes to the business planning and shared management arrangements, with new performance measures also being developed to reflect the change in central government policy to move away from national targets to those that better identify with local requirements’.

**Operational Governance** - The Council has produced an operational governance document whose purpose is to ensure the senior officers effectively manage the business of the Council, this document is reviewed regularly (last reviewed January 2022). The operational governance approach is wider than just SHDC and is used across the South & East Lincolnshire Councils Partnership. It covers the shared management officer led groups/boards which report to the Leadership Team as required. Each group/board is supported with agreed terms of reference and the minutes and actions are reviewed by Leadership Team. Leadership Team manages the business of the Council, including escalation of corporate level issues risks and decisions. The groups/boards cover a wide range of areas.

South Holland District Council also participates in the Lincolnshire Counter-Fraud Partnership and regular updates are circulated within applicable departments and partner organisations to ensure controls are amended as necessary.

**Constitution and Responsibilities** - A comprehensive document setting out the Council's constitution exists which sets out the clearly defined structure for the Council's organisational and decision-making arrangements based upon a Cabinet/Executive model. It sets out how the Council operates, what matters are reserved for decision by the whole Council, the responsibilities of the Cabinet and the matters reserved for collective and individual decisions, and the powers delegated to panels, committees and community councils. In essence the different roles can be summarised as follows:

- Council decides upon certain policies and other specialist functions that cannot be delegated elsewhere including the setting of the council tax,
- A limited number of policies are reserved to the Council, either by the Council's own choice or because they are allocated by law (together these are known as the Policy Framework). Subject to any specific legislative requirements, the Cabinet is responsible for all policies outside of the Policy Framework,
- For its most significant decisions, the Cabinet works to a Key Decision Plan of forthcoming decisions for up to twelve months ahead,
- All decisions, along with formal minutes of all committee meetings are published on the Council's website,
- The work of the Cabinet and the Council as a whole is supported by the Overview and Scrutiny Committees through the Policy Development Panel and the Performance Monitoring Panel and associated task and finish groups. The Panels scrutinise decisions made by the Cabinet, and those delegated to officers, and review services provided by the Council and its partners. The Panels have developed their own work programme for the review of Council services in addition to scrutinising the work of the Cabinet. The Panels can ‘call-in’ a decision which has been made by the Executive but not yet implemented,
- The Governance and Audit Committee is responsible for monitoring the effective development and operation of corporate governance in the Council. It provides independent assurance of the adequacy of the governance arrangements, including the risk management framework, the associated control environment, financial and non-financial performance including exposure to risk and potential threats to the control environment. It also has the responsibility for the approval of the Statements of Accounts and review of treasury policy and outturn.
- Separate committees exist for Planning and Licensing.
- Delegation arrangements to committees, the Executive and officers are set out in detail within the constitution, and
- Regular meetings take place between relevant senior officers and members of the Council to discuss and propose policy.

The constitution also includes sections on standing orders, financial regulations and conduct of meetings. The constitution as a whole is reviewed periodically with interim updates as and when appropriate. A complete review of the constitution was carried out in 2015/16 to ensure that it remains relevant and effective. Formal adoption of the revised constitution was made at Full Council in January 2016 and there is a standing item at Full Council for any minor updates to be made. The Constitution was updated in 2021/22 to reflect decisions taken by the Council in relation to the South and East Lincolnshire Councils Partnership.

Regulations to allow virtual meeting were introduced in early April 2020, following which all Council Meetings were held virtually via Zoom, these regulations ended on 6th May 2021 after which all meetings must continue on a face-to-face basis.

During this period, a number of temporary amendments were made to the Council's Constitution as well as additional temporary delegations to allow the Council to continue with its day-to-day business in a Covid compliant environment.

**Effective leadership** - The Constitution sets out roles and responsibilities for the Council and its standing committees, as well as the Leader, Cabinet and Portfolio Holders. All working groups have clear terms of reference for their work in supporting policy development and progress monitoring. Roles and responsibilities of Councillors are defined in both generic and specific job descriptions that have been tested through consultation and based on a recommended national model with some additional local interpretation. A clear Officer/Member delegation framework exists to provide clarity on the powers entrusted in those appointed to make decisions on behalf of the Council.

The Council has adopted a standard form of committee report which seeks to ensure that all matters coming to Councillors for decision have first received consideration in respect of all appropriate and necessary, legal, financial and professional matters, as well as risk. This has been expanded to include coverage of technical matters such as carbon footprint. The Council updates and publishes Key Decision and Exempt Decision Plans. These record all key and exempt decisions the Executive expects to make in the next twelve months.

**Policies, Procedures, Laws and Regulations** - The statutory officers of South Holland District Council are the Head of the Paid Service, the Monitoring Officer and the Section 151 Officer. They are responsible for staff and ensuring the Council acts within the law and in accordance with established policies and procedures. The Section 151 Officer is specifically responsible for the proper discharge of financial arrangements and must advise the Council where any proposal might be unlawful or where expenditure is likely to exceed resources, and to ensure that the authority's financial management arrangements conform to the governance requirements as set out in the Chartered Institute of Public Finance and Accountancy statement on the Role of the Chief Financial Officer (2010).

Compliance with established policies, procedures, statements, laws and regulations is ensured by the requirements of the constitution to give the Chief Executive, the Monitoring Officer and the Chief Finance Officer (Deputy Chief Executive (Corporate Development) & S151) the opportunity to comment on every report submitted to a decision making body. The Monitoring Officer has a legal duty to ensure the lawfulness and fairness of decision making.

The Council understands its legal powers and limitations, and seeks to ensure that it acts lawfully at all times. The Monitoring Officer is responsible for advising the Council if any proposal, decision or omission is likely to give rise to unlawfulness or maladministration.

The statutory officers are also members of the authority's Leadership Team. Service Managers are responsible for ensuring that legislation and policy relating to service delivery and health and safety are implemented in practice.

**Working relationships** - The Constitution of the Council sets out a number of delegated authorities for Officers, including the conditions of such delegations. Other delegations may also be granted separately from the constitution and these are recorded in a log maintained by the Monitoring Officer.

All staff have conditions of employment and job descriptions that set out their roles and responsibilities. There is also a competency framework. The framework defines the competencies required of each post in the Council so that individuals can be assessed against them to identify suitability for the posts, areas of strength and areas for further development. Competencies can be used to measure how well we do things and are essential to the performance management process. The competencies provide consistent standards across the organisation, which align to the corporate Core Values and help to identify the types of behaviour the Council wishes to promote, develop and engender.

**Codes of Conduct** - The Council's constitution contains codes of conduct applying to members as well as a protocol for councillor/officer relationships. These have enabled the authority to develop an inclusive culture over the years, whereby members and officers work together to deliver the Council's vision and quality services

to its residents. The codes include reference to the need to declare any interests which may conflict with the individual's role at the Council and such registers for councillors and officers are maintained by the Council.

**Complaints** - The Council has in place a Whistle-blowing Policy as well as a compliments and complaints procedure that ensure that any referrals are fully investigated, properly resolved and learning applied to service delivery. Systems and procedures have been enhanced to ensure that complaints/service requests are a cornerstone of the management approach of the Council.

**Partnership working** - The Financial Regulations of the Council set out the principles of effective management of resources when working in partnership, including the setting of clear objectives and management of financial and delivery risks.

**Group Companies** - Public Sector Partnership Services Ltd, (PSPS), formerly Compass Point Business Services (East Coast) Ltd. (CPBS) was set up by South Holland and East Lindsey District Councils in August 2010 to deliver human resources, customer services, ICT, revenues and benefits, and financial services to the two authorities. A review of the PSPS contract took place to include Boston Borough Council as a shareholder with effect from 1st April 2021.

South Holland District Council owns a 28% stake in the company with the remaining share being owned by East Lindsey District Council (48%) and Boston Borough Council (24%).

The PSPS Board of Directors includes Councillors and Chief Officers of both authorities. The company has regularly reported its progress on performance of services to the Council client liaison's, with quarterly shareholder performance being subject to Scrutiny.

An annual business plan is approved by Council. The ongoing governance arrangements are set out in the Service Level Agreement (SLA), and a Management Agreement is in place that sets out the partnership arrangements, principles and parameters.

The Council is the sole shareholder of South Holland Local Housing Community Interest Company. The board of directors are responsible for preparing the Director's report, financial statements and governance arrangements for the company.

Welland Homes Limited was set up during 2015/16 and became fully operational in 2016/17 with the Council as the sole shareholder. The Board of Directors is responsible for preparing the Director's report, Financial Statements and governance arrangements for the company. Officers of the Council work within this framework to deliver services to the company and Welland Homes operates within the governance arrangements of the Council when delivering services to the authority.

### **Transparency**

The Council strives to be publicly accountable and to present its work with openness and transparency. As such, the authority routinely publishes data on its website in accordance with the requirements of the Local Government Transparency Code 2015. In addition, Committee reports, minutes and decision records are all available on the website. The Council also applies the principle that everything is publically available unless there is a substantial reason for not doing so.

### **Functions and roles**

#### **Financial management**

The Deputy Chief Executive (Corporate Development) & S151 is designated the responsible officer for the administration of the financial affairs of the Council under S151 of the Local Government Act 1972. This includes ensuring the lawfulness and financial prudence of decision making; providing advice, particularly on financial impropriety, publicity and budget issues, giving financial information; and acting as the Council Money Laundering Reporting Officer. The Section 151 Officer is specifically responsible for the proper discharge of financial arrangements and must advise the Council where any proposal might be unlawful or where expenditure is likely to exceed resources, and to ensure that financial management arrangements conform to the governance requirements as set out in the Chartered Institute of Public Finance and Accountancy statement on the Role of the Chief Financial Officer.

The Council operates a strong financial management framework to ensure the lawful and best economic use of the Council's assets. Financial regulations are supported by effective financial procedures underpinned by the work of internal and external audit. Financial regulations and contract procedure rules are periodically reviewed to ensure they remain effective in supporting sound internal control.

### ***Risk Management***

The Council's risk management arrangements are embedded in its Corporate Risk Management Strategy and risk registers. South Holland District Council has developed its performance system to maintain a register of the key strategic risks it considers it faces along with the actions planned or taken to mitigate these risks, which have been monitored by the Performance Clinic and the Governance and Audit Committee on a regular basis. Risk logs are also being used to manage the risks for key projects and partnerships, along with other project management techniques, and all key decisions are required to be assessed for risks. All committee reports contain a mandatory risk section to ensure that members can consider the risks and opportunities of any recommendations or options, so that the consideration of risk forms an integral part of all decision making.

### ***Data Protection***

Following the implementation of the General Data Protection Regulation (GDPR) 2016/679 and Data Protection Act 2018 our policies, practices and procedures have been updated and continue to be updated to reflect changes and guidance as it is issued. Data Protection continues to be a priority and is being overseen by the Assistant Director - Governance. Progress is reported to the Leadership Team periodically

### ***Councillor and officer development***

The Council has a Councillor Development Working Group and provides opportunities to all members to undertake appropriate Development, both on first election and on an on-going basis. In addition, certain regulatory committees require member training before undertaking that role.

Staff performance is managed using a performance development framework. The Performance Development Review (PDR) process improves communications and ensures employees have clear objectives and an understanding of how they contribute to corporate priorities and goals. All Council employees have a minimum of one annual Performance Development Review which is followed up and monitored by the reviewer and reviewee throughout the year. PDR's include a process for identifying training and development needs, setting objectives, providing a mechanism for feedback, in addition to aligning to the corporate core values and competence frameworks required by staff.

There is a strong working relationship between Councillors and staff, and the Council aims to ensure that they have the skills, resources and support needed to perform effectively in their roles. The Council has an embedded induction process and a continuous development ethos.

Senior officers are also expected to keep abreast of developments in their profession at all times and attend suitable training to maintain their professional competency.

### ***Community engagement***

The Council is committed to listening to and involving the community and consistently demonstrates that it does, therefore both the Medium Term Financial Plan and the Corporate Plan went out for public consultation prior to adoption. Our consultation processes provide useful feedback on services, public perceptions and quality of life; we provide guidance on good practice and we profile respondents to better understand equalities implications. The Housing Service employs a tenant engagement officer to work closely with our tenants, some of whom are also our most vulnerable, and understand their specific needs.

### ***Review of effectiveness***

South Holland District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Assistant Directors within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Consortium Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The review of effectiveness covers all group activities undertaken by the Council with other partners.

**The Council** approves and keeps under regular review all the strategic policies which it reserves for its own consideration, including:

- The Constitution,
- The Corporate Business Plan,
- The Medium Term Financial Plan and Capital Strategy,
- The Licensing Authority Policy Statement,
- The Corporate Asset Management Strategy,
- The Treasury Management and Investment Strategies, and
- The Gambling Policy.

**The Leader**

- Executive powers vest in the Leader and the Leader has approved delegations to the Cabinet and Executive Members (Portfolio Holders). The Leader exercises executive functions which have not been expressly delegated to Cabinet or the other Executive Members.

**The Cabinet** is appointed by the Leader and carries out the executive functions of the Council as required by legislation and the Council's constitution and accordingly:

- Takes executive decisions,
- Approves policies other than those reserved for Council, and
- Recommends to Council policies and budgetary decisions.

**The Executive** consists of the Leader and Executive Members (Portfolio Holders), who together are the Cabinet and most day to day 'executive' decisions fall to the Executive under the law.

**The Overview and Scrutiny Committees** may undertake any work relating to the four key principles of scrutiny as follows:

- Hold the Executive to Account (Call-In),
- Performance Management,
- Assist Policy Development and Review, and
- Internal/External Scrutiny.

**The Governance and Audit Committee**

- Considers and approves audit plans,
- Considers audit reports,
- Comments on the work of audit in addressing the authority's significant risks,
- Satisfies itself that the control and governance arrangements have operated effectively by considering audit and risk reports and undertaking ad hoc reviews,
- Annually self-assess themselves against best practice guidance to check their effectiveness,
- Approves the Statements of Accounts,
- Reviews treasury policy and performance, and
- Consider standards issues.

**Leadership Team (LT)**. LT review corporate responsibility, direction and delivery of corporate plan, direction and delivery of resources, horizon scanning and key controls. LT receives regular reports from a variety of governance boards which have been set up to manage corporate performance and risk. These boards cover performance and risk, employee relations, safeguarding, health and safety, emergency planning, and finance, as well as the statutory officers group. There are a number of other groups covering cross cutting themes and specific services.

**Managers** have carried out self-assessments of the processes and controls they have in place to allow them to achieve their service objectives. These are reviewed by Finance to provide assurance that effective controls were in place.

**External Auditors** review the Council's arrangements for:

- Preparing accounts in compliance with statutory and other relevant requirements,
- Ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice, and

- Managing performance to secure economy, efficiency and effectiveness in the use of resources.

External audit is provided by Ernst & Young LLP (EY). Following the annual audit EY issues an Audit Results Report to the Governance and Audit Committee covering the opinion on the financial statements, value for money and the Whole of Government Accounts submission. The Council takes appropriate action where improvements need to be made.

### **Internal Audit**

The S151 Officer has provided the Internal Audit service through a contract with Eastern Internal Audit Services Ltd which monitors the effectiveness of the control environment and reports specific recommendations to the senior management and the Governance and Audit Committee. **The Head of Internal Audit** provides an independent opinion on the framework of governance, risk management and control, which is incorporated in the Annual Report and Opinion. The Head of Internal Audit also places reliance on the outcomes of the work undertaken by East Lindsey District Council in relation to the services provided by Public Sector Partnership Service Ltd.

The internal audit conclusions are scored as either Substantial, Reasonable, Limited or No assurance by internal audit.

From the work undertaken by Internal Audit during the year, the Head of Internal Audit provides an opinion on the effectiveness of South Holland District Council's arrangements for governance, risk management and control; for the 2021/22 financial year the opinion concluded is of reasonable assurance.

During 2021/22 a total of twelve assurance reviews have been completed, eight of these reports concluded in a positive assurance grading. Two reviews, Private Sector Housing DEFG's and Corporate Health and Safety, received a limited assurance grading. For three areas; Covid-19 Business Grants, Licensing, Housing Benefit Subsidy a Substantial assurance grading was given.

Audit Lincolnshire have concluded their testing of Key Financial Controls and have indicated a reasonable assurance overall, the draft report containing recommendations for management consideration is imminent

### **Significant Governance Issues**

All issues raised are subject to action plans to improve the control environment.

The following items have been identified, from the internal audit Annual Opinion, for inclusion in the Annual Governance Statement:

Significant findings raised in 2021/22 which should be reported in the AGS until resolved, these are detailed as follows:

- In 2019/20, the private sector housing report was given a No Assurance grading. A total of 28 recommendations; 16 urgent, six important and six needs attention recommendations were originally raised. The 2021/22 audit has indicated that progress has been made with a further three urgent and five important actions agreed to support the further work required to fully implement the original recommendations, a significant improvement in the control framework in this area is however indicated.
- The audit of Corporate Health and Safety, resulting in a Limited assurance grading. It is confirmed that seven of the eight medium priority recommendations relating to this review have now been resolved, the remaining recommendation (relating to Actions arising from H&S Audits / Inspections be recorded and followed up, through to conclusion) has been reported as partially implemented.

### **Covid-19**

The COVID-19 pandemic started mid-March 2020 and so this has had a huge impact that inevitably continues to remain with the organisation. It has affected finances, organisational capacity, and delivery of services, performance and the democratic process. The affect has been both temporary with alternative arrangements put in place; through to affects still being experienced which will inevitably have a longer term

impact. We believe that some of those longer term impacts have yet to manifest themselves due to the protective measures put in place by the government; and we cannot currently know the levels of unemployment, poor health, homelessness and business failure that will arise over the next few months and years that will require a community response and are likely to create pressures for a number of our services.

Whilst the impact on council income, and the additional costs of response, has been significant, the levels of specific government funding have allowed the Council to maintain its balances and operate within its overall budget. The Section 151 Officer has regularly reported on the potential short fall of income to the council, an income that we are very dependent upon and is very much related to us being an area heavily reliant on the visitor economy.

COVID-19 has also impacted on the targets as set out in the Performance Framework, and the aims and objectives of the Service Plans. The original targets have been reviewed, and new targets and priorities related to COVID-19 response work have regularly been reported to the Council.

The democratic process was enabled through virtual Council Committee meetings. These were successful and Members were able to effectively and easily contribute to the decision making process.

SHDC was a partner in the Lincolnshire Resilience Forum during the emergency response, and believes that continuing to work in partnership is a good way of moving forward and enabling a recovery process. So we will continue to engage in the Recovery as co-ordinated by Lincolnshire County Council. SHDC also have a plan to support our own recovery from a service and community perspective.

### **Shared Management**

In October 2020 a strategic review of the shared management structure between South Holland and Breckland Councils was commissioned. Both councils have successfully developed and operated a shared management model for over 10 years which has been replicated across the Local Government sector, however during the covid-19 pandemic there was a 'temporary uncoupling' of shared managers to enable each council to focus on their own 'places'.

As a result of this successful place based working and the evolving needs to provide service to our residents to meet the challenges of the Covid-19 pandemic, Full Council approved in February 2021 that the existing shared management arrangements with Breckland would end with effect from May 2021. Staff have been 'landed' in their new roles at either South Holland or Breckland Councils, there were no redundancies. Some sharing of other services is continuing (such as legal and procurement) in the same manner as prior to May 2021.

As a result of these changes, the internal governance arrangements are being reviewed in 2021/22 to reflect the new structure which took effect on 1 May 2021.

### **Formation of the South & East Lincolnshire Councils Partnership**

In July 2021 BBC, ELDC and SHDC formed the South and East Lincolnshire Councils Partnership with an initial agreement to appoint 3 shared statutory officers (Head of Paid Service, Monitoring Officer and S151 Officer) in the first instance. Following this a Partnership Business Case was developed and approved by Council that also secured agreement for the implementation of a shared Corporate Management Team. This is now in place with some wider officers sharing on a temporary basis within the Partnership in line with Section 113 of the Local Government Act 1972. The Partnership aims to save significant sums of money, whilst enhancing service provision and creating operational efficiency and resilience.

There will be a period of readjustment for the staff and the Members of both Councils as a new way of working is developed and put in place over time across the Partnership, and the opportunities for reductions in cost to be realised. The anticipated savings (set out in Business Case) will also need to be carefully monitored in order to successfully deliver the savings commitment.

As a result of these changes, the internal governance arrangements were reviewed during the year and changes are reflected in this document.

**Certification**

We are satisfied that appropriate arrangements are in place to address improvements identified in our review of effectiveness. Progress on these improvements and mitigation of risks will be monitored by the Leadership Team and Governance and Audit Committee through the year and be considered in our next annual review.

**Rob Barlow**  
**Chief Executive**

**Date:**

**Lord Porter of Spalding**  
**Leader of the Council**

**Date:**