

LINCOLNSHIRE
COUNTY COUNCIL

STATEMENT OF
ACCOUNTS

2025 - 2026



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INTRODUCTION TO THE ACCOUNTS

The purpose of the published Statement of Accounts is to give electors, local taxpayers, service users, elected members, employees, and other interested parties clear information about the Council's finances. It should answer such questions as:

- What did the Council's services cost in the year of account?
- Where did the money come from?
- What were the Council's assets and liabilities at the year-end?

Narrative Report

The narrative report provides a general introduction to the Accounts that focuses on explaining the more significant features of the Council's financial activities during the financial year. It includes a review of non-financial performance indicators and an assessment of future financial and economic developments that could affect the Council. Together these statements provide evidence of the economy, efficiency, and effectiveness of the Council's use of resources over the financial year.

Statement of Responsibilities

The Statement of responsibilities for the statements of accounts details the financial responsibilities of the Council and the Executive Director of Resources.

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost of providing services throughout the year in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation 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.

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. Reserves are 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 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 for the year. The Net Increase/(Decrease) line shows the statutory General Fund Balance movements in the year following those adjustments.

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 is usable reserves of money 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

INTRODUCTION TO THE ACCOUNTS

use (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council cannot use to provide services. This category 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'.

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 (i.e. borrowing) to the Council.

Notes to the Accounts

The Notes to the Accounts summarise significant accounting policies, further information, and detail of entries in the prime Statements named above and other explanatory information.

Lincolnshire Fire and Rescue Pension Fund Accounts

The Lincolnshire Fire and Rescue Pension Fund Account shows the operation of the Pension Fund run by the Council for its own Fire-fighter employees.

Lincolnshire Pension Fund

The Lincolnshire Pension Fund shows the operation of the Fund run by the Council for its own employees and employees of the seven District, City and Borough Councils in Lincolnshire along with other scheduled and admitted bodies.

Audit Opinion

The Audit Opinions contain the External Auditor's report and opinion and covers the Council's Financial Statements, Lincolnshire County Council Pension Fund and the Lincolnshire Fire and Rescue Pension Fund.

Annual Governance Statement

The Annual Governance Statement identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for.

NARRATIVE REPORT

Introduction

Welcome to Lincolnshire County Council's Statement of Accounts for the financial year 1st April 2025 to 31st March 2026. This Narrative Report to the accounts summarises key financial information, reviews performance in the year and explains any significant areas of risk and opportunity for us. It then looks forward to the future to give a flavour of what to expect in 2026/27 and beyond.

The Statement of Accounts which follow this Narrative Report, provide information about the Council's financial performance during 2025/26 and about our financial position as of 31st March 2026. The Statement of Accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 and means that almost all the information reported in these accounts follows generally accepted accounting principles and provides a consistent basis upon which to compare 2025/26 with 2024/25.

Throughout the financial year the Council reports, both internally to its leadership team and externally in the public domain, on actual financial performance compared with the annual budget. A summary of this is included in both this Narrative Report and within the accounts.

Background Information

Lincolnshire County Council is an 'upper tier' local government body, within a two-tier system, situated within the East Midlands. The Council has responsibility for the provision of services within Lincolnshire, which despite having a relatively low population of around 790,000, is geographically the second largest County in the UK.

The services that Lincolnshire County Council provides are within,

- Education
- Children's Social Care
- Adult Care and Community Wellbeing
- Highways
- Economic Development
- Libraries
- Heritage Sites
- Fire and Rescue
- Emergency Planning

NARRATIVE REPORT

Due to the impact of real term funding reductions for services and an increase in demand for many of the statutory services, many Local Authorities across the UK, including Lincolnshire County Council, are having to consider the real possibility of making reductions to other services in order to protect budgets, as much as possible, for the statutory services they have a duty to provide. This results in the Council needing to make complex decisions around additional income generation and cost efficiencies whilst balancing the quality of services offered and of course, value for money.

We have seventy elected members and operate a "Leader and Executive" model of decision making. The Executive makes the decisions that deliver the budget and policy framework of the Council and there are several committees which scrutinise decisions made by the Executive and hold members of the Executive to account.

We operated a delivery model to deliver services through Directorates in 2025/26, and we take a "One Council" approach which means that related services across the Council join to achieve our objectives. During the year services were divided between the four Executive Directors, the Chief Fire Officer and the Chief Executive. They had overall responsibility for delivering strategies and plans within their areas. The areas are:

- Children's Services
- Adult Care and Community Wellbeing
- Place
- Fire and Rescue
- Resources and Corporate Services.

In addition to this, the Council is also the administering authority for the Local Government Pension Scheme in Lincolnshire.

Council services were delivered to Lincolnshire's residents, businesses and visitors by our staff, our partners and by our commissioned suppliers. To both support and ensure the delivery of high-quality services, the Council have relevant policies in place for areas such as staffing, training, governance and procurement.

NARRATIVE REPORT

Key financial information and performance 2025/26

Budget Book and Review of Financial Performance

Detailed financial planning for the 2025/26 financial year took place during Autumn 2024 at which point both the uncertain economic environment and unprecedented demand for many of the council services continued to contribute towards a significant financial risk for the council. Despite recognising the level of increased financial risk, and against a backdrop of Government Funding for the 2025/26 year only, impacting the council's ability to forecast the long-term financial picture as accurately as it could if actual funding was secured for several years, the council took the decision to increase council tax by just 2.99% which is 2% less than the maximum 4.99% level available and was inclusive of 2% for the adult social care precept. This decision aimed to minimise the financial burden on residents whilst still addressing rising service costs. We also saw growth of 1.38% in the collective taxbase set by the Lincolnshire District Council's in 2025/26. This, together with the 2.99% increase in Council Tax, increased the level of resources by £17.0m, effectively increasing the spending power of the organisation at a time when the cost base was increasing significantly.

Delivering our corporate strategy and prioritising our resources needed to be planned for despite this uncertain and volatile environment and as in previous years, the Council's use of resources was both reported to and closely monitored and scrutinised by the Executive committee on a quarterly basis. The Council's use of resources has been managed as efficiently and effectively as possible, despite the volatile environment we were faced with and we have been able to navigate our way through another challenging year, whilst still delivering key priorities and providing value for money.

The main areas that have led to increased pressure on the Council's finances can be categorised as either economic or service-based pressures.

Some of the economic-based cost pressures during 2025/26 were as follows.

- Pay inflation and increased National Insurance costs
- Increase in the National Living Wage
- Demographic growth in and around Lincolnshire
- Wider inflationary pressures on utilities and other costs

Some of the service-based cost pressures during 2025/26, which mirrored those experienced in 2024/25, were as follows.

- An increase in the number of children in care and children with special educational needs and disabilities (SEND)
- An increase in the number of adults requiring social care services

NARRATIVE REPORT

- An increase in the demand for Adult Specialities across Mental Health and Learning Disability services.
- An increase in Educational Transport costs, both due to an increase in demand for the service and in the impact of inflation on the running costs of providing the service.

Despite the level of economic uncertainty and the increased demand for many of the Council's services, the Council achieved an underspend in 2025/26 of £0.499m, before carrying forward outturn variances up to the value of 1%. This reflects the sound financial management across the Council which is enabled by the provision of both high quality and well-run services.

The Review of Financial performance for 2025/26 being presented to the Executive Committee on 14 July 2026, states that the Council's carry forward process determines how the residual £0.499m outturn underspend is utilised. There are a series of adjustments to note which are made in line with the Council's financial regulations, in addition to a series of adjustments proposed which seek to ensure the most appropriate use of the residual carry forward after financial regulation adjustments have been applied.

For detailed explanation and narrative on the position above both in terms of the budgeted and actual outturn position, a copy of the Budget Book for 2025/26 and the quarterly Financial Performance Reports to the Executive Committee can be accessed by following the links below.

[Budget Book 2025 26](#)

[Lincolnshire County Council Committee meeting minutes - Executive](#)

The table below shows the outturn position for each Council directorate. The outturn position varies from the total net expenditure in our comprehensive income and expenditure statement due to the different accounting basis on which these financial accounts are prepared.

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Revenue Budget Outturn Position 2025/26 and 2024/25 (£'000s)

Council Directorate	Revised Budget 2025/26 £'000	Actual Net Expenditure 2025/26 £'000	Year End Variance 2025/26 £'000	Year End Variance 2025/26 %	Actual Net Expenditure 2024/25 £'000	Increase / (Decrease) in Actual Net Expenditure £'000	Increase/ (Decrease) in Net Expenditure %
Children's Services	140,210	144,544	4,334	3.0	123,487	21,057	17.1
Adult Care and Community Wellbeing Place	277,522	281,036	3,513	1.3	210,673	70,363	33.4
Fire & Rescue	151,396	152,989	1,593	1.0	148,230	4,759	3.2
Resources	29,389	29,888	499	1.7	26,477	3,411	12.9
Corporate services	91,742	89,450	(2,292)	(2.6)	81,495	7,955	9.8
	3,127	2,923	(204)	(7.0)	2,977	(54)	(1.8)
Service Total	693,386	700,829	7,443	1.1	593,340	107,490	18.1
Other Budgets	61,617	54,590	(7,027)	(11.4)	92,299	(37,709)	(40.9)
Total Net Expenditure (Excluding Schools)	755,003	755,418	416	(1.0)	685,639	69,780	10.2
Use of Reserves	(26,643)	(26,643)	0	0.0	(36,455)	9,812	(26.9)
Funding	(725,282)	(726,196)	(914)	0.1	(655,196)	(71,000)	10.8
Total Funding including use of Reserves	(751,925)	(752,839)	(914)	0.1	(691,651)	(61,188)	8.8
Total Outturn (Excluding Schools)	3,078	2,579	(498)	16.2	(6,012)	8,592	(142.9)
Schools	9,625	23,031	13,406	139.3			
Transfer from Schools Reserves	(12,703)	(12,703)	0	0.0			
Total Schools Outturn	(3,078)	10,328	13,406	435.5	(1,419)	11,747	(827.8)
Total Outturn (Including Schools)	0	12,907	12,907	0.0	(7,431)	20,339	(273.7)

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Sources of Funding

Our services are funded by various sources of income. The most significant of these are:

- Council Tax
- Business Rates
- Government Grants
- Fees and Charges for Services
- Dedicated Schools Grant (DSG)

The DSG is a specific grant, and the conditions of grant make clear that it can only be spent on the Schools Budget, and not on other aspects of local government expenditure. See Note 36 on page 121.

Our expenditure during the year is also supported by drawing down agreed amounts from our useable reserves (See Note 11 on page 56). These reserves are cash-backed and are available to the council to finance its activities in future years and are made up of.

- Capital Grants Unapplied – This reserve holds capital grants where all grant conditions have been met but are yet to be used on capital expenditure due to be spent in future years.
- Earmarked Reserves – This reserve is used for specific planned future spend for policy purposes or to cover contingencies.
- General Fund – This is a statutory fund to hold the balance of useable reserves that are not earmarked for specific future expenditure.

The level of usable reserves, the spending plans of the authority and other sources of funding will determine how much council tax needs to be raised in future years.

The movement in reserves statement (MIRS) (See Note 10 on page 53) analyses the changes in each of the authority's reserves from year to year. It should be clear to see what has caused the movement in each reserve.

In total, funding in 2025/26 amounted to £1,581.812m, an increase of £93.151m on the £1,488,661m total funding for 2024/25. This includes the use of reserves which amounted to £52.253m in 2025/26, an increase of £6.836m on £45.417m in 2024/25.

The following table and pie charts show the amounts and proportion received from each main source of funding in both 2024/25 and 2025/26.

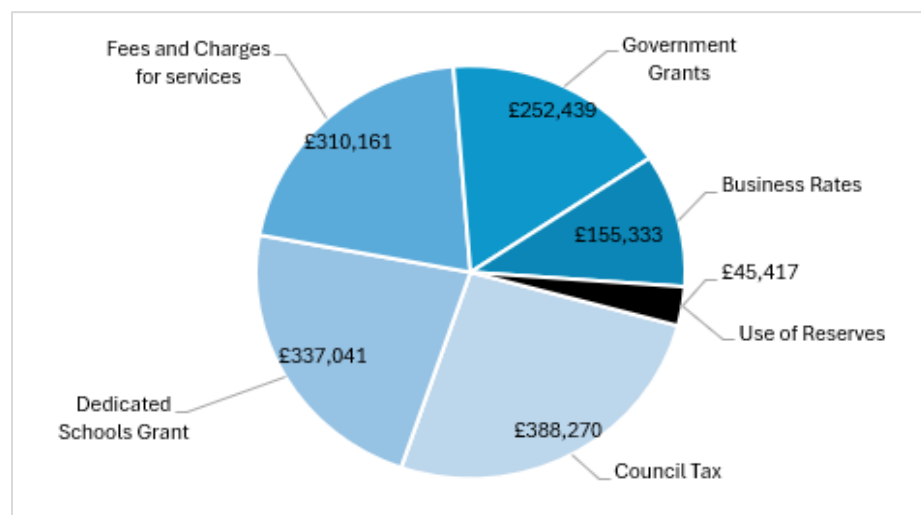
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Sources of Income Analysis 2024/25 & 2025/26 (£'000s)

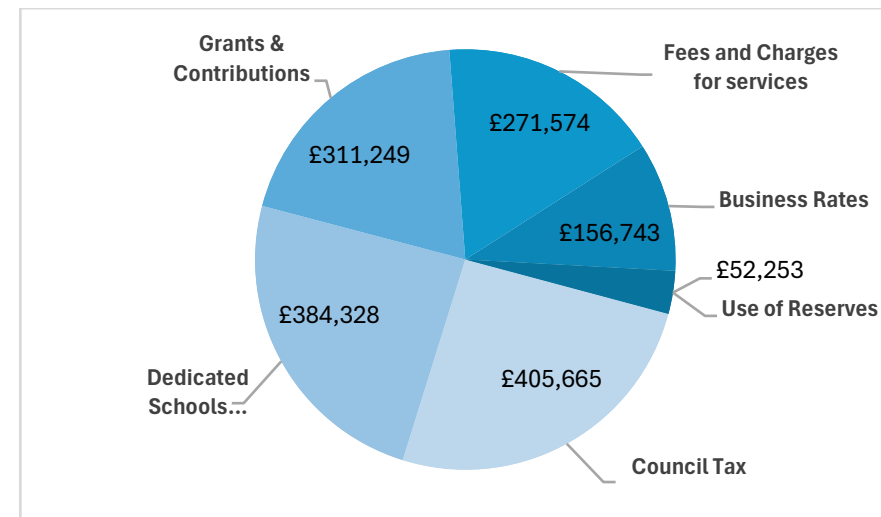
Source of Income	2024/25 £'000	% of Total Income 2024/25	2025/26 £'000	% of Total Income 2025/26	Increase in funding £'000	Increase in funding %
Council Tax	388,270	26.1	405,665	25.6	17,395	4.5
Business Rates	155,333	10.4	156,743	9.9	1,410	0.9
Fees and Charges for services	310,161	20.8	271,574	17.2	(38,587)	(12.4)
Government Grants	252,439	17.0	311,249	19.7	58,810	23.3
Dedicated Schools Grant	337,041	22.6	384,328	24.3	47,287	14.0
Use of Reserves	45,417	3.1	52,253	3.3	6,836	15.1
Total Income	1,488,661	100.0	1,581,812	100.0	93,151	6.3

The table shows that the proportion of each source of Income for both 2024/25 and 2025/26, as a % to total income, has remained fairly static with the three largest sources of income being Council Tax, Government Grants and the Dedicated Schools Grant. These three sources of funding account for 69.6% of the Council's total funding for 2025/26 (69.5% 2024/25). The use of reserves also increased from £45.417m in 2024/25 to £52.253m in 2025/26.

Sources of Income Analysis 2024/25 - £1,488,661 (£'000)



Sources of Income Analysis 2025/26 - £1,581,812 (£'000)



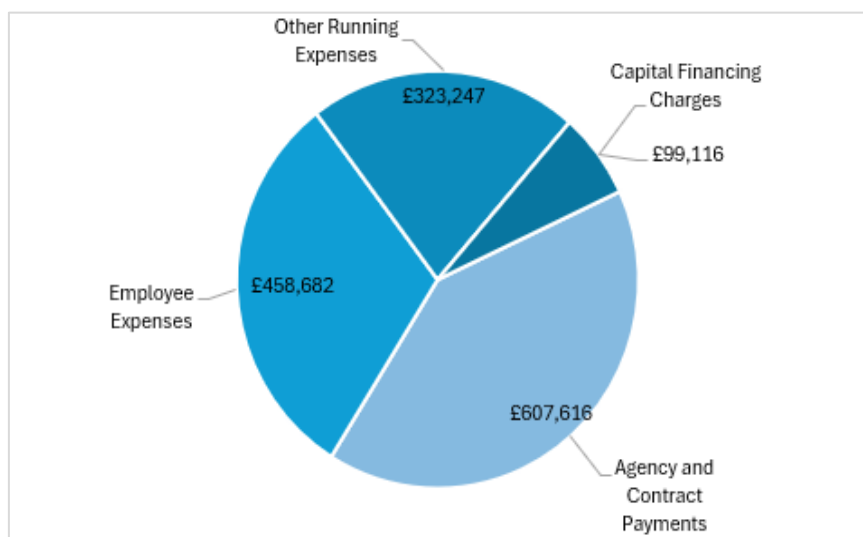
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Expenditure

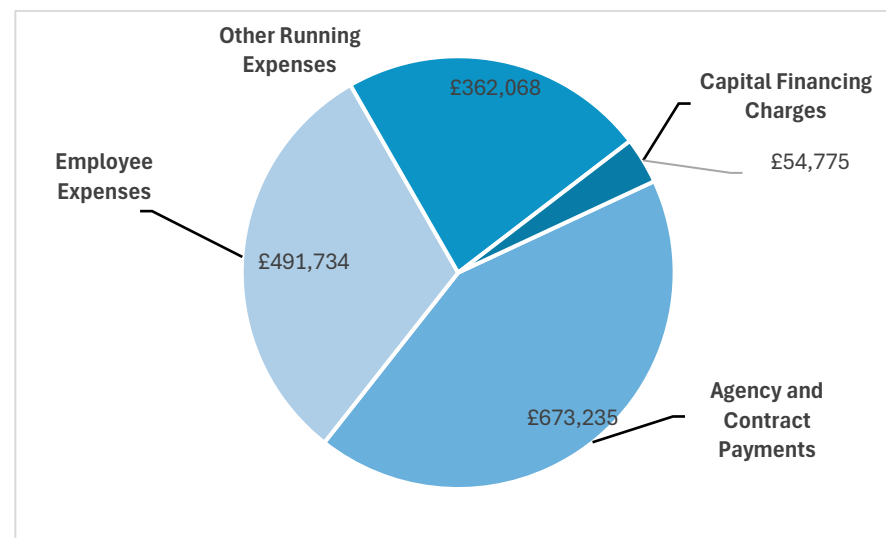
The Council's finance procedure rules require that both income and expenditure are monitored and compared with the approved budget throughout the financial year, and that a report be submitted to the Executive on the overall position every three months, providing a detailed description of any significant variances. Three quarterly updates were provided to the Executive during 2025/26 providing an update of the overall forecast position in addition to any corrective action being taken.

The Council's annual revenue spending on providing public services is set out in the following charts and analyses expenditure both by type of expenditure and by type of service provided.

Gross Expenditure Subjective Analysis 2024/25 - £1,488,661 (£'000)



Gross Expenditure Subjective Analysis 2025/26 - £1,581,812 (£'000)



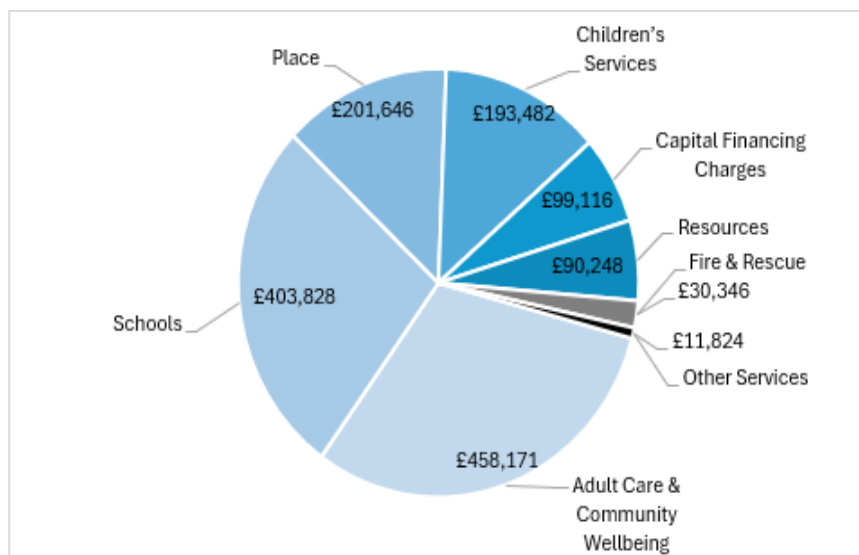
The subjective analysis of the council's total expenditure for the year shows how the Council uses its financial resources on different types of expenditure and shows that we rely on both our own employees and on contractors to deliver services to the community.

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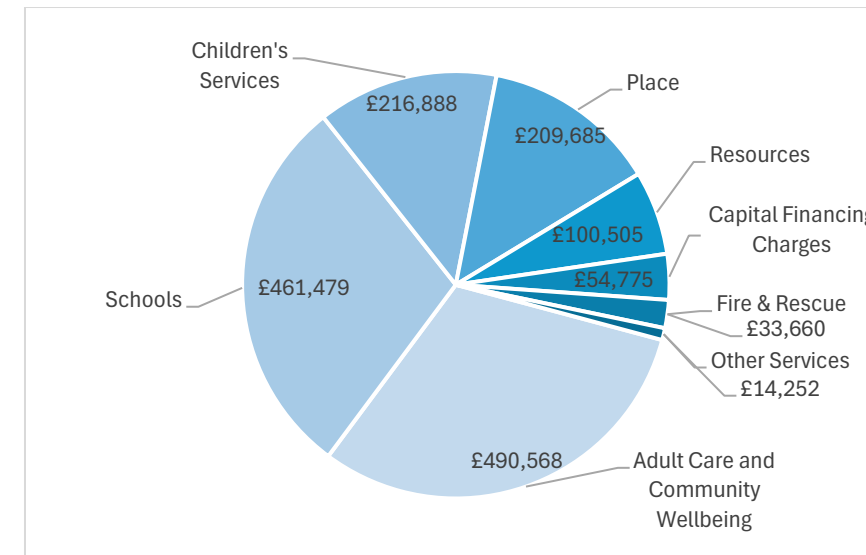
Total Expenditure Analysis by Service Area 2024/25 & 2025/26 (£'000s)

Service Area	2024/25 £'000	% of Total Expenditure 2024/25	2025/26 £'000	% of Total Expenditure 2025/26	Increase/(Decrease) in Expenditure £'000	Increase/(Decrease) in Expenditure %
Adult Care & Community Wellbeing	458,171	30.8	490,568	31.0	32,397	7.1
Schools	403,828	27.1	461,479	29.2	57,651	14.3
Place	201,646	13.5	209,685	13.3	8,039	4.0
Children's Services	193,482	13.0	216,888	13.7	23,406	12.1
Capital Financing Charges	99,116	6.7	54,775	3.5	(44,341)	(44.7)
Resources	90,248	6.1	100,505	6.4	10,257	11.4
Fire & Rescue	30,346	2.0	33,660	2.1	3,314	10.9
Other Services	11,824	0.8	14,252	0.9	2,428	20.5
Total Expenditure	1,488,661	100.0	1,581,812	100.0	93,151	6.3

Gross Expenditure Service Analysis 2024/25 - £1,488,661 (£'000)



Gross Expenditure Service Analysis 2025/26 - £1,581,812 (£'000)



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The Gross Expenditure by Service pie charts and table above analyses total gross revenue expenditure by service area for both 2024/25 and 2025/26 with the increase or decrease in the level of expenditure, per service area, calculated.

Total gross expenditure has increased by £93.151m, or 6.3%, since 2024/25. There are two service areas, Adult Care & Community Wellbeing and Schools, that account for over half of the Council's revenue expenditure. 60.2% of total expenditure was used for these two service areas in 2025/26 compared with 57.9% in 2024/25. Both areas continued to see an increase in demand for their services during 2025/26, and this trend is expected to continue into 2026/27 and beyond. The Executive Review of Financial Performance Report for 2025/26 being presented to the committee on 14 July 2026 states that:

“Community services experienced sustained demand growth, particularly in direct payments and extra care. During the year, 126 additional people entered direct payment arrangements and a further 7,158 hours of extra care were delivered. These pressures were partially offset by underspends in other areas, notably long-term residential care, with community services reporting an overall overspend of £1.357m. Demand within Community Supported Living also continued to exceed expectations, with the number of new clients doubling over the year. While strengthened processes through the improvement programme have reduced the average weekly cost of care to £858 (against an assumed £1,200), the scale of demand contributed to an overspend of £1.184m within Specialist Adult Services.

Demand within Community Supported Living also continued to exceed expectations, with the number of new clients doubling over the year. While strengthened processes through the improvement programme have reduced the average weekly cost of care to £858 (against an assumed £1,200), the scale of demand contributed to an overspend of £1.184m within Specialist Adult Services.

The High Needs Block has overspent by £29.529m in 2025/26. Key pressures include a £10.709m overspend on mainstream top-up and targeted funding. This reflects both an increasing number of EHC plans and the complexity of needs for young people in the primary and secondary mainstream sectors and early years settings. There is also a £2.669m overspend on independent and non-maintained placements. Block arrangements with providers have helped to secure specialist education placements at a competitive price, but further pupils with increased complexity (added with a limited available supply of Lincolnshire special school places and increased demand), is leading to more high-cost placements. At the end of March 2026 there were 696 educated through such placements.”

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Investment in Assets

Our revenue budget, as detailed above, is used to fund all day to day running costs of the Council. Alongside this we also spend money on longer term assets such as roads, buildings, vehicles, equipment and IT systems, and plans for this are within the Capital Programme. Investment in longer term assets helps us to maintain our service delivery, but it also supports innovation and growth in the wider community for example by improving the County's road infrastructure or by investing in economic development initiatives.

The table below shows, in summary format by Service Delivery Area, our gross spending plans for capital in the year, as well as our actual gross expenditure performance against those plans. The table also shows how the capital investment was funded.

Capital Gross Programme Outturn Position 2025/26 and 2024/25 (£'000s)

Service Area	Investment Budget 2025/26 £'000	Investment Actuals 2025/26 £'000	Investment Variance 2025/26 £'000	Year End Variance 2025/26 %	Investment Actuals 2024/25 £'000	Increase/ (Decrease) In Investment £'000	Increase/ (Decrease) in Investment %
Adult Care & Community Wellbeing	499	499	-	(0.0)	9,818	(9,369)	(2086.6)
Children's Services	50,160	48,358	(1,802)	(3.6)	39,389	8,969	17.9
Place	175,563	134,022	(41,541)	(23.7)	151,279	(17,257)	(9.8)
Fire & Rescue	2,637	1,866	(771)	(29.2)	3,024	(1,158)	(43.9)
Resources & Corporate	15,611	10,069	(5,542)	(35.5)	16,147	(6,078)	(38.9)
Total Capital Investment	244,420	194,764	(49,656)	(20.3)	219,657	(24,893)	(10.2)
Capital Grants and Contributions received in the year	(219,996)	(220,541)	(545)	0.2	(127,388)	(93,153)	42.3
Revenue Contributions	(13,713)	(13,713)	-	-	(22,930)	9,217	(67.2)
Borrowing	(57,709)	(10,961)	46,748	(81.0)	(44,650)	33,689	(58.4)
Use of Capital Grants Unapplied	(21,533)	(21,533)	-	-	(29,335)	7,802	(36.2)
Use of Revenue Grant Reserves	-	-	-	-	(229)	229	-
Use of Earmarked Reserves	(5,758)	(5,758)	-	-	(23,014)	17,256	(299.7)
Transfer to Capital Grants Unapplied	80,942	80,942	-	-	31,235	49,707	61.4
Capital Receipts	(6,654)	(3,201)	3,453	(51.9)	(3,346)	145	(2.2)
Total Capital Funding	(244,420)	(194,764)	49,656	(20.3)	(219,657)	24,893	(10.2)

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In contrast with the revenue budget, capital investment is delivered multiple years, therefore variances within the capital programme often reflect timing of expenditure, rather than an underlying cost differences.

Our overall net variance on the capital programme in 2025/26 was an underspend of £50.201m (£27.551m in 2024/25), with the overall gross position being an underspend of £49.656m (£27.849m in 2024/25). The most significant underspends during 2025/26 were in the Place and Resources Directorates. More detailed information on these and other areas of underspend can be found in the "Review of Financial Performance 2025/26" report to the Executive on 14 July 2026. All overspends and underspends on the capital programme are carried forward to the next financial year.

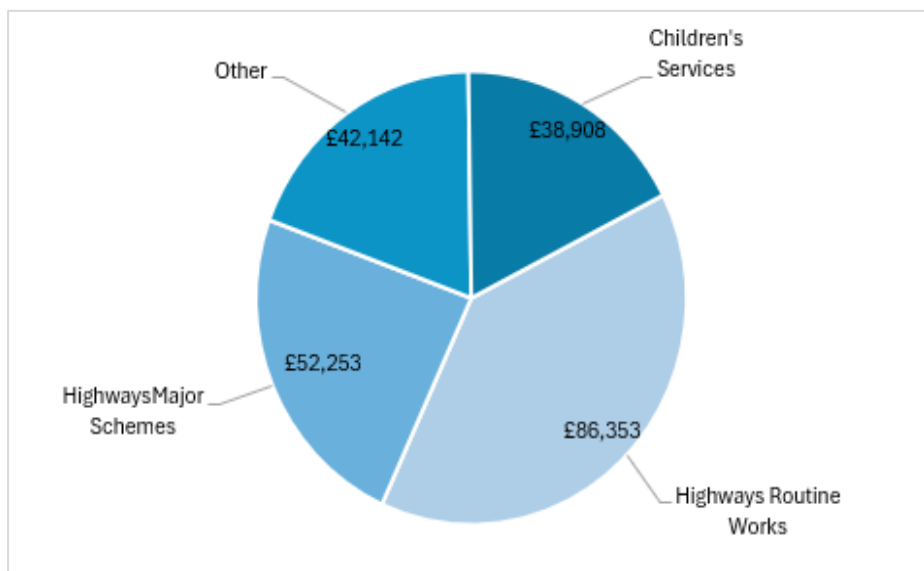
The key areas of investment during 2025/26 year are:

- Construction of the Lincs Secure Unit, funded by external grant.
- New builds, extensions and remodelling of special schools to increase capacity and support Children with more complex needs, including SEN hub rollout across the mainstream sector.
- Ongoing investment in the highways network.
- Continued construction of the Grantham Southern Relief Road.
- Completion of the Spalding Western Relief Road (section 5).
- Works to improve the condition of school buildings.

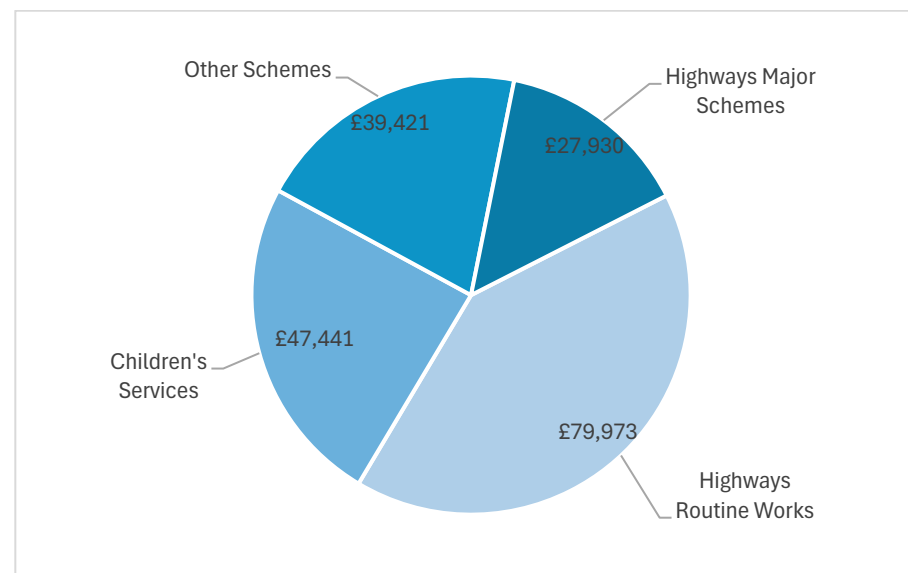
The pie chart below shows the major areas of capital investment during 2024/25 and 2025/26. Total investment on these major projects was £194.764m in 2025/26, a decrease of £24.892m (or 11.3%) on the level of investment made in 2024/25.

NARRATIVE REPORT

Gross Investment on major projects 2024/25 - £219,657 (£'000)



Gross Investments on major projects 2025/26 - £194,764 (£'000)



The two largest gross investments made on major projects were for Grantham Southern Relief Road (£13.562m) and North Hykeham Relief Road £12.861m. These investments account for £26.424m or 94.6% of the total gross investment on major projects for 2025/26, with routine highways works accounting for a further £79.973m or 41.1% of the total gross investment.

Assets and Liabilities

As stated in the introduction to the accounts, the Balance Sheet shows the value of our assets and liabilities at the year end. These are matched by the level of reserves held. Our assets are what we own, and our liabilities are what we owe. These are shown in more detail on the Balance Sheet on page 39. The table below shows an extract from the Balance Sheet with key figures in it, and an explanation of these key figures is set out below the table.

NARRATIVE REPORT

31 March 2025 £'000	Summary Balance Sheet	31 March 2026 £'000	Increase/ (Decrease) £'000	Increase/ (Decrease) %
1,998,780	Long Term Assets	2,126,251	127,471	6.4
321,715	Current Assets	241,813	(79,902)	(24.8)
2,320,495	Total Assets	2,368,065	47,570	2.0
(288,394)	Current Liabilities	(210,480)	77,914	(27.0)
(702,903)	Long Term Liabilities	(706,031)	(3,128)	0.4
(991,297)	Total Liabilities	(916,510)	74,787	(7.5)
1,329,199	NET ASSETS	1,451,555	122,357	7.9
274,659	Usable Reserves	296,067	21,408	7.8
1,329,199	TOTAL RESERVES	1,451,431	122,232	9.2

The table above shows that Total Liabilities have decreased by 7.5% and Total Assets have increased by 2.0%.

31 March 2025 £'000	Balance Sheet Summary – Total Assets	31 March 2026 £'000	Increase/ (Decrease) £'000	Increase/ (Decrease) %
1,994,231	Property Plant & Equipment (including Investment and Heritage Assets)	2,110,499	116,268	5.8
221,547	Long and Short-Term Investments	135,041	(86,506)	(39.0)
102,405	Long and Short-Term Debtors	120,945	18,540	18.1
1,110	Assets held for sale	0	1,110	(100.0)
1,203	Inventories	1,410	207	17.2
2,320,495	Total Assets	2,368,065	47,569	2.0

This table shows an analysis of Total Assets which have increased by £47.569m, or 2.0%, since 31 March 2025. The majority of this increase relates to the value of Property, Plant and Equipment assets which have increased by £116.268m, a 5.8% increase since last year. This is due to both the revaluation of land and buildings in the year and movements for asset additions and disposals. There is also a 18.1% increase in long and short-term debtors totalling £18.540m.

NARRATIVE REPORT

Performance review

Our previous ten-year Corporate Plan was replaced in February 2026 and is now called the Council Plan. The Council Plan outlines Lincolnshire County Council's priorities over the next five years to move the county forward and deliver strong services for local people. It sets out an ambitious vision for a county where people want to live, work, visit and bring up a family.

The key commitments are:

- Family – including delivering essential care; safeguarding children and vulnerable adults; giving children and young people the best opportunities
- Community – including improving travel; defending areas from flooding; supporting superfast broadband rollout
- County – including creating environments that we want to live in; managing household waste responsibly; celebrating our heritage and culture

The Council Plan outlines our ambitions to

- Support and empower our residents
- Connect our county
- Keep our communities safe
- Grow our county's economy
- Protect our county's landscapes

Our achievements will be measured through a performance framework, formerly known as the success framework. Performance will be regularly reviewed and scrutinised through quarterly reports to councillors with updates published to our website.

[Council plan – Lincolnshire County Council](#)

Performance is monitored throughout the year and is reported to the Council's Executive quarterly, after being scrutinised by the Overview and Scrutiny Management Board. Once the full year performance outcomes have been finalised, these will be updated in this Narrative Report, and published in the final, audited Statement of Accounts.

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Subsidiary Companies

The council had three wholly owned subsidiary companies at the start of 2025/26. The Council maintained shareholdings in other organisations but as a minor shareholder. The three wholly owned subsidiary companies are:

Transport Connect Limited (TCL). This is a passenger transport company incorporated in 2016. The Council has a nominated Director and shareholder representative who is the Chair of the Board of Directors. The Head of Transport attends all board meetings. Accountancy and HR services are independent of LCC. An Annual Update report was presented to Highways and Transport Scrutiny Committee on 15 December 2025.

EMPSN Infrastructure Limited. This company owns and manages the communications infrastructure which delivers the Council's wide area network. The Council has currently appointed two directors to represent LCC on the board. The LCC Directors role is to undertake duties as set out in the Companies Act as well as oversight to strategic and operational running of the company including delivering value for money to members. Monthly reports were provided to the portfolio holder throughout the year.

Legal Services Lincolnshire (Trading) Ltd. In 2020 the Council approved the creation of a company to provide legal services to other public bodies to which the Council would not otherwise be able to provide services. The company has received a licence from the Solicitor's Regulation Authority and began trading from January 2024 as Lincolnshire Public Law.

The Code of Practice requires Councils to consider the need to prepare accounts on a group basis. This assessment has been carried out, and the result is that these accounts have been prepared on the single entity basis as the subsidiary companies' financial performance and position is not material in the context of the Council's accounts.

Governance and Risk

Good governance for us means achieving the outcomes we intend, while acting in the public interest at all times. We have a governance framework which ensures that our business is carried out in a legal and proper way, and we review this framework every year to see if improvements need to be made to any aspects of it.

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The Council's Annual Governance Statement is included within this Statement of Accounts and starts on page 210. The Head of Internal Audit concluded that, for the year ended 31 March 2026:

“ Taking into consideration the content of this report, the contribution from statutory officers and the external reports shared, we are satisfied that the Council’s corporate governance arrangements in place for 2025/26 were fit for purpose in accordance with the CIPFA/SOLACE Delivering Good Governance Framework 2024 and as a result, deem the governance arrangements to be adequate.”

The Strategic Risk Register is regularly reviewed, and risks are being effectively managed. As per the latest Audit Committee minutes, of 23 March 2026 there are thirteen risks included, three assessed as having limited assurance. The link to the annual strategic risk register can be found by following the link below.

[\(Public Pack\) Agenda Document for Audit Committee, 23/03/2026 10:00](#)

The Annual Governance Statement confirms this year that no significant governance issues have been identified but there are some areas of governance improvements that can be seen in full on page 221. They include:

Improvements from 2026/27

The Annual Audit Opinion identified areas of governance, risk and control that need to be taken to improve the control environment. These were:

- Governance: Consider improvements to strengthening control monitoring and improving second line oversight processes.
- Risk: Focus improvements on further developing independent ownership across service/directorate areas and formalising the escalation and de-escalation processes for directorate and strategic risks alongside the introduction of exposure monitoring and reporting.
- Control: Improvements are required to control process design and implementation to reduce the reliance upon individual staff. Consistency and definition of policy and its application would improve the control environment operating across the council.

The Council's Audit Committee's role is to oversee and promote good governance, ensure accountability, and review the ways things are done. It provides an assurance role to the Council by examining areas such as audit, risk management, internal control, counter fraud, and financial accountability.

NARRATIVE REPORT

Financial Resilience

A further iteration of the local authority Financial Resilience Index (FRI) was published by the Chartered Institute of Public Finance and Accountancy (CIPFA) during the year. This is a measure of councils' ability to withstand unexpected financial shocks. [Resilience index](#)

This version of the index used data from the 2024/25 financial year and showed a slightly less positive picture than was presented for 2023/24.

Financial Resilience Index	31 March 2021 %	31 March 2022 %	31 March 2023 %	31 March 2024 %	Increase/Decrease or No Change in Relative Risk since 31 March 2024	31 March 2025 %
Level Of Reserves	52.3	50.4	42.1	36.4	Increased Risk	27.8
Change In Reserves	33.2	43.0	2.6	(15.3)	Increased Risk	(28.8)
Interest Payable / Net Revenue Expenditure	4.2	3.8	4.3	4.1	Decreased Risk	3.8
Social Care Ratio	65.1	66.2	69.0	72.4	No Change	71.9
Fees & Charges to Service Expenditure Ratio	6.3	5.1	6.7	4.8	Decreased Risk	7.2
Council Tax Requirement / Net Revenue Expenditure	69.6	66.8	68.2	66.6	Increased Risk	63.0
Growth Above Baseline	3.0	3.0	3.0	3.0	No Change	3.9
Gross External Debt	497,052	485,187	475,962	464,818	No Change	459,350

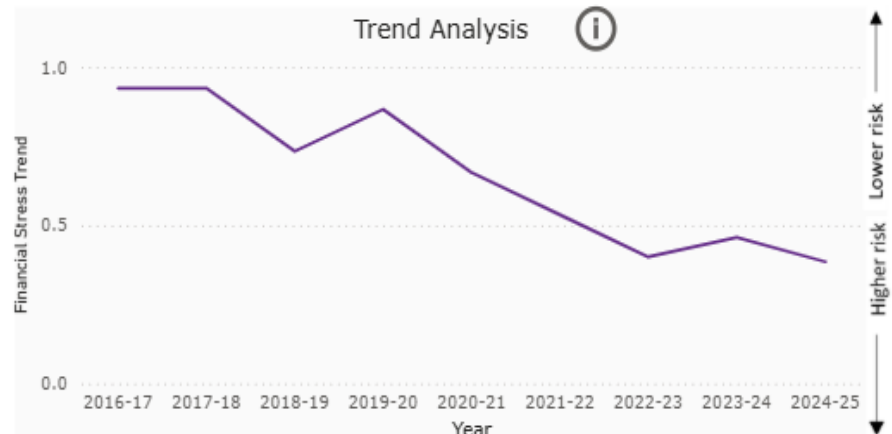
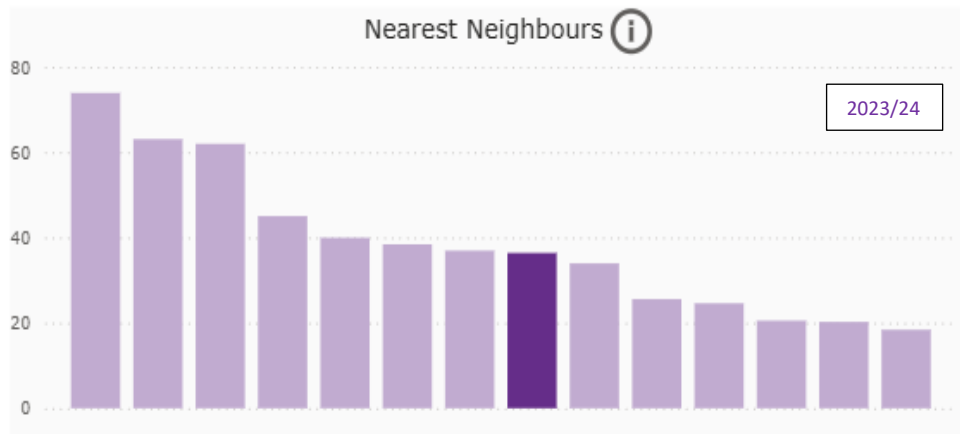
There were three indicators where our relative risk (compared to other similar councils) had increased since the 2023/24 FRI report. This can be compared to just one relative risk that had increased since last year.

We are deemed as having a higher relative risk, compared with other Councils, for

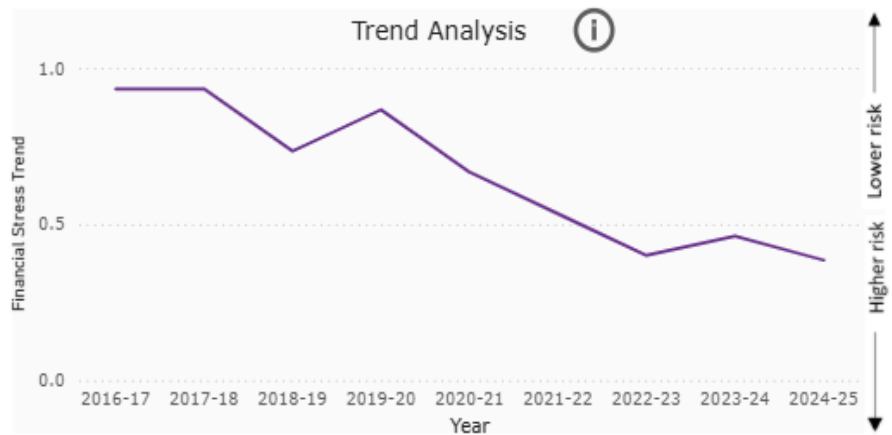
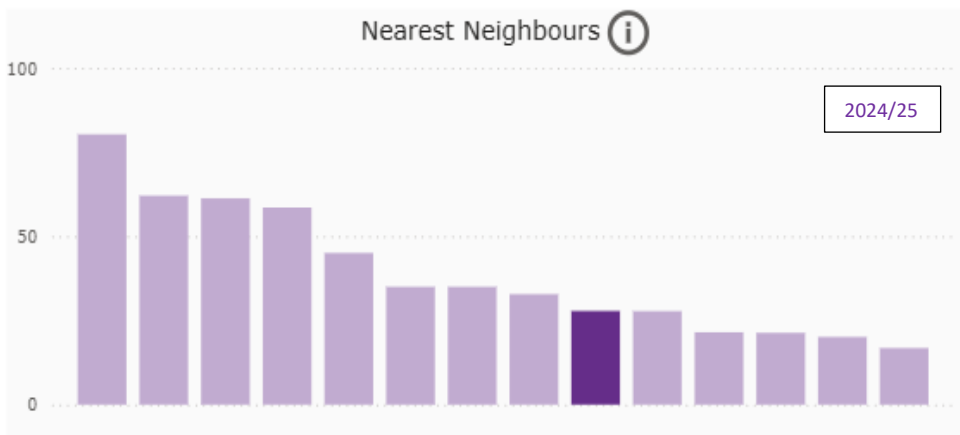
- Level of Reserves and the Change in Reserves (As per the graph and trend analysis below)

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Individual Analysis Level of Reserves



Individual Analysis Level of Reserves



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	2016 £000's	2017 £000's	2018 £000's	2019 £000's	2020 £000's	2021 £000's	2022 £000's	2023 £000's	2024 £000's	2025 £000's
Usable Reserves	228,424	266,525	289,602	288,855	337,415	366,194	332,459	323,793	318,218	274,659
Unusable reserves	136,048	(7,240)	(41,802)	(158,213)	(29,079)	(254,951)	88,315	790,368	913,990	1,055,373
TOTAL RESERVES	364,472	259,285	247,800	130,642	308,336	111,243	420,774	1,114,161	1,232,208	1,330,032
	0	0	0	0	0	0	0	0	1	0
Capital Grants Unapplied	62,676	92,396	97,397	83,774	96,132	86,730	71,792	69,273	76,082	77,983
Capital Receipts Reserve	0	0	0	0	5,905	5,905	0	0	0	-
Earmarked Reserves	150,150	158,829	177,005	189,231	219,329	257,360	244,268	238,120	225,736	172,476
General Fund	15,600	15,300	15,200	15,850	16,050	16,200	16,400	16,400	16,400	24,200
	228,426	266,525	289,602	288,855	337,416	366,195	332,460	323,793	318,218	274,659
Revaluation Reserve	314,712	311,249	284,394	272,835	254,490	244,644	316,005	360,794	411,881	453,838
Capital Adjustment Account	567,863	555,068	559,049	599,496	576,610	602,580	650,159	701,650	771,366	841,834
Financial Instruments Adjustment Account	(96)	(95)	(102)	(1,646)	(1,600)	(1,554)	(1,439)	(1,401)	(1,363)	(1,325)
Financial Instruments Revaluation Reserve	0	0	0	280	254	236	298	525	513	500
Pension Reserve	(745,582)	(870,725)	(882,708)	(1,032,507)	(856,614)	(1,083,641)	(867,001)	(268,742)	(263,925)	(235,619)
Collection Fund Adjustment Account	3,805	2,189	2,467	8,826	3,470	(9,966)	(3,225)	2,505	2,166	2,941
Accumulated Absences Account	(5,103)	(5,080)	(5,128)	(5,497)	(5,689)	(7,249)	(6,482)	(4,963)	(6,648)	(6,745)
Available for Sale Financial instrument Reserve	447	154	226	0	0	0	0	0	0	0
	136,046	(7,240)	(41,802)	(158,213)	(29,079)	(254,950)	88,315	790,368	913,990	1,055,423

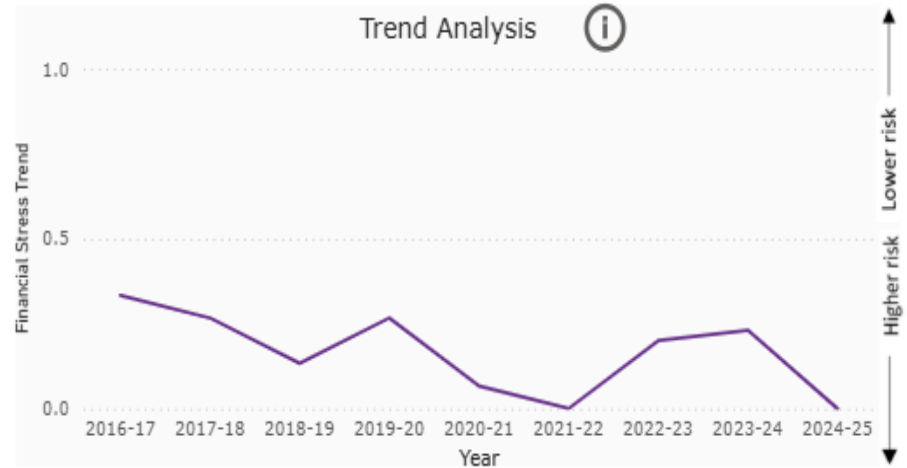
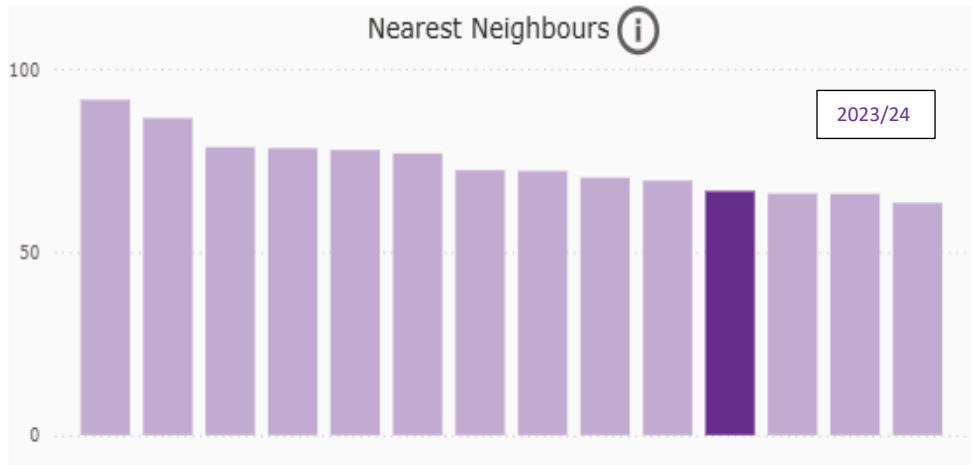
As can be seen from the Balance Sheet Reserves analysis above, for Lincolnshire County Council, Usable Reserves steadily increased year on year from 2016 to 2021, but since then, have decreased on an annual basis, and had almost returned to the level of Usable Reserves held in 2017, by the end of 2024/25. This reflects the changing financial environment that Lincolnshire County Council are currently facing, a common financial landscape the majority of Local Authorities throughout the UK are also facing, that of the continuing challenge of balancing the financial impact of increasing demand for many of their services, such as Adult Social Care, and the increase in costs an increase in demand brings.

The third risk highlighted by the CIPFA Financial Resilience model is an increased risk with regards to Council Tax requirement / Net revenue Expenditure (as per the graph and trend analysis below).

NARRATIVE REPORT

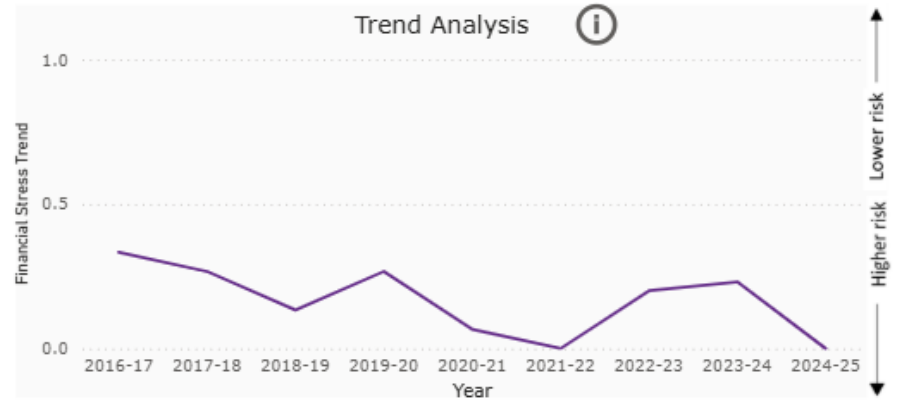
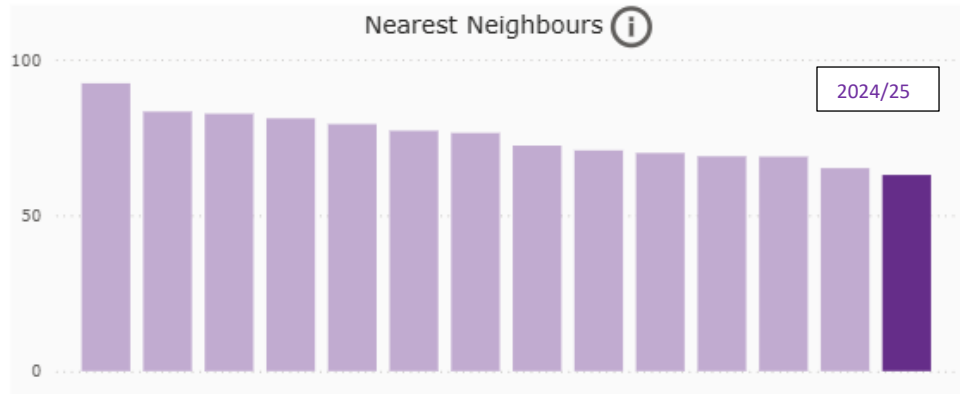
Individual Analysis

Council Tax Requirement / Net Revenue Expenditure



Individual Analysis

Council Tax Requirement / Net Revenue Expenditure



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	2016 £000's	2017 £000's	2018 £000's	2019 £000's	2020 £000's	2021 £000's	2022 £000's	2023 £000's	2024 £000's	2025 £000's
Council Tax Increase	1.90%	3.95%	3.95%	4.95%	4.95%	3.50%	1.99%	4.99%	4.99%	4.99%
Net Cost of service		517,728	521,244	531,740	559,276	568,748	619,286	609,526	624,717	715,094
Council Tax Income		251,348	264,353	280,822	299,911	313,059	321,522	343,731	365,535	388,705
Council Tax Income / Net Cost of service		0.49	0.51	0.53	0.54	0.55	0.52	0.56	0.59	0.54

The table above shows that net cost of services is increasing year on year for Lincolnshire County Council, and that despite increasing Council Tax in 2024/25 by the maximum 4.99%, the Council Tax : Net Cost of Service ratio has decreased from 0.59, in 2023/24 to 0.54 in 2024/25 – which is why this has been highlighted as a risk. Our total Council Tax income is providing less income to effectively cover the increase in cost of services. This is also why Usable reserves are also decreasing, as we use those to fund any financial shortfall not met by income generated in the year.

Despite the increased financial risk in three areas of the CIPFA model, the Council remains generally in a sound financial position relative to many other councils over the short term. This is because of continued sound financial management and adequate earmarked reserves to support the continued volatility of funding, emerging cost pressures and demand on our services.

The Council also continually monitors its longer-term financial position, and our Medium-Term Financial Strategy includes a Medium-Term Financial Plan (MTFP) which forecasts our financial position over four years to March 2034. Inflationary, and other cost increases in the capital programmes, may impact on how much can be delivered or the speed of delivery. Future years of the plan consider known cost pressures, planned savings and use of reserves to produce a balanced budget. The MTFP predicts a budget shortfall and modest use of reserves over the period of the MTFP.

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Review of 2025/26 and Future Plans

Annual Budget for 2025/26

Lincolnshire County Council set a one-year detailed budget for 2025/26 which was aligned to the one-year financial settlement from the government. The budget was devised within the context of growing cost pressures from demand led services such as adult and children's social care, and home to school transport. To add to these pressures, we must consider the additional challenges associated with a large geographical and rural coastal county with expansive road networks and an ageing population all of which place greater demands on these services.

Medium-Term Financial Plan (MTFP) to 2029/30

Whilst the outturn position is positive in the sense that the Council has achieved an overall underspend, it is important to emphasise that some significant cost pressures emerged during 2025/26, particularly within adult and children social care. Demand for Council services, and particularly complex demand, continues to increase at a faster rate than the Council's funding can increase. This gives rise to ongoing challenges which need to be managed and were considered during 2026/27 budget setting. There is a residual risk regarding pressures that have emerged during the final quarter of 2025/26, after 2026/27 budget setting had concluded. In recognition of risks that could impact the 2026/27, the core contingency budget was maintained and will be available to mitigate risk in 2026/27 in the same way as 2025/26.

Acknowledging that SEND reform will take time to fully embed, Government has not set out detailed plans for 2026/27 and future years' deficits but has confirmed that Councils can expect that an appropriate and proportionate approach will be taken to funding these. The statutory override, which keeps DSG deficits separate from General Fund budgets, ends on 1 April 2028. From 2028/29, the Government will cover future SEND costs through its departmental expenditure limit budget. At this point, Councils will be required to meet the cost of the residual deficit after High Needs Stability Grant has been applied by setting aside appropriate resources in the preceding years. For the Council, it is expected that the resource required to meet this will be in the region of £10m. This will need to be a consideration as part of the Council's next financial planning process leading into 2027/28 budget setting.

Fairer Funding Review Outcome

During 2025, the Government announced their approach to local authority funding reform whereby authorities receive their updated share of national need, with their share of grant funding being reduced by how much can be raised locally through council tax based on a national average

NARRATIVE REPORT

rate. The fair funding changes contain transitional arrangements to smooth the path for local authorities to reach their new funding levels. There is also redistribution of business rates in the wider reset, and extensive grant funding simplification expected in future years.

In summary, the fair funding review has been beneficial to Lincolnshire, with the Council due to receive a bigger share of funding than it did under the previous funding system.

Outturn for 2025/26

As stated previously, despite the financial pressures and uncertainty, the Council underspent in 2025/26 by £0.499m within its general fund budgets with a further £13.406m overspend within school budgets funded by use of school reserves.

General Fund

In respect of the Council's general fund budget, the outturn position is positive in the context of the scale of cost pressures that have emerged during the financial year which the Council has been able to mitigate and generate an overall underspend. Not every local authority is in this position. The outturn position means the Council can fully focus on delivering against the budget limits set for 2026/27 in addition to forward financial planning as it builds on the foundations set for its 2027/28 budget during the previous budget setting process.

Dedicated Schools Grant

As stated previously, the school budget was overspent by £13.406m. This overspend was reduced from a £26.109m overspend through the use of the various Schools reserves that had been built up over the last few years.

The Department for Education (DfE) recognises the challenges within the SEND system, as an increasing number of Local Authorities are incurring or increasing deficits on their overall DSG. In February 2026, a new High Needs Stability Grant was announced which will be available to authorities from 2026/27 and cover approximately 90% of DSG deficits accrued up to 31 March 2026. Securing a grant allocation will be dependent on Councils submitting a local SEND reform plan, setting out a clear pathway towards an inclusive system in line with the wider vision for SEND reform, which will need to be approved by the DfE. This exercise is currently being completed by the Council. The statutory override, which keeps DSG deficits separate from General Fund budgets, ends on 1 April 2028. From 2028/29, the Government will cover future SEND costs through its departmental

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expenditure limit budget. At this point, Councils will be required to meet the cost of the residual deficit after High Needs Stability Grant has been applied by setting aside appropriate resources in the preceding years.

Economic Climate

The UK economy showed modest growth with inflation pressures persisting, prompting a cautious approach to rate cuts over the year until the conflict in the Middle East and subsequent energy shocks have reversed the inflation and interest rate outlook in 2026. Emphasis is now focused on managing inflation rises again due to energy price shocks and the path of future rates now depends on how long the conflict persists. Throughout 2025/26, the UK rate of inflation ranged from around 3.0% to 3.6%. In addition to this, the Bank of England base rate was reduced three times during 2025/26, ending at 3.75%.

The UK economy and the impact of inflation could negatively affect the Council's ability to continue to deliver services into the future which could impact on vulnerable members of our communities, and this risk (described as "Increased costs and demand, outstripping the funding available threatening financial sustainability") is included in the Council's strategic risk register per the Audit Committee minutes of 23 March 2026.

We have determined that the Council is in a sound financial position at 31 March 2026 as the risk of financial resilience is well managed. This is evidenced by an adequate level of general reserves (£24.200m), as well as a Financial Volatility earmarked reserve (£46.922m) which will support us in transitioning towards a lower base budget over the medium term. We were able to set a balanced budget for 2025/26, and we have a good track record of achieving savings when required. We have a good level of short-term investments, shown in the Balance Sheet on page 39, which support our cash flow liquidity requirements.

Devolution

The Greater Lincolnshire Combined County Authority (GLCCA) is a new organisation which uses devolved power from government to shape a better future for Greater Lincolnshire. The GLCCA will bring decision making closer to local people, ensuring the priorities of those who live and work here are put first. The authority will support local businesses and promote sustainable growth whilst protecting the area's heritage and natural environment. You can find out about the work of the GLCCA by following the link: [Greater Lincolnshire CCA](#)

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Local Government Reorganisation (LGR)

Local Government Reorganisation (LGR) involves restructuring councils to improve efficiency and service delivery. It aims to replace the remaining ‘two-tier’ council systems with new unitary councils – a single ‘tier’ organisation who will deliver all local services and will be one point of contact, simplifying who does what and how. In Greater Lincolnshire this would mean fewer councils, instead of having a county council, two unitary councils, and seven district councils.

The ‘Your Lincolnshire’ proposal suggested that just one council should replace the current seven district councils and one county council in Lincolnshire, to build on the county’s strengths, simplify services and save money in local government. We asked residents, businesses and other organisations what they thought about our plan between July and September 2025 and Council’s across Greater Lincolnshire submitted their final proposals to Government in November 2025. We are currently awaiting a decision from Government on how they want to reorganise councils in Greater Lincolnshire. A decision is expected in July 2026.

Lincolnshire Pension Fund

The Lincolnshire Pension Fund is part of the Local Government Pension Scheme. It is a contributory defined benefits scheme which provides pensions, and other benefits, to eligible employees of Lincolnshire County Council, the district councils in Lincolnshire and a range of other bodies (including Academy Schools and Internal Drainage Boards) within the county. Its purpose is to ensure that benefits are paid to entitled members when they are due.

At 31 March 2026 the Fund had 286 contributing employer organisations and just over 83,000 members. This is made up of 25,993 active contributing members, 25,562 deferred members (who are no longer contributing to the scheme but will be entitled to a pension when they retire) and 31,696 pensioners.

Further details on the Fund can be found at Note 1 to the Pension Fund Accounts (page 164-166) and in the Pension Fund Annual Report.

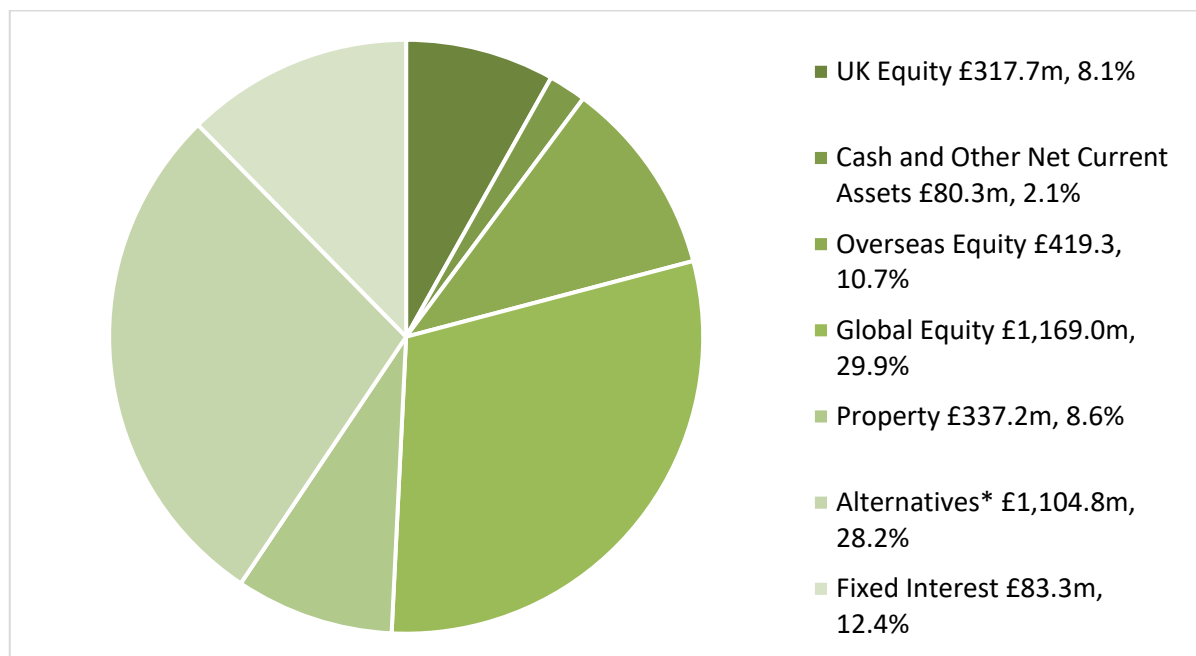
NARRATIVE REPORT

Financial Highlights

There are two core financial statements within the Pension Fund Statement of Accounts, these provide a summary of financial activity during the year and the financial position at the end of the year. These statements can be found on page 162. These statements are supported by a set of disclosure notes which provide more detail on the Fund's financial transactions and net assets.

Investment Assets

The following pie chart sets out the assets held by the Pension Fund as at 31 March 2026.



* Alternatives includes Private Equity, Private Debt, Infrastructure and Absolute Return.

During the year to 31 March 2026 the Fund investment assets have increased in value by £379.1m to £3,911.5m. The overall investment return for the year was 9.79%, this was behind the Fund's specific benchmark return of 13.00%.

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As at 31 March 2026 the Fund had 73.2% of assets invested with Border to Coast in eight sub-funds: UK equities, global equities, overseas equities, investment grade credit, multi-asset credit and UK and global property. Further details on the Fund's investments assets can be found at Note 12C of the Pension Fund Accounts and the Pension Fund Annual Report.

In year Income and Expenditure

The table below sets out the income and expenditure incurred by the Fund during 2025/26:

2024/25 £'000	Income and Expenditure incurred by the Pension Fund	2025/26 £'000
(177,827)	Contributions (including Transfers In)	(188,633)
146,169	Benefits (Including Transfers Out)	156,766
(31,658)	Net (additions) / withdrawals from dealings with Fund members	(31,867)
14,196	Management Expenses	19,078
(139,256)	Return on Investments	(365,618)
(156,718)	Net (Increase) / Decrease in Net Assets available to pay benefits	(378,407)

During 2025/26 the Fund was cashflow positive, with contributions received exceeding benefits paid. 80% of contributions received by the Fund came from employers (see Pension Fund Note 6 for further details). Benefits payable have increased from 2025/26 as the number of pensioners has increased, and pensions saw a modest uplift of 1.7% from April 2025.

The return on investments reflects the growth seen by the Fund in 2025/26. The majority of this, £331.1m came from the change in value of investments, small gains were made on foreign exchange contracts (£10.6m) and the Fund received £23.9m of income from investments.

The Fund saw an increase in management expenses, this is mainly due to the increasing value of assets held by the Fund and the transition into property funds at Border to Coast.

Funding Arrangements

In line with Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last valuation took place as at 31 March 2025. The results for the Fund

NARRATIVE REPORT

at this date was a funding level of 110% (i.e. the value of assets was more than the amount required to pay the benefits which had been accrued at this date), and the Fund had a surplus of £325m. The Fund's actuary reassesses the position at the end of each financial year.

During 2025/26 both the value of the assets and the liabilities are estimated to have increased over the year to 31 March 2026. The assets have increased at a higher rate than the liabilities and so the funding level has increased over the year to 31 March 2026. Further information is set out in Pension Fund Note 17.

Performance and Outcomes

The Pension Fund's overarching objectives are:

- **Governance:** To act with integrity and be accountable to stakeholders for decisions, ensuring that they are robust, well based and undertaken by people who have the appropriate knowledge and expertise;
- **Investments and Funding:** To maximise returns from investments within reasonable risk parameters and with clear investment decisions based on a prudent long term funding priorities, given the preference to keep employer contribution rates reasonably stable where appropriate; and
- **Administration and Communications:** In partnership with West Yorkshire Pension Fund (WYPF), to deliver an effective and efficient Pensions Administration service to all stakeholders, to ensure that the Fund receives all income due and payments are made to the right people at the right time, and to provide clear, appropriate and timely communication and support to all stakeholders.

To ensure the Pension Fund is achieving its overarching objectives:

- The pensions administration service, provided by WYPF in a shared service, is monitored and reported to the Pensions Committee and Board on a quarterly basis. During 2025/26 there have been no areas of concern arising in this area.
- Employer compliance with regulations (paying member contributions and submitting member data) is reported to senior pension fund officers monthly, and to the Pensions Committee and Board annually. Where employers fall short of expected standards, the Fund actively manages this through assistance and education.
- Investment performance of the assets held by the Fund is also reported to and monitored by the Pensions Committee on a quarterly basis. There have been no concerns regarding manager performance during 2025/26.

NARRATIVE REPORT

Governance and Risk

Governance and risk management is an integral element of managing the Pension Fund. The Fund's governance and risk arrangements include:

- Publishing a Governance Compliance Statement. This details how the Pension Fund is governed, and sets out where it complies with best practice guidance as published by the Ministry of Housing, Communities and Local Government (MHCLG);
- Managing Fund investments in accordance with the published Investment Strategy Statement (ISS); and
- Maintaining a Pension Fund specific risk register which identifies the major risks associated with managing the Fund. This is reviewed by the Pensions Committee and Board annually, any new or changed risks are reported at each quarterly meeting of the Committee and Board.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities are to:

- Make arrangements for the proper administration of Lincolnshire County Council's and Lincolnshire Pension Fund's financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Finance Officer.
- Manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts for Lincolnshire County Council and Lincolnshire Pension Fund 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 Statement of Accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

- kept proper accounting records which were up to date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.
- certified that the Statement of Accounts gives a true and fair view of the financial position of the Authority as at 31st March 2026 and of its expenditure and income for the year ended on that date.

The Statement of Accounts were authorised for issue by Michelle Grady, CPFA (Chief Finance Officer) on 30 June 2026.

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT 1 APRIL 2025 TO 31 MARCH 2026

2024/25			Directorate	Note	2025/26		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
466,573	(256,154)	210,419	Adult Care and Community Wellbeing		485,964	(248,797)	237,167
194,469	(69,995)	124,474	Children's Services		214,767	(72,064)	142,703
2,903	(56)	2,847	Corporate Services		3,322	(580)	2,742
30,223	(3,869)	26,354	Fire & Rescue and Community Safety		32,082	(3,772)	28,310
277,290	(54,219)	223,071	Place		290,527	(50,563)	239,964
90,537	(8,753)	81,784	Resources		101,352	(8,552)	92,800
(310)	(1,507)	(1,817)	Other Budgets		3,802	(1,359)	2,443
441,524	(393,562)	47,962	Schools Budgets		483,984	(439,924)	44,060
1,503,209	(788,115)	715,094	Cost of Services		1,615,800	(825,611)	790,189
21,128	0	21,128	Other Operating Expenditure	(5)	8,452	0	8,452
2,627	(16,446)	6,181	Financing and Investment Income and Expenditure	(6)	2,497	(12,216)	(9,719)
0	(771,397)	(771,397)	Taxation and Non-Specific Grant Income	(7)	0	(912,771)	(912,771)
1,546,964	(1,575,958)	(28,989)	(Surplus)/Deficit on Provision of Services		1,626,749	(1,750,598)	(123,849)
		(78,425)	(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets	(12)			(62,213)
		13	(Surplus)/Deficit from Investments in Equity Instruments designated at Fair Value Through Other Comprehensive Income				9
		10,367	Remeasurement of the Net Defined Benefit Liability/(Asset)	(12)			63,790
		42	Other Recognisable (Gains)/ Losses				(45)
		(68,003)	Other Comprehensive (Income) and Expenditure				1,541
		(96,992)	Total Comprehensive (Income) and Expenditure				(122,306)

Brackets have been used in the above table to represent income or surpluses.

MOVEMENT IN RESERVES STATEMENT 1 APRIL 2025 TO 31 MARCH 2026

2025/26	Note	Usable Reserves					Unusable Reserves (Note 12)	Total Council Reserves
		General Fund Balance	Schools Reserves	Earmarked GF Reserves (Note 13)	Capital Grants/Deposits Unapplied	Total Usable Reserves (Note 11)		
		£'000	£'000	£'000	£'000	£'000		
Balance as at 1 April 2025		24,200	13,196	159,280	77,982	274,660	1,054,539	1,329,199
Total Comprehensive Income and Expenditure		123,849	0	45	0	123,894	(1,586)	122,306
Adjustments between accounting basis and funding basis under regulations	(10)	(183,066)	0	25,005	55,575	(102,486)	102,486	0
Contribution to/(from) Earmarked Reserves		59,218	(6)	(59,212)	0	0	0	0
Increase/(Decrease) in Year 2025/26		0	(6)	(34,161)	55,575	21,407	100,900	122,306
Balance as at 31 March 2026 Carried Forward		24,200	13,190	125,119	133,558	296,067	1,155,438	1,451,505

2024/25	Note	Usable Reserves					Unusable Reserves (Note 12)	Total Council Reserves
		General Fund Balance	Schools Reserves	Earmarked GF Reserves (Note 13)	Capital Grants/Deposits Unapplied	Total Usable Reserves (Note 11)		
		£'000	£'000	£'000	£'000	£'000		
Balance as at 1 April 2024		16,400	29,329	196,406	76,082	318,216	913,990	1,232,204
Total Comprehensive Income and Expenditure		28,989	0	(42)	0	28,947	68,045	96,992
Adjustments between accounting basis and funding basis under regulations	(10)	(66,603)	0	(7,800)	1,900	(72,503)	72,503	0
Contribution to/(from) Earmarked Reserves		45,417	(16,133)	(29,284)	0	0	0	0
Increase/(Decrease) in Year 2024/25		7,800	(16,133)	(37,126)	1,900	(43,556)	140,548	96,992
Balance as at 31 March 2025 Carried Forward		24,200	13,196	159,280	77,982	274,660	1,054,539	1,329,199

N.B. It is the Council's policy to fully utilise all capital receipts to finance capital in the year they are received and so does not have a balance in the Capital Receipts Reserve.

BALANCE SHEET AS AT 31 MARCH 2026

31 March 2025		Note	31 March 2026
£'000			£'000
1,813,886	Property, Plant and Equipment	(14)	1,927,381
69,543	Heritage Assets	(15)	70,336
108,596	Investment Property	(16)	111,460
2,205	Intangible Assets	(17)	1,492
974	Long Term Investments	(18)	896
3,575	Long Term Debtors	(19)	14,686
1,998,780	Long Term Assets		2,126,251
220,573	Short Term Investments	(18)	134,145
1,110	Assets Held for Sale	(20)	0
1,203	Inventories		1,410
98,830	Short Term Debtors	(19)	106,209
321,716	Current Assets		241,764
(108,318)	Cash and Cash Equivalents	(21)	(19,106)
(9,941)	Short Term Borrowing	(18)	(9,791)
(165,573)	Short Term Creditors	(22)	(179,439)
(4,562)	Short Term Provisions	(23)	(2,144)
(288,394)	Current Liabilities		(210,480)
(9,858)	Long Term Creditors	(22)	(14,199)
(4,652)	Long Term Provisions	(23)	(7,983)
(443,463)	Long Term Borrowing	(18)	(436,925)
(244,930)	Other Long-Term Liabilities	(24)	(246,923)
(702,903)	Long Term Liabilities		(706,030)
1,329,199	Net Assets		1,451,505
274,660	Usable Reserves	(11)	296,067
1,054,539	Unusable Reserves	(12)	1,155,438
1,329,199	Total Reserves		1,451,505

CASH FLOW STATEMENT AS AT 31 MARCH 2026

2024/25		2025/26
£'000		£'000
(28,989)	Net (surplus)/deficit on the provision of services	(123,849)
(112,911)	Depreciation	(120,233)
(11,230)	Impairment and downward valuations	(6,882)
6,196	Amortisation	(1,143)
(6,461)	Increase/(decrease) in Creditors	(5,636)
(12,760)	(Increase)/decrease in Debtors	18,837
15	(Increase)/decrease in Inventories	207
38,673	Movement in Pension Liability	61,485
(21,274)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(4,057)
(11,781)	Other non-cash items charged to the Net SDPS	1,135
(131,533)	Adjustments to net SDPS for non-cash movements	(56,287)
113,219	Capital Grants credited to SDPS	217,579
3,308	Proceeds from sale of property, plant and equipment, investment property and intangible assets	3,201
1,631	Other non-cash items	1,864
118,158	Adjustments to net SDPS for investing and financing activities	222,644
(42,364)	Net cash flow from Operating Activities	42,508
190,369	Purchase of property, plant and equipment, investment property and intangible assets	170,776
1,621,385	Purchase of short-term and long-term investments	1,530,962
677	Other payments for investing activities	638
(3,308)	Proceeds from sale of property, plant equipment, investment property and intangible assets	(3,201)
(1,643,569)	Proceeds from short-term and long-term investments	(1,617,467)
(110,833)	Capital Grants Received (Government)	(218,276)
(546)	Increase/(decrease) in impairment for bad debts	351
(2,308)	Other receipts from investing activities	(2,502)
51,867	Net cash flow from Investing Activities	(138,719)
(19,777)	Cash receipts of short and long-term borrowing	(14,802)
(3,142)	Cash payments reducing outstanding liabilities relating to finance leases and on-Balance-Sheet PFI Contracts	312
28,499	Repayments of short and long-term borrowing	21,489
5,580	Net cash flow from Financing Activities	6,999
15,082	Net (increase) or decrease in cash and cash equivalents	(89,212)
(93,236)	Cash and cash equivalents as at 1 April	(108,318)
(108,318)	Cash and cash equivalents as at 31 March	(19,106)

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE CORE FINANCIAL STATEMENTS

Due to rounding figures to the nearest £000, some figures shown within the following notes may slightly differ when compared to the main Financial Statements or other Notes to the Accounts. The difference in rounding would not be in excess of £5,000 in any single case.

NOTE 1. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Council is required to disclose information relating to the impact of changes in accounting standards on the financial statements as a result of new standards that have been issued but are not yet required to be adopted.

In the 2025/26 accounts, the County Council is required to disclose the following changes to Accounting Standards which may have an impact on the County Council's accounts in 2026/27. The following standards are likely to be effective for local authorities for the next financial year:

FRS 102 - Heritage Assets

The amendments to FRS 102 clarify the recognition, measurement and disclosure requirements for heritage assets, including the use of valuation bases appropriate to the nature of heritage assets and clarify circumstances where reliable cost or valuation information is not available. No material impact to the Council's financial position or reserves is anticipated, although some additional narrative disclosures may be required.

IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

A number of amendments have been issued, including amendments relating to the classification and measurement of financial assets with environmental, social or governance (ESG)-linked features, minor clarifications arising from the annual improvements process, and guidance on contracts that reference nature-dependent electricity such as renewable energy power purchase agreements. The impact on the council is expected to be limited to potential additional or enhanced disclosures, with no material impact on the Council's financial statements anticipated.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 39, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts include:

Government Funding

The Government have made several policy statements throughout the year which have provided an improved level of certainty to future levels of funding for local government. Whilst this has enabled the Council to plan more robustly across the medium term, this certainty relates primarily to funding rather than expenditure. Demand-led services and inflationary pressures remain sensitive to changes, meaning that improved funding certainty helps to strengthen resilience but does not reduce the importance for financial discipline.

PFI Contract- Focus Education Lincolnshire

The Council has one PFI contract for the construction and provision of seven schools. The accounting policy for Service Concessions and Similar Arrangements has been applied to account for this contract, and the Council consider these assets, and liability should be recognised within the Council's Balance Sheet. Further information about this PFI contract can be found in Note 26.

Energy from Waste Plant

The Council has built an Energy from Waste Plant which is operated through a contract with a third party. Elements of this contract meet the definition of a service concession arrangement however as the Council has purchased the related assets outright, these assets are shown within our Balance Sheet.

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

The Statement of Accounts contain a number of estimated figures that are based on assumptions about the future or where there is a degree of uncertainty about outcomes. These assumptions are made using the best information available, including historical experience, current trends, and other relevant factors. However, because balances cannot be determined with absolute certainty, actual results could be materially different from the assumptions and estimates made.

NOTES TO THE FINANCIAL STATEMENTS

The following items have been identified as having a significant risk of material adjustment within the next financial year:

Item	Uncertainties	Effect if actual results differ from assumptions
Fair Value Measurements	<p>When fair values cannot be measured using quoted prices in active markets (i.e. Level 1 inputs), appropriate valuation techniques are determined, such as discounted cashflow model or independent appraisal of company valuations. When Level 1 inputs are not available, the Council engages specialist experts to select and apply the most appropriate valuation methods.</p> <p>The Council has shareholdings in companies, and these are measured using Level 3 inputs due to lack of information in active markets. The fair value has been measured using the discounted cashflow - enterprise approach. This uses discount rates derived from the financial information available from these companies. Other assumptions used are based on most recent available financial statements of these companies and other information known at the time.</p>	<p>The significant unobservable inputs used in the fair value measurement include assumptions regarding rent that any tenant is capable of meeting their obligations, and that there are no rent arrears or undisclosed breaches of covenant.</p> <p>Significant changes in the unobservable inputs would result in a significantly lower fair value measurement for the investment properties. Note 16 Investment Properties describes the significant assumptions and approach used in measuring the fair value of Investment properties.</p> <p>Significant changes in the unobservable inputs would result in difference in the fair value of these shareholdings. However, this is not considered to be materially significant due to the current financial position and the level of the Council's interest in these companies.</p> <p>Note 18 Financial Instruments (section C) describes the nature and extent of risks arising from financial instruments and the valuation techniques used in more detail.</p>

NOTES TO THE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions	<p>The Council has a future liability to pay pensions on the retirement of employees. This liability is calculated by the Fund Actuary using assumptions about inflation, salary growth, retirement patterns, mortality and the discount rate used to measure the present value of future obligations.</p> <p>The valuation of pension assets and liabilities result from assumptions that in effect estimate investment returns and future demographic factors many years into the future, which means that there is inevitably a great deal of uncertainty inherent with such projections.</p>	<p>Changes to the actuaries' assumptions may materially affect the value of the pension fund liability, however, these changes are difficult to predict as the assumptions interact in complex ways. For 2025/26 the Fund actuary advised that the net pension liability increased to £237.924m (2024/25 £235.619m).</p> <p>Note 28 Defined Benefit Pensions Schemes (section D) describes the methods of estimation and the principal assumptions used whilst Section e shows the varying impacts that a change in assumptions would have on the valuation of the pension liability.</p>
Property, Plant and Equipment - (PPE)	<p>The carrying values and remaining useful lives of land and buildings are assessed by the Council's valuers. Land and Buildings are revalued on a five-year rolling programme, supported by indexation adjustments in years where assets are not valued. These valuations apply professional judgement to assess the asset condition, use, market conditions and anticipated service needs.</p> <p>Derecognition processes use replacement costs as a proxy to index back to original cost which may also introduce changes in asset values and affecting the depreciation charges in the future.</p> <p>Local government funding changes or future service restructures may affect the way assets are used and maintained, which may lead to changes in asset values and asset lives.</p>	<p>Changes in valuation assumptions or useful lives would affect annual depreciation charges. The asset life has an inverse effect with depreciation charges: lower asset lives increases the depreciation charge, whilst higher asset lives would lower the depreciation charge. The annual depreciation charge for PPE in 2025/26 is £120.233m (2024/25 112.911m). If the remaining useful lives of all PPE assets were reduced by one year, then the depreciation charge for the year would have been £25.674m higher than the actual depreciation charge.</p> <p>The gross book value of these assets is £2,493.201m (£2,384.197m in 2024/25). If the valuations carried out in 2025/26 had resulted in values which were 1% different from the actual results, then the impact would have been a change to the total gross book value of those properties of £1.834m.</p> <p>Further details can be found in Note 14 Property, Plant and Equipment and Note 40 Accounting Policies.</p>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. EVENTS AFTER THE REPORTING PERIOD

Authorisation of Accounts for Issue

The Statement of Accounts were authorised for issue by Michelle Grady, CPFA (Chief Finance Officer) on 30 June 2026.

Events taking place after this date are not reflected in the financial statements or notes.

Events after the Reporting Period

In accordance with IAS 10 'Events after the Reporting Period' have been considered on the following basis:

- Events taking place after the date the Accounts were authorised for issue (30 June 2026) are not reflected in the Financial Statements or the notes.
- Events that provide evidence of conditions that existed at the end of the reporting period 2025/26 are reflected in the figures in the Financial Statements and the notes, where the information has a material impact.

There were no material "adjusting" events arising after the reporting period and up to 30 June 2026.

NOTE 5. OTHER OPERATING EXPENDITURE

2024/25		2025/26
£'000		£'000
562	Precepts paid to non-principal authorities and levies	1,280
20,566	Gain or Loss on the disposal of non-current assets	7,172
21,128	Total	8,452

NOTE 6. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2024/25		2025/26
£'000		£'000
23,586	Interest payable and similar charges	22,314
(6,746)	Net Interest on the net defined benefit liability/(asset)	(20,594)
4,563	Changes on Investment Property valuations	(2,458)
546	Changes in Financial Instruments measured at amortised cost valuations	2,597
678	Expenditure on Investment Properties	638
22,627	Total Gross Expenditure	2,497
(14,138)	Interest receivable and similar income	(9,713)
(2,308)	Income from Investment Properties	(2,503)
(16,446)	Total Gross Income	(12,216)
6,181	Total	(9,719)

NOTE 7. TAXATION AND NON-SPECIFIC GRANT INCOME

a) Credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement:

2024/25		2025/26
£'000		£'000
(388,705)	Council tax income	(406,386)
(125,283)	Business Rates - Districts	(126,571)
	Non-ring-fenced government grants:	
(73,865)	Adult Social Care Support Grant	(87,223)
(30,389)	Section 31 Grant - Business Rates	(29,950)
26,414)	Revenue Support Grant	(28,879)
0	Extended Producer Responsibility Grant	(7,482)
0	National Insurance Grant	(4,242)
0	Children's Social Care Prevention Grant	(3,219)
(952)	New Homes Bonus Grant	(807)
(9,418)	Rural Service Delivery Grant	0
(1,927)	Extended Rights to Free Travel	0
(778)	New Services Grant	0
(446)	Other Non-Specific Grant	(433)
(144,189)	Total non-ring-fenced Government Grants	(162,235)
	Capital Grants and Contributions:	
(10,661)	DfT LTP Lincoln Eastern Bypass	(60,751)
(43,647)	DfT Asset Protection Grant	(60,444)
(11,777)	Lincolnshire Secure Unit	(33,876)
0	Children's Provision School Places Grant	(21,535)
(3,435)	Children's Special Provision Fund	(10,288)
(3,337)	DfT Integrated Transport Grant	(8,698)
0	Bus Service improvement Plan (BSIP)	(5,847)
(4,843)	DfE Schools Condition Capital Maintenance Grant	(5,845)
0	Local Flood Defence Schemes	(1,688)
0	Spalding WRR Phase 5 S106	(1,281)
0	DEFRA Grant	(1,085)
(940)	Devolved Formula Grant	(908)
(5,145)	DfE Basic Need Grant	(782)
(843)	Community Infrastructure Levy Grant	(747)
(1,083)	Lincoln Town Fund - CoL - Capital	(706)
(2,797)	Grantham Future High Street - InvestSK	(127)
(9,000)	Old Roman Bank Coast Road	0
(5,620)	Local Electric Vehicle Infrastructure (LEVI)	0
(3,700)	Grantham Southern Relief Road	0
(1,781)	Broadband	0
(4,611)	Other Capital Grants and Contributions	(2,971)
(113,219)	Total Capital Grants and Contributions	(217,579)
(771,397)	Total	(912,771)

NOTES SUPPORTING THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

Details of capital grants unapplied during the financial year and transferred to reserves can be found in the Movement on Reserves Statement and Note 11 Usable Reserves.

b) Credited to Revenue Service Accounts in the Comprehensive Income and Expenditure Statement.

2024/25		2025/26
£'000		£'000
(337,041)	Dedicated Schools Grant	(384,328)
(37,105)	Public Health Grant	(39,265)
(34,257)	Better Care Fund - Improved Element	(34,257)
(12,856)	Pupil Premium	(12,942)
(6,228)	Household Support Grant	(9,631)
(5,077)	Core Schools Budget Grant	(9,592)
(6,526)	Market Sustainability and Improvement Fund	(8,800)
(6,718)	Asylum Seekers	(6,383)
(9,126)	Adult Care Discharge Grant	(6,153)
(4,172)	Adult Safeguarding Learning	(4,364)
(2,067)	Supplementary Substance Misuse Treatment & Recovery Grant	(3,228)
(3,204)	Universal Infant Free School Meals	(3,189)
0	Early Year (EY)-wraparound Funding S31 grant	(3,087)
(2,975)	Troubled Families Grant	(2,901)
(2,777)	Holiday Activity Grant	(2,842)
(2,165)	YPLA 16-19 LR and Bursaries	(2,488)
(2,622)	EFA and Sport Grant	(2,411)
(2,452)	YPLA 16-19 Funding	(2,241)
(2,743)	Homes For Ukraine	(2,219)
(1,944)	Family Hubs Grant	(2,102)
(1,515)	Domestic Abuse	(1,179)
(1,158)	The Private Finance Initiative	(1,158)
(1,060)	Fire Fighter Pension Grant	(1,046)
(1,400)	Pathfinder	(521)
(5,129)	Teachers' Pension Grant	(132)
(3,463)	Early Years Support Grant	(3)
(8,657)	Disabled Facilities Grant	0
(6,627)	Mental Health Costs - Transferred MSIF Grant to support mental health	0
(1,066)	Tobacco Control / Local Stop Smoking Services and Support Grant	0
(3,679)	Teachers Pay Grant	0
(24,949)	Other Revenue Grants	(24,358)
(540,758)	Total	(570,820)

NOTES SUPPORTING THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

NOTE 8. EXPENDITURE FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources available to the Council (i.e. government grants, rents, council tax and business rates) 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 directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2024/25			Directorate	2025/26		
Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES		Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
210,673	(255)	210,418	Adult Care and Community Wellbeing	241,771	(4,603)	237,168
123,487	988	124,475	Children's Services	144,544	(1,842)	142,702
2,977	(130)	2,847	Corporate Services	2,923	(181)	2,742
26,477	(123)	26,354	Fire & Rescue and Community Safety	29,888	(1,578)	28,310
148,230	74,840	223,070	Place	152,989	86,974	239,963
81,534	250	81,784	Resources	89,450	3,349	92,799
92,300	(94,115)	(1,815)	Other Budgets	54,591	(52,146)	2,445
14,974	32,989	47,963	Schools Budgets	23,031	21,029	44,060
700,652	14,444	715,094	Net Cost of Services	739,187	51,002	790,189
(657,403)	(86,684)	(744,087)	Other Income & Expenditure	(694,693)	(219,336)	(914,029)
43,249	(72,240)	(28,989)	(Surplus)/Deficit	44,494	(168,334)	(123,840)
(45,417)			Movement to/(from) Earmarked Reserves	(59,218)		
(2,168)			(Surplus) or Deficit on General Fund Balance	(14,724)		
16,400			Opening General Fund balance at 1 April 2025	24,200		
7,800			Plus Surplus or Less (Deficit) on General Fund in Year	0		
24,200			Closing General Fund balance at 31 March 2026	24,200		

NOTES SUPPORTING THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

a) The below table shows the adjustments between funding and accounting basis included within the Expenditure and Funding Analysis:

2024/25				Directorate	2025/26			
Adjustments for Capital Purposes	Net change for the Pension Adjustments	Other Differences	Total Adjustments		Adjustments for Capital Purposes	Net change for the Pension Adjustments	Other Differences	Total Adjustments
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
2,227	(2,434)	(47)	(255)	Adult Care and Community Wellbeing	1,568	(4,145)	(2,026)	(4,603)
5,254	(4,272)	5	988	Children's Services	4,960	(7,192)	391	(1,842)
0	(123)	(7)	(130)	Corporate Services	0	(183)	2	(181)
5,049	(5,185)	12	(123)	Fire & Rescue and Community Safety	5,291	(6,873)	5	(1,578)
76,910	(2,082)	12	74,840	Place	83,663	(3,457)	6,769	86,974
6,536	(3,312)	(2,974)	250	Resources	6,808	(5,271)	1,812	3,349
311	(10,205)	(84,221)	(94,115)	Other Budgets	600	(6,273)	(46,473)	(52,146)
39,850	(4,314)	(2,547)	32,989	Schools Budgets	30,647	(4,956)	(4,662)	21,029
136,136	(31,927)	(89,767)	14,444	Net Cost of Services	133,537	(38,352)	(44,182)	51,002
(92,631)	(6,746)	12,693	(86,684)	Other Income and Expenditure from the Expenditure and Funding Analysis	(210,402)	(20,594)	11,660	(219,336)
43,505	(38,673)	(77,074)	(72,240)	Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services	(76,865)	(58,946)	(32,522)	(168,334)

Adjustments for Capital Purposes

The column for adjustments for capital purposes adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

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

NOTES SUPPORTING THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

The Net change for the removal of pension contributions also includes the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the 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 take into account differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and any amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

b) Included within the Net Chargeable Expenditure is income received from external customers. This income affects the General Fund balance and has been reported during the year.

2024/25				Directorate	2025/26			
Fees and Charges	Rents	Sales	Total Customer and Client Receipts		Fees and Charges	Rents	Sales	Total Customer and Client Receipts
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
(72,990)	(35)	(2,015)	(75,040)	Adult Care and Community Wellbeing	(81,169)	(27)	(2,005)	(83,200)
(2,386)	(72)	(316)	(2,774)	Children's Services	(2,354)	(46)	(90)	(2,490)
1	0	0	1	Corporate Services	1	0	0	1
(45)	0	0	(45)	Fire & Rescue and Community Safety	(43)	0	0	(43)
(11,306)	(2,602)	(2,193)	(16,100)	Place	(12,814)	(2,817)	(2,351)	(17,982)
(1,729)	(2,872)	(776)	(5,376)	Resources	(2,683)	(3,129)	(162)	(5,973)
0	0	(2)	(2)	Other Budgets	0	0	(3)	(3)
(3,855)	(54)	(3,244)	(7,153)	Schools Budgets	(2,989)	(57)	(3,374)	(6,420)
(92,309)	(5,634)	(8,546)	(106,489)	Total External Income Analysed	(102,050)	(6,075)	(7,985)	(116,110)

NOTES SUPPORTING THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

NOTE 9. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2024/25	2025/26
	£'000	£'000
Expenditure:		
Employee benefits expenses	420,309	431,010
Other service expenses	953,220	1,045,114
Depreciation, amortisation and impairment	124,161	122,316
Interest payments	23,587	22,315
Precepts and Levies	562	1,280
(Gain)/Loss on the disposal of assets	20,588	7,178
Total expenditure	1,542,427	1,629,213
Income:		
Fees, charges and other service income	(249,665)	(257,294)
Interest and investment income	(9,596)	(12,177)
Income from Council Tax, Non-domestic Rates	(513,989)	(532,957)
Government Grants and Contributions	(798,166)	(950,634)
Total income	(1,571,416)	(1,753,062)
(Surplus)/Deficit on the Provision of Services	(28,989)	(123,849)

NOTE 10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This Note details the adjustments that are made to total Comprehensive Income and Expenditure to adjust proper accounting practice for statutory provisions 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 General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

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 (Reserve) holds the grants and contributions received towards capital projects for which the Council has met 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.

NOTES SUPPORTING THE MOVEMENT IN RESERVES STATEMENT

2025/26	Usable Reserves		Movements in Unusable Reserves £'000
	General Fund Balance £'000	Capital Grants Unapplied £'000	
Adjustments to Revenue Resources: Amount by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements.			
Pension Costs (transferred to/(from) the Pension Reserve):			
Reversal of items relating to retirement benefits debited or credited to the CIES	8,154	0	(8,154)
Employer's pensions contributions and direct payments to pensioners payable in the year	(69,639)	0	69,639
Financial Instruments (transferred to/(from) the Financial Instruments Adjustment Account):	(38)	0	38
Council Tax and Business Rates (transferred to/(from) the Collection Fund Adjustment Account):	(498)	0	498
Holiday Pay (transferred to/(from) the Accumulated Absences Account):	604	0	(604)
Dedicated Schools Grant (transferred to/(from) the Dedicated Schools Grant adjustment Account):	25,005	0	(25,005)
Reversal of entries included in the SDPS in relation to Capital Expenditure (these items are charged to the CAA)			
Charges for depreciation and impairment of non-current assets	120,233	0	(120,233)
Revaluation losses on Property Plant and Equipment	898	0	(898)
Revaluation losses on Held for Sale Assets	30	0	(30)
Movements in the market value of Investment Properties	(2,494)	0	2,494
Amortisation of intangible assets	1,186	0	(1,186)
Capital grants and contributions applied	(136,637)	0	136,637
Capital Receipts applied	(3,201)	0	3,201
Income in relation of Donated Assets	0	0	0
Revenue expenditure funded from capital under statute (net of Grants and Contributions)	11,052	0	(11,052)
Amounts of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	10,376	0	(10,376)
Total Adjustments to Revenue Resources	(34,969)	0	34,969
Adjustments between Revenue and Capital Resources:			
Statutory provision for the repayment of debt (transferred to/(from) the CAA):	(21,729)	0	21,729
Capital expenditure charged against the General Fund (transferred to/(from) the CAA):	(20,421)	0	20,421
Total Adjustments between Revenue and Capital Resources	(42,150)	0	42,150
Adjustments to Capital Resources:			
Capital grants and contributions unapplied credited to the CIES	(80,942)	80,942	0
Capital Receipts used in year to fund Capital Expenditure	0	0	0
Application of grants to capital financing transferred to the CAA	0	(25,367)	25,367
Total Adjustments to Capital Resources	(80,942)	55,575	25,367
Total Adjustments	(158,061)	55,575	102,486

CIES = Comprehensive Income and Expenditure Statement

CAA = Capital Adjustment Account

NOTES SUPPORTING THE MOVEMENT IN RESERVES STATEMENT

2024/25	Usable Reserves		Movements in Unusable Reserves £'000
	General Fund Balance £'000	Capital Grants Unapplied £'000	
Adjustments to Revenue Resources:			
Amount by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements.			
Pension Costs (transferred to/(from) the Pension Reserve):			
Reversal of items relating to retirement benefits debited or credited to the CIES	26,531	0	(26,531)
Employer's pensions contributions and direct payments to pensioners payable in the year	(65,204)	0	65,204
Financial Instruments (transferred to/(from) the Financial Instruments Adjustment Account):	(38)	0	38
Council Tax and Business Rates (transferred to/(from) the Collection Fund Adjustment Account):	(774)	0	774
Holiday Pay (transferred to/(from) the Accumulated Absences Account):	147	0	(147)
Dedicated Schools Grant (transferred to/(from) the Dedicated Schools Grant adjustment Account):	0	0	0
Reversal of entries included in the SDPS in relation to Capital Expenditure (these items are charged to the CAA):			
Charges for depreciation and impairment of non-current assets	112,911	0	(112,911)
Revaluation losses on Property Plant and Equipment	10,193	0	(10,193)
Movements in the market value of Investment Properties	4,552	0	(4,552)
Amortisation of intangible assets	1,057	0	(1,057)
Capital grants and contributions applied	(81,984)	0	81,984
Capital Receipts applied	(3,308)	0	3,308
Income in relation of Donated Assets	(4,550)	0	4,550
Revenue expenditure funded from capital under statute (net of Grants and Contributions)	11,945	0	(11,945)
Amounts of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	23,896	0	(23,896)
Total Adjustments to Revenue Resources	35,364	0	(35,364)
Adjustments between Revenue and Capital Resources:			
Statutory provision for the repayment of debt (transferred to/(from) the CAA)	(30,718)	0	30,718
Capital expenditure charged against the General Fund (transferred to/(from) the CAA)	(47,814)	0	47,814
Total Adjustments between Revenue and Capital Resources	(78,532)	0	78,532
Adjustments to Capital Resources:			
Capital grants and contributions unapplied credited to the CIES	(31,235)	31,235	0
Capital Receipts used in year to fund Capital Expenditure	0	0	0
Application of grants to capital financing transferred to the CAA	0	(29,335)	29,335
Total Adjustments to Capital Resources	(31,235)	1,900	29,335
Total Adjustments	(74,403)	1,900	72,503

CIES = Comprehensive Income and Expenditure Statement

CAA = Capital Adjustment Account

NOTE 11. USABLE RESERVES

The Council's general revenue balances are held in the General Fund. The Council also maintains a number of specific 'earmarked' reserves for future expenditure on either policy purposes or to cover contingencies. When expenditure is financed from an earmarked reserve, it is charged to the relevant revenue service account in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back to the General Fund Balance via the Movement in Reserves Statement, so that there is no net charge against Council Tax.

A review of capital deposits from developers was carried out in the year, and where such deposits are deemed as no longer potentially repayable, they have been reclassified from Long Term Creditors to Capital Deposits within Usable Reserves.

2024/25		2025/26
£'000	Usable Reserves	£'000
77,983	Capital Grants Unapplied	133,558
172,476	Earmarked Reserves	138,309
24,200	General Fund	24,200
274,659	Total	296,067

NOTE 12. UNUSABLE RESERVES

Certain reserves are held to manage the accounting processes for non-current assets, financial instruments, and employee benefits. These accounts do not represent usable resources for the Council.

The following table summarises the Unusable Reserves held by the Council:

2024/25		Note	2025/26
£'000	Unusable Reserves		£'000
453,603	Revaluation Reserve	(12a)	481,249
841,233	Capital Adjustment Account	(12b)	941,874
(1,325)	Financial Instruments Adjustment Account	(12c)	(1,287)
500	Financial Instrument Revaluation Reserve	(12d)	492
(235,619)	Pension Reserve	(12e)	(237,924)
2,940	Collection Fund Adjustment Account	(12f)	3,438
(6,795)	Accumulated Absences Account	(12g)	(7,399)
0	Dedicated Schools Grant adjustment Account	(12h)	(25,005)
1,054,537	Total		1,155,438

NOTES SUPPORTING THE MOVEMENT IN RESERVES STATEMENT

a) Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation;
- or Disposed of and the gains are realised.

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

2024/25		2025/26
£'000	Revaluation Reserve	£'000
411,881	Balance at 1 April	453,603
94,542	Upward revaluation of assets	66,258
(16,117)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(4,045)
78,425	Surplus/deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	62,213
(25,548)	Difference between fair value depreciation and historical cost depreciation	(28,290)
(11,155)	Accumulated gains on assets sold or scrapped	(6,277)
(36,703)	Amount written off to the Capital Adjustment Account	(34,567)
453,603	Balance at 31 March	481,249

b) Capital Adjustment Account

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

NOTES SUPPORTING THE MOVEMENT IN RESERVES STATEMENT

2024/25		2025/26
£'000	Capital Adjustment Account	£'000
771,366	Balance at 1 April	841,233
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
(112,911)	Charges for depreciation and impairment of non-current assets	(120,233)
(10,193)	Revaluation losses on Property, Plant and Equipment	(898)
10	Revaluation on Assets Held for Sale	(30)
(1,057)	Amortisation of intangible assets	(1,186)
(11,945)	Revenue expenditure funded from capital under statute (net of Grants and Contributions)	(11,052)
(23,896)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(10,376)
36,702	Adjusting amounts written out of the Revaluation Reserve	34,567
(123,290)	Net written out amount of the cost of non-current assets consumed in the year	(109,208)
	Capital financing applied in the year:	
3,308	Use of Capital Receipts to finance new capital expenditure	3,201
81,984	Capital grants and contributions credited to the CIES that have been applied to capital financing	136,637
29,335	Application of grants to capital financing from the Capital Grants Unapplied Account	25,367
30,718	Statutory provision for the financing of capital investment charged against the General Fund	21,729
47,814	Capital expenditure charged against the General Fund	20,421
193,159		207,355
(4,552)	Movements in the market value of Investment Properties debited or credited to the CIES	2,494
4,550	Movement in the Donated Assets Account credited to the CIES	0
841,233	Balance at 31 March	941,874

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The account 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. Details of the source of all the transactions posted to the CAA, apart from those involving the Revaluation Reserve are detailed in Note 11 Adjustments between accounting basis and funding basis under regulation.

NOTES SUPPORTING THE MOVEMENT IN RESERVES STATEMENT

c) Financial Instruments & Financial Assets Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund balance to the account in the Movement in Reserves Statement. Over time the expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on council tax.

2024/25		2025/26
£'000	Financial Instruments and Assets Adjustment Account	£'000
(1,363)	Balance at 1 April	(1,325)
38	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	38
(1,325)	Balance at 31 March	(1,287)

d) Financial Instrument Revaluation Reserve

The Financial Instrument Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

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

2024/25		2025/26
£'000	Financial Instrument Revaluation Reserve	£'000
513	Balance at 1 April	500
(13)	Change in treatment of loss allowance	(9)
500	Balance at 31 March	492

e) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits on 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

NOTES SUPPORTING THE MOVEMENT IN RESERVES STATEMENT

makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible.

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

2024/25		2025/26
£'000	Pensions Reserve	£'000
(263,925)	Balance at 1 April	(235,619)
(10,367)	Actuarial gains or losses on pensions assets and liabilities	(63,790)
(26,531)	Reversal of items relating to retirement benefits debited or credited to the SDPS in the CIES	(8,154)
65,204	Employer's pensions contributions and direct payments to pensioners payable in the year	69,639
(235,619)	Balance at 31 March	(237,924)

f) Collection Fund Adjustment Account

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

2024/25		2025/26
£'000	Collection Fund Adjustment Account	£'000
2,166	Balance at 1 April	2,940
774	Amount by which council tax income credited to the CIES is different from council tax and business rates income calculated for the year in accordance with statutory requirements	498
2,940	Balance at 31 March	3,438

g) Accumulated Absences Account

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

NOTES SUPPORTING THE MOVEMENT IN RESERVES STATEMENT

2024/25		2025/26
£'000	Accumulated Absences Account	£'000
(6,648)	Balance at 1 April	(6,795)
6,648	Settlement or cancellation of accrual made at the end of the preceding year	6,795
(6,745)	Amounts accrued at the end of the current year	(7,399)
(147)	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(604)
(6,795)	Balance at 31 March	(7,399)

h. Dedicated Schools Grant adjustment Account

The Dedicated Schools Grant adjustment account holds accumulated deficits relating to the schools budget. Where the Council has incurred a deficit on its schools budget in years beginning 1 April 2020 ending 31 March 2026, the Local Authorities (Capital Finance and Accounting) Regulations do not allow for such amounts to be included in the General Fund and instead must be held in this adjustment account.

2024/25		2025/26
£'000	Dedicated Schools Grant adjustment Account	£'000
0	Balance at 1 April	0
0	School budget deficit transferred from General fund in accordance with statutory requirements	(25,005)
0	Balance at 31 March	(25,005)

NOTES SUPPORTING THE BALANCE SHEET

NOTE 13. TRANSFER TO/FROM EARMARKED RESERVES

The following table shows the amounts set aside from the General Fund into Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2025/26.

Balance at 1 April 2024	Additions in Year	Used in Year	Balance at 31 March 2025		Balance at 1 April 2025	Additions in Year	Used in Year	Balance at 31 March 2026
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
16,280	13,890	(28,670)	1,500	Balances from dedicated schools budget	1,500	753	(2,253)	0
13,049	23,717	(25,070)	11,696	Balances for schools under a scheme of delegation	11,696	14,558	(13,064)	13,190
				Other Earmarked Reserves:				
1,899	1,666	(1,899)	1,666	Other Services	1,666	0	(1,666)	0
9,446	8,185	(9,446)	8,185	Reserves requiring Council approval in September	8,185	718	(8,405)	498
5,375	0	0	5,375	Insurance	5,375	0	0	5,375
406	0	(95)	311	Schools Sickness Insurance	311	0	(85)	226
2,002	87	0	2,089	Shared Services (Legal and Procurement)	2,089	830	(1,237)	1,682
46,921	0	0	46,921	Financial Volatility	46,921	1,000	(1,000)	46,921
1,357	1,538	(1,362)	1,533	Energy from Waste Lifecycles	1,533	8,236	(9,266)	503
26,964	11,554	(26,085)	12,433	Development Fund	12,433	2,038	(4,167)	10,304
			0	Emergency Flooding Reserve	0	1,268	(535)	733
156	0	0	156	Support to Businesses	156	0	0	156
5,618	1,821	(2,380)	5,059	Other Service Earmarked Reserves	5,059	657	(2,213)	3,503
129,474	62,458	(95,007)	96,924	Total of Other Earmarked Reserves	96,924	30,058	(43,891)	83,091

NOTES SUPPORTING THE BALANCE SHEET

Balance at 1 April 2024	Additions in Year	Used in Year	Balance at 31 March 2025		Balance at 1 April 2025	Additions in Year	Used in Year	Balance at 31 March 2026
£'000	£'000	£'000	£'000	Revenue Grants and Contributions Unapplied Reserves	£'000	£'000	£'000	£'000
7,017	4,408	(7,038)	4,387	Schools	4,387	3,389	(4,394)	3,382
14,650	3,740	(7,439)	10,951	Children Services	10,951	5,720	(8,267)	8,404
64,055	(8,600)	(6,510)	48,945	Adult Care and Community Wellbeing Place	48,945	4,598	(19,622)	33,921
8,408	2,141	(1,376)	9,173	Other Budgets	9,173	1,139	(2,852)	7,460
1,536	0	0	1,536	Resources	1,536	0	(45)	1,491
212	0	0	212	Fire and Rescue	212	0	0	212
384	0	(35)	349		349	0	0	349
96,262	1,689	(22,398)	75,553	Total of Revenue Grants and Contributions Unapplied Reserves	75,553	14,846	(35,180)	55,219
225,736	64,147	(117,405)	172,476	Total Reserves	172,477	44,904	(79,071)	138,309

The balance held by schools under the scheme of delegation, represents the net underspending of school budget shares in 2025-26. It is earmarked for use by those schools as required by the Lincolnshire County Council Scheme for financing Schools approved by the Secretary of State for Education.

The Other Service Earmarked Reserves represents numerous reserves held by service areas of specific purposes.

The Development Fund has been created from revenue budget underspends and will be used to fund one-off costs required for e.g. developing new initiatives, investing to save future costs, dealing with backlog work, transforming the way we work in the future.

The Revenue Grants and Contributions Unapplied Reserves are used where the Council has received funding, but the expenditure has not yet taken place. The funding will be used for the schemes that it was awarded for in future accounting periods.

NOTES SUPPORTING THE BALANCE SHEET

NOTE 14. PROPERTY, PLANT AND EQUIPMENT

a) Movement on Non-Current Assets

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure	Surplus Assets	Assets Under Construction	Total	PFI Assets Included in Property, Plant and Equipment
Movement in Property, Plant and Equipment	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2025	730,288	131,569		9,406	126,718	1,203,387	21,789
Additions	10,161	11,026	87,870	0	72,439	181,496	197
Donations	0	0	0	0	0	0	0
Revaluation Increase to RR	20,627	0	0	(84)	0	20,543	(148)
Revaluation Decrease to RR	(8,875)	0	0	(250)	0	(9,125)	(1)
Revaluation Increase/(Decrease) to SDPS	(6,563)	0	0	(289)	0	(6,852)	0
Derecognition - Disposals	(6,749)	(4,149)	(62,464)	(226)	0	(73,588)	0
Derecognition to RR	133	38	0	0	0	171	0
Derecognition to SDPS	(851)	(1,889)	0	0	0	(2,740)	0
Reclassified to/from Held for Sale	0	0	0	0	0	0	0
Reclassifications - Other	4,137	628	15,995	1,412	(23,072)	(900)	0
At 31 March 2026	742,308	137,223		9,969	176,085	1,312,392	21,837
Depreciation and Impairment							
At 1 April 2025	(26,275)	(42,605)		(513)	0	(131,345)	(781)
Depreciation Charge for 2025/26	(40,723)	(11,926)	(67,320)	(264)	0	(120,233)	(776)
Depreciation written out on upward revaluation	45,194	0	0	379	0	45,573	755
Depreciation written out on downward revaluation	5,058	0	0	22	0	5,080	0
Depreciation written out to the SDPS	5,610	0	0	344	0	5,954	0
Derecognition - Disposals	1,077	4,088	62,464	0	0	67,629	0
Derecognition to RR	(6)	0	0	0	0	(6)	0
Derecognition to SDPS	129	365	0	0	0	494	0
Reclassifications to Asset Held for Sale	(900)	0	0	0	0	(900)	0
Reclassifications - Other	950	0	(19)	(32)	0	899	0
At 31 March 2026	(9,886)	(50,078)		(64)	0	(126,855)	(802)
Net Book Value at 31 March 2026	732,422	87,145	921,828	9,905	176,085	1,927,385	21,035
Net Book Value at 1 April 2025	704,013	88,964	885,302	8,893	126,718	1,813,890	21,008

RR - Revaluation Reserve

SDPS - Surplus or Deficit on the Provision of Service

NOTES SUPPORTING THE BALANCE SHEET

	Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure	Surplus Assets	Assets Under Construction	Total	PFI Assets Included in Property, Plant and Equipment
Movement in Property, Plant and Equipment	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation:							
At 1 April 2024	670,131	130,573		11,925	145,802	1,034,783	18,876
Additions	19,534	7,458	95,738	272	74,489	197,491	235
Donations	4,551	0	0	0	0	4,551	0
Revaluation Increase to RR	63,981	0	0	523	0	64,504	2,795
Revaluation Decrease to RR	(17,207)	0	0	(126)	0	(17,333)	(125)
Revaluation Increase/(Decrease) to SDPS	(11,371)	0	0	131	0	(11,240)	8
Derecognition - Disposals	(14,680)	(6,503)	(39,037)	(1,195)	0	(61,415)	0
Derecognition to RR	0	0	0	0	0	0	0
Derecognition to SDPS	(6,532)	(606)	0	0	0	(7,138)	0
Reclassified to/from Held for Sale	0	0	0	(770)	0	(770)	0
Reclassifications - Other	21,881	647	72,353	(1,354)	(93,573)	(46)	0
As at 31 March 2025	730,288	131,569		9,406	126,718	1,203,387	21,789
Depreciation and Impairment:							
At 1 April 2024	(21,530)	(37,543)		(401)	0	(97,288)	(755)
Depreciation Charge for 2024/25	(38,060)	(11,525)	(63,175)	(151)	0	(112,911)	(669)
Depreciation written out on upward revaluation	29,776	0	0	0	0	29,776	645
Depreciation written out on downward revaluation	1,211	0	0	5	0	1,216	(0)
Depreciation written out to the SDPS	1,013	0	0	34	0	1,047	(0)
Derecognition - Disposals	985	6,364	39,037	0	0	46,386	(0)
Derecognition to RR	0	0	0	0	0	0	0
Derecognition to SDPS	330	99	0	0	0	429	0
Reclassifications to Asset Held for Sale	0	0	0	0	0	0	0
Reclassifications - Other	0	0	0	0	0	0	0
As at 31 March 2025	(26,275)	(42,605)		(513)	0	(131,345)	(781)
Net Book Value as at 31 March 2025	704,013	88,964	885,302	8,893	126,718	1,813,890	21,008
Net Book Value as at 1 April 2024	648,601	93,030	780,386	11,524	145,802	1,679,343	18,121

RR - Revaluation Reserve

SDPS - Surplus or Deficit on the Provision of Services

NOTES SUPPORTING THE BALANCE SHEET

(*1) In accordance with the temporary relief offered by “CIPFA Bulletin 12 – Accounting for Infrastructure Assets – Temporary Solution”, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because there are some deficits in the information on infrastructure assets which is held by the Council. This means that the gross cost and accumulated depreciation values held for infrastructure assets do not faithfully represent the asset position to the users of the financial statements. The Council has chosen not to disclose this information as the information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The Council splits expenditure on infrastructure assets each year into components, which are assigned appropriate useful economic lives, and are depreciated on a straight-line basis. The CIPFA Accounting Code of Practice requires that assets are derecognised at the point when they are replaced. The information held by the Council is not sufficient to directly link an existing infrastructure asset to a replacement infrastructure asset. Instead, when the useful economic life of a component has expired the Council derecognises the spent value from the gross cost value and the accumulated depreciation value, as this is believed to be a reasonable approximation for the timing of when an asset is likely to be replaced.

The complexities of recording the information that would be necessary to guarantee that the Council does not replace any part of the infrastructure network earlier or later than indicated by the useful economic life means that the Council is required to implement this temporary solution until a suitable long-term solution is found.

The Council has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil. As explained above, the Council derecognises infrastructure assets when the useful economic life of each asset has expired, as this is deemed to be a proxy for when the asset is replaced.

The below table shows the breakdown of the Property, Plant and Equipment line shown on the Balance Sheet between Infrastructure Assets and Other assets classified as Property, Plant and Equipment.

Analysis of Property Plant and Equipment/ Infrastructure Assets	2024/25	2025/26
	£'000	£'000
Infrastructure Assets	885,302	921,828
Other Property, Plant and Equipment	928,588	1,005,557
Total	1,813,890	1,927,385

NOTES SUPPORTING THE BALANCE SHEET

b) Capital Commitments

At 31 March 2026, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2026-27 and future years budgeted to cost £199.764m

Detail	£'000
North Hykeham Relief Road	149,689
Lincolnshire Secure Children's Home	27,650
Grantham Southern Relief Road	19,634
LFR Control Project	1,716
Wi-Fi Access Point Replacement (Boole Programme)	1,075
Total	199,764

c) Valuations

The Council undertakes a five-year rolling programme of revaluations to ensure that land and buildings are measured at current value. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations are carried out as at 1 April.

The significant assumptions applied in estimating the current values are:

- Existing Use Value (EUV) has been used where there was sufficient evidence of market transactions for that use (e.g. office accommodation).
- Depreciated Replacement Cost (DRC) has been used where the asset is of a specialised nature, or where there is no evidence of market value or suitably comparable properties (e.g. Schools).

The following table shows a breakdown of carrying amount of non-current asset values, and the year in which they were last valued within the rolling programme:

	Land and Buildings	Surplus Assets	Specialised Equipment
	£'000	£'000	£'000
Non-Current Assets valued at:	Current Value	Fair Value	Current value
01 April 2021	80,937	794	-
01 April 2022	158,138	2,709	58,952
01 April 2023	161,956	1,174	-
01 April 2024	152,071	1,241	-
01 April 2025	179,317	3,989	-
Total Cost of Valuation	732,420	9,907	58,952

Vehicles, Furniture and Equipment, Specialist Equipment, Infrastructure and Community Assets are not subject to revaluation. They are reported at the cost of construction or

NOTES SUPPORTING THE BALANCE SHEET

purchase price, where this information is not available the assets are carried at a nominal amount (e.g. for some Community Assets).

Non-Current Assets carried at depreciated historic cost	2024/25	2025/26
	£'000	£'000
Vehicles, Plant, Furniture and Equipment	26,941	28,192
Infrastructure	885,302	921,828
Assets Under Construction	126,718	176,082
Total Cost of Valuation	1,038,962	1,126,102

NOTE 15. HERITAGE ASSETS

Heritage assets are defined as assets with historical, artistic, scientific, technological, geophysical, or environmental qualities; that are held and maintained principally for their contribution to knowledge and culture.

The assets held by the Council, which have been classed as Heritage Assets fall into three categories:

1) Windmills

The Council is responsible for four windmills: Alford five sail windmill, Burgh le Marsh windmill, Ellis Mill in Lincoln and Heckington windmill. All four windmills are operational, open to the public on a managed basis and usually staffed by volunteers. Each windmill provides value to the cultural heritage of the County, preserving unusual or even unique features such as Heckington Mill, which is the only surviving eight sailed mill in the country.

Windmills will be valued at existing use value by the Council's Valuer and where there is insufficient market data, Depreciated Replacement Value is used as a proxy. These valuations will be included on the Council's rolling programme and will be valued every 5 years.

2) Historic Buildings

The Council owns various historic buildings, the most famous of which is Lincoln Castle. The Castle was constructed by William the Conqueror on the site of a pre-existing Roman fortress. The Castle is open to the public and guided tours are available to give an insight into the history of Lincoln and Lincolnshire. Various cultural and entertainment events are also held at the Castle each year.

NOTES SUPPORTING THE BALANCE SHEET

Also, the 12th century Temple Bruer Preceptory Tower, which was built to house the military order formed to guard the shrines of the Holy Land and protect pilgrims on the road. This site is managed by Heritage Lincolnshire on behalf of the Council.

Lincoln Castle and Temple Bruer will continue to be carried at historic cost. This is the capital expenditure on enhancements recognised since records began as the Council does not consider that a reliable valuation can be obtained for these assets. This is because of the nature of the assets held and the lack of comparable market values.

3) Collections

The Council owns and is responsible for more than three million items in its collections (held across libraries, museums, and archives). These include physical and digital collections from all periods of Lincolnshire's history. Collections include Fine Art Collection; the Tennyson Collection; Local Studies and Archive Collections; Lincolnshire Regiment; Militaria and Arms and Armour Collections; and Agriculture Collections.

Many items are unique and of high cultural significance on a national or international scale (for example the Tennyson collection, Bishops Rolls and Registers). Others are of local interest for Lincolnshire.

The collections are relatively static, acquisitions and donations rare. When they do occur, acquisitions will be measured at cost, and donations will be recognised at a valuation determined in-house. Collections will be valued based on the insurance valuations held by the Council and will be reviewed and updated on an annual basis.

The County's collections bring a wealth of enjoyment and education to those living in Lincolnshire and beyond. The County is legally obliged to protect significant elements of these collections but, importantly, their management and development ensures that the cultural heritage and life of the County are preserved for future generations and are available to the current generation.

The management and development of the collections is governed by the Council's Policy on Collection Management, which can be found on the Council's website in the Decision details area. "Collections Development Policy (Museums) 2022-25". The policy was extended up until 31 March 2026 and is currently under review.

[Decision - Collections Development Policy \(Museums\) 2022-2025](#)

Depreciation is not charged on Heritage Assets.

NOTES SUPPORTING THE BALANCE SHEET

Reconciliation of the carrying value of Heritage Assets held:

	Windmills	Other Historic Buildings	Collections	Total
Cost or Valuation	£'000	£'000	£'000	£'000
Balance at 1 April 2024	6,082	24,589	38,000	68,671
Additions - In House construction/Improvement	52	563	0	615
Revaluations recognised in the RR	261	0	0	261
At 31 March 2025	6,395	25,152	38,000	69,547
Balance at 1 April 2025	6,395	25,152	38,000	69,547
Additions - In House construction/Improvement	29	621	0	650
Revaluations recognised in the RR	142	0	0	142
At 31 March 2026	6,565	25,772	38,000	70,338

RR - Revaluation Reserve

There have been additions of £0.006m to Heckington Windmill, £0.019 to Ellis Mill and £0.621m to Lincoln Castle.

Heritage assets are recognised and measured (including the treatment of revaluations gains and losses) in accordance with the Council's accounting policy on non-current assets - Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets.

Impairments and disposals of Heritage Assets are accounted for in line with the Council's policy on non-current assets. There have been no material disposals of Heritage Assets in 2025/26.

NOTE 16. INVESTMENT PROPERTIES

An Investment Property is defined as a property that is solely held to earn rental income or for capital appreciation or both. 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.

For these purposes, the Council holds the County Farms estates and a small number of other general fund properties. The County Farms estate includes both freehold (owned by the Council) and leasehold (rented by the Council) properties.

NOTES SUPPORTING THE BALANCE SHEET

Income and Expenditure	County Farm Estates		Other General Properties	
	2024/25	2025/26	2024/25	2025/26
	£'000	£'000	£'000	£'000
Rental Income	(2,236)	(2,430)	(72)	(72)
Direct Operating Expenses	658	608	19	30
Net (Income)/Expenditure	(1,578)	(1,822)	(53)	(42)

There are no restrictions on the Council's right to the remittance of income for its investment properties. Rental income received in relation to Investment Properties are credited to the Financing and Investment Income line and results in a gain for the General Fund Balance. Depreciation is not charged on Investment Properties.

Movement on Investment Properties	County Farm Estates		Other General Properties		Total	
	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April	112,073	106,644	1,709	1,952	113,782	108,596
Additions - Acquisitions (Purchase and Construction)	865	714	0	5	865	719
Disposals	(1,499)	(350)	0	0	(1,499)	(350)
Net Gains/(Losses) from fair value adjustments	(4,795)	2,607	243	(113)	(4,552)	2,494
Balance at 31 March	106,644	109,615	1,952	1,844	108,596	111,459

Nature of asset holding	County Farm Estates		Other Properties	
	2024/25	2025/26	2024/25	2025/26
Owned Assets	106,630	109,601	1,952	1,844
Leased Assets	14	14	0	0
Balance at 31 March	106,644	109,615	1,952	1,844

a) Initial Recognition.

As with Property, Plant and Equipment, initial recognition is at the costs associated with the purchase.

b) Measurement after Recognition.

Investment Properties will be measured 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 using the current market conditions and recent sales prices and other relevant information for similar assets in the local area. The fair value of Investment Property held under a lease is the lease interest in the asset.

NOTES SUPPORTING THE BALANCE SHEET

c) Revaluation Gains and Losses and Disposal of Investment Properties

A gain or loss arising from a change in the fair value of Investment Property shall be recognised in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. These are not permitted by statute to impact on the General Fund Balance therefore these gains or losses are reversed out of the General Fund Balance in the Movement on Reserves and posted to the Capital Adjustment Account.

d) Revaluations

The Council revalue investment properties annually to ensure that they are carried at fair value. All valuations are carried out by the Council's appointed Valuers - Savills (L&P Ltd) for the County Farms Estate and Kier Services for other general fund Investment Properties. Valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations are carried out as at 31 March each year to ensure all Investment Properties are carried at fair value at the Balance Sheet date.

e) Valuation Techniques Used to Determine Level 2 Fair Values for Investment Properties

The fair value measurement of the Council's Investment Properties is categorised as Level 2 on the fair value hierarchy. It uses the market value approach for the County Farms and the term and reversion approach for the other properties.

The market value approach takes into account the similar assets in the market, existing lease terms and rentals and market evidence, which comes from numerous sources. If there is more than one value available for the same property on different basis, the highest valuation figure is used. Included within the Fair Value Valuation Method on the County Farms assets, there are a number of 'Special Assumptions' that have been used, relating to the limitations and restrictions on sale. These assumptions apply to a proportion of the overall value and are unlikely to lead to a change in the estimated valuation.

The term and reversion approach takes into account the existence of an occupational lease, having regard to lease terms and conditions and assessing the Council's Valuer's opinion of the market rental value of each individual property, and then capitalising the market rent adopting a suitable yield, which again reflects the market evidence of property investment yields. This approach takes into account market circumstances and comparable market evidence.

NOTES SUPPORTING THE BALANCE SHEET

NOTE 17. INTANGIBLE ASSETS

Intangible assets are defined as identifiable non-financial (monetary) assets without physical substance but are controllable by the Council and expected to provide future economic or service benefits.

For the Council, the most common classes of intangible assets are computer software and software licences. IT systems are accounted for as part of Property, Plant and Equipment, under the heading Vehicles, Plant, Furniture and Equipment. The Council has no internally generated software during the year 2025/26 and as at 1 April 2026 has not entered into any contractual commitments for intangibles assets over £0.750m.

	Software	Software Licenses	Total
Movement on intangible assets	£'000	£'000	£'000
Balance at 1 April 2025:			
Gross carrying amount	8,465	114	8,579
Accumulated amortisation	(6,325)	(50)	(6,375)
Net carrying amount at 1 April 2025	2,140	64	2,204
Additions:			
Purchases	481	0	481
Other disposals	(50)	0	(50)
Amortisation for the period	(1,153)	(33)	(1,186)
Amortisation written out on disposal	43	0	43
Total	1,460	32	1,492
Comprising:			
Gross carrying amounts	8,896	114	9,010
Accumulated amortisation	(7,436)	(83)	(7,518)
Net carrying amount at 31 March 2026	1,460	32	1,492

a) Recognition and Measurement.

Intangible assets are recognised when it is likely that future benefits will flow to the Council and the cost of the asset can be reliably measured. Assets that qualify as intangible assets shall be measured and carried at cost in the absence of an active market to determine fair value. The Council has a set a de minimis level of £10k for recognising intangible assets. This means that any item or scheme costing more than £10k would be treated as capital if the above criteria are met.

b) Subsequent Expenditure.

Costs associated with maintaining intangible assets are recognised as an expense when incurred in the Comprehensive Income and Expenditure Statement.

NOTES SUPPORTING THE BALANCE SHEET

c) Amortisation

The Council does not revalue its intangible assets; all assets are carried at cost. The carrying value of intangible assets with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use. The charge is for 6 months in the first year, for twelve months thereafter and ceases at the date that the asset is derecognised. There is a full year's amortisation in the year of disposal. Amortisation is charged to the relevant service area in the Comprehensive Income and Expenditure Statement. Amortisation of £1.186m (£1.057m in 2024/25) was charged to revenue in 2025/26.

The useful lives for intangible assets are between 1 and 7 years. Useful asset lives are determined by the ICT budget manager and reviewed and updated annually.

d) Impairment. On an annual basis the ICT budget manager is asked to consider if any indicators of impairment exist for intangible assets held by the Council.

NOTE 18. FINANCIAL INSTRUMENTS AND THE NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Financial Instruments Balances

The following categories of financial instruments are disclosed in the Balance Sheet:

	Long-Term		Current	
	31 March 2025	31 March 2026	31 March 2025	31 March 2026
	£'000	£'000	£'000	£'000
Financial Liabilities				
Borrowings:				
Amortised Cost	443,463	436,925	9,941	9,791
Total Borrowings	443,463	436,925	9,941	9,791
PFI and Finance Lease Liabilities	9,311	8,999	675	888
Total PFI & Finance Lease Liabilities	9,311	8,999	675	888
Creditors & Other Long-Term Liabilities:				
Amortised Cost	9,858	14,199	134,869	146,977
Total Creditors/Other Long-Term liabilities	9,858	14,199	134,869	146,977

NOTES SUPPORTING THE BALANCE SHEET

Financial Assets	Long-Term		Current	
	31 March 2025	31 March 2026	31 March 2025	31 March 2026
	£'000	£'000	£'000	£'000
Investments:				
Amortised Cost * (1)	460	390	207,803	94,276
Fair Value through Other Comprehensive Income:				
FVOCI - Designated Equity Instruments	514	506	0	0
Fair Value through Profit and Loss	0	0	12,770	39,869
Total Investments	974	896	220,573	134,145
Debtors:				
Amortised Cost	3,575	14,686	0	0
Carried at Contract Amount	0	0	47,927	55,582
Total Debtors	3,575	14,686	47,927	55,582

*(1) No soft loans are included in the Amortised Cost balance in the above figures. No collateral or financial guarantees are held by the Council at 31 March 2026 or included in the above figures. No financial instruments included in the above figures have been reclassified or derecognised during the year and no defaults or breaches have occurred.

b) Financial Instruments Income, Expense, Gains or Losses

The Council's Financial Liabilities are all valued at amortised cost. There have been no gains or losses on derecognition or impairment losses during the year on the financial liabilities held by the Council.

There have been no other gains or losses on derecognition or impairment losses during the year on the financial assets held by the Council.

An overall loss on revaluation of equity instruments designated at fair value through other comprehensive income of £9k, there is no expected credit loss allowance for the year and a decrease (loss) in the fair value of debtors from a fall in impairment allowance of £2,596.5k occurred in 2025/26.

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments, including interest and fees paid and received on financial assets measured at other than fair value through profit and loss, are made up as follows:

NOTES SUPPORTING THE BALANCE SHEET

	2023/24	2024/25
	£'000	£'000
(Gains) or Losses on:		
Financial Assets at Amortised Cost	546	2,597
Financial Assets FVOCI - Designated Equity Instruments	13	9
Total Net (Gains)/Losses	559	2,606
Interest Revenue:		
Financial Assets at Amortised Cost	(4,053)	(1,518)
Total Interest Revenue	(4,053)	(1,518)

	2024/25	2025/26
	£'000	£'000
Interest Expense:		
Financial Liabilities at Amortised Cost	17,509	16,995
Total Interest Expense	17,509	16,995
Fee Expense:		
Financial Assets or Liabilities not at Fair Value through Profit & Loss	22	3
Total Fee Expense	22	3

c) Fair Value Measurement and Disclosure

Financial assets classified as fair value through profit and loss or fair value through other comprehensive income are measured at fair value on a recurring basis and carried on the Balance Sheet at this fair value. All other financial liabilities and financial assets are classified as amortised cost, including long term debtors and creditors, and are carried on the Balance Sheet at amortised cost. The fair value of these instruments are calculated for disclosure purposes within this note.

The Council uses the most appropriate valuation techniques to measure the fair value of its financial liabilities and financial assets, maximising the use of relevant observable inputs and minimising unobservable inputs, using the following techniques:

- Instruments with quoted market prices – the market price.
- Other instruments with fixed and determinable payments – discounted cash flow analysis.
- Unobservable comparators – enterprise approach.

The inputs to the measurement techniques are categorised in accordance with the following level of hierarchy, (Level 1 being the most accurate measure of fair value derived directly by market participants):

- Level 1 - quoted prices (unadjusted) in active markets for identical assets at the Balance Sheet Date.

NOTES SUPPORTING THE BALANCE SHEET

- Level 2 - comparators other than quoted prices included in Level 1 that are observable for that asset, either directly or indirectly.
- Level 3 - unobservable comparators for the asset.

Fair Value of Financial Assets Measured at Fair Value Through Profit and Loss - Measured Using Level 1 Inputs - Quoted Price in Active Market.

Details of these instruments are shown in the table below:

Financial assets held by the Council that fall into this category include Constant Net Asset Value and Low Volatility Net Asset Value Money Market Funds. These funds are pooled investment funds that invest in short-term assets that aim to offer returns in line with money market rates and preserve the value of investments. Units of the fund are bought and sold, and dividends paid in accordance with daily yields returned, set at the end of each day. The net asset value of these funds only vary by an insignificant amount due to changing values of the assets in the fund. The price of the fund (fair value) is quoted in an active market and generally equals the carrying amount of the units held. The fair value is carried on the Balance Sheet.

Level 1 - Fair Value Hierarchy Measurement:	31 March 2025		31 March 2026	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Money Market Funds	61,875	61,875	39,730	39,730
Financial Assets Measured at Fair Value through Profit and Loss	61,875	61,875	39,730	39,730

Fair Value of Financial Assets Measured at Fair Value Through Other Comprehensive Income - Designated Equity Instruments - Measured Using Level 3 Inputs - Enterprise Approach Valuation Technique.

Financial assets held by the Council that fall into this category include small equity shareholdings in companies that are held for service benefit reasons. These include holdings in Investors in Lincoln (14,000 shares), Hoople Ltd (3 shares) and a company called ESPO Trading Ltd (100 shares). Shares in these companies are not traded in an active market and have no observable inputs. The fair value of these instruments are to be carried on the Balance Sheet and hence have been calculated using the enterprise approach (a discounted cash flow technique) as defined in IFRS 13 Fair Value Measurement). The fair value calculation for ESPO Trading Ltd using this approach was found to be immaterial and hence not recognised. No dividends are received on these equity holdings.

Details of these instruments are shown in the table below:

NOTES SUPPORTING THE BALANCE SHEET

Level 3 - Fair Value Hierarchy Measurement:	31 March 2025		31 March 2026	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Investors in Lincoln	14	380	14	416
Hoople Ltd	0	134	0	90
Financial Assets Measured at FVOCI-Designated Equity	14	514	14	506

The fair value calculations have been made based on an analysis of the assets and liabilities in the company's latest audited accounts. The variations in fair value by 5% are shown below:

	Potential variation in fair value	Value as at 31 March 2026	Potential value on increase	Potential value on decrease
	(+/-)	£000	£000	£000
Investors in Lincoln	5%	416	437	394
Hoople Ltd	5%	90	95	85

Fair Value of Financial Assets and Financial Liabilities Carried at Amortised Cost - Measured Using Level 2 Inputs -Other Significant Observable Inputs.

Except for those financial assets classified as fair value and shown on the Balance Sheet as such, all other financial liabilities and financial assets are classified at amortised cost, including long term debtors and creditors; and 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, equivalent borrowing rates available from the PWLB at 31 March 2026 have been applied to provide the fair value under the PWLB debt redemption procedures.
- For non PWLB loans and long-term investments prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months (other than PWLB debt), or is a trade or other payable or receivable, the fair value is taken to be the principal outstanding or the billed amount.
- The fair value of trade and other payables and receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

NOTES SUPPORTING THE BALANCE SHEET

Financial Liabilities Level 2 - Fair Value Hierarchy Measurement	31 March 2025		31 March 2026	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt (Long Term > 12 Months)	423,148	305,721	416,767	289,307
Non PWLB Debt (Long Term > 12 Months)	20,514	14,436	20,315	13,776
PWLB Debt (Short Term < 12 Months)	6,377	4,627	6,381	4,452
Long-Term Creditors & Other Long-Term Liabilities	9,858	9,858	14,199	14,199
Short-Term Creditors & Other Short-Term Liabilities	134,869	134,869	146,977	146,977
Total Financial Liabilities at Amortised Cost	594,766	469,511	604,639	468,711

Where the fair value is less than the carrying amount, this is due to the Council's portfolio of loans including a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future gain based on economic conditions at the Balance Sheet date arising from a commitment to pay interest to lenders below current market rates. Where the fair value is more than the carrying amount, the opposite is true. i.e. a number of fixed rate loans held in the Council's portfolio have interest rates payable above current market rates for similar loans.

The fair value from 31 March 2025 to 31 March 2026 has fallen slightly, reflecting the continued increase in market rates over this period. This highlights the fact that market interest rates are now generally higher than the fixed rates loans within the Council's portfolio.

The fair value of the PWLB Debt shown above is calculated using the PWLB New Borrowing Concessionary rates available at the 31 March 2026. However, if the Council were to repay any of this PWLB Debt early at this time, then the PWLB would calculate the Fair Value of this debt using a set of Early Redemption rates. The fair value calculated on this basis would be £330,723k, some £36,964k higher than the market fair value stated above. This represents the penalty charge by the PWLB of redeeming the loans early to cover the additional interest that would no longer be paid if that were the case.

Financial Assets Level 2 - Fair Value Hierarchy Measurement	31 March 2025		31 March 2026	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Investments (Long Term > 12 Months)	460	451	391	382
Investments (Short Term < 12 Months)	154,022	154,022	92,510	92,510
Long-Term Debtors	3,575	3,575	14,686	14,686
Short-Term Debtors	47,927	47,927	55,582	55,582
Total Financial Assets at Amortised Cost	205,984	205,975	163,169	163,160

NOTES SUPPORTING THE BALANCE SHEET

The fair value is greater than the carrying amount, when the Council's portfolio of long-term investments includes a number of fixed rate loans where the interest rate receivable is higher than the estimated rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above the current market rate increases the amount that the Council would receive if it agreed to early repayment of the loans and hence shows a notional future gain. Where estimated rates available for similar loans at the Balance Sheet date are higher than the Council's long-term investments, the opposite is true.

At the Balance Sheet date, the Council's Long-Term Investments at fixed rates of interest were minimal (£391k) with the majority at rates lower than equivalent market rates, hence the fair value is slightly lower than the carrying amount of the investments at 31 March 2026.

There has been no change to the valuation technique or the Hierarchy Level of these financial instruments during the year.

- d) Nature and Extent of Risks Arising from Financial Instruments and How the Authority Manages Those Risks

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 procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are laid down in a legal framework set out in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice.
- by approving annually in advance prudential indicators for the following three years limiting:

NOTES SUPPORTING THE BALANCE SHEET

- The Council's overall borrowing.
- maximum and minimum exposures to the maturity structure of its debt.
- its management of interest rate exposure.
- maximum annual exposures to investments maturing beyond one year.
- by approving an investment strategy and a capital strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counterparties in compliance with Government Guidance.

These items are required to be reported and approved at or before the Council's Annual Council Tax setting budget; and are also reported as part of the Council's annual treasury management strategy and investment strategy, which outlines the detailed approach to managing risk in relation to the Council's treasury financial instrument exposure and its capital strategy, which outlines the same for the non-treasury financial instruments the Council makes, such as loans to third parties for service reasons. Actual performance is also reported quarterly to Councillors.

Treasury management policies are implemented by a central treasury management team. The Council maintains written principles for overall risk management; as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through its Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Risk related to non-treasury related investments is managed by setting appropriate Prudential Indicators limiting the amount of investment made to the amount of General Reserve the Council is prepared to lose, given default of a particular loan after an assessment of expected credit loss is made.

Expected Credit Loss

Calculation of expected credit losses held on all financial assets held at amortised cost is a way of assessing the credit risk for investments held and is a requirement under IFRS9. 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.

The Council recognises expected credit losses on either a 12 month, for when risk of default remains low and is not expected to increase, or on a lifetime basis, where risk of default is high or expected to increase significantly. Expected credit loss can be transferred between the two categories over the life of the investment given changes to its risk profile.

Where the counterparty for a financial asset is central government or a local authority, for which relevant statutory provision prevent default, then no loss allowance is required or recognised. The Council has set a de-minimus limit of £25k, below which the expected credit loss is not recognised. The expected credit loss calculations on Group 1 and Group 2 portfolios at 31 March 2026 were below the de-minimus and therefore not recognised.

NOTES SUPPORTING THE BALANCE SHEET

The Council has a portfolio of different types of loans measured at amortised cost. Where possible, losses have been assessed on these loans on a collective basis as the Council does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of expected losses on an individual instrument basis.

The Council has grouped the loans into the following groups for assessing loss allowances:

Type of Collective Investment Group	Risk Assessment	Expected Credit Loss Model	Assessment Criteria
Group 1 - Treasury Investments - Loans made to highly credit rated counterparties under the credit analysis followed within the Councils Investment Strategy.	Low Risk	12 Months	Historical Default Table issued by Credit Rating Agencies to determine probability of default per credit rating and length of investment.
Group 2 - Loans to Third Parties for Service Reasons - Credit worthiness not the prime consideration.	High Risk (No Collateral) /Medium Risk (Collateral)	Lifetime	Assessed on Individual basis using external credit ratings, economic conditions, financial position and forecasts and history of default/extended credit terms. *(1)
Group 3 - Loans to Council owned Companies for Service Reasons - Credit worthiness not the prime consideration.	High Risk (No Collateral) / Medium Risk (Collateral)	Lifetime	Assessed on Individual basis using external credit ratings, economic conditions, financial position and forecasts and history of default/extended credit terms.

*(1) Loans to companies in financial difficulties for service reasons will be deemed fifty percent credit impaired on origination which will be factored into the amortised cost of the loan. The impairment will be charged to the service upon recognition and amortised over the life of the loan to recognise the high risk of default on the loan. The level of impairment will continue to be assessed over the life of the loan and adjusted accordingly, as financial circumstances to the companies in question dictate. The expected credit loss on these loans will be made on the amortised cost of the loans after any impairment charged.

The expected credit loss calculations on Group 1 and Group 2 portfolios at 31 March 2026 were below the de-minimus limit of £25k and therefore not recognised.

No change in risk assessment for any investment from 12 Month to Lifetime has been made during the year. No modifications of contractual cash flows have been made during the year which impacts credit losses. No investments have been impaired.

NOTES SUPPORTING THE BALANCE SHEET

Credit Risk Exposure

The Council has the following exposure to credit risk from its Financial Assets:

i. Treasury Related Financial Instruments:

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. To minimise this risk, deposits are not made with banks and financial institutions unless they meet the minimum requirements of the Council's investment criteria (based on independent credit rating assessments of institutions and countries, their credit watches and outlooks from credit rating agencies and their credit default spreads), as outlined in its investment strategy. A summary of the minimum requirements are outlined below:

Minimum Acceptable Long-Term Credit Rating	Bank or Building Society: A Money Market Fund: AAA UK Government: Not Applicable
Minimum Acceptable Sovereign (Country) Credit Rating: (UK excepted)	AA-

The following analysis summarises the Council's treasury investments at the reporting date by the long-term credit rating and resulting probability of default % (using Fitch IBCA's scoring criteria), of the counterparties with whom its investments are made; and hence shows its potential exposure to credit risk at the reporting date.

	Probability of Default %	Amount at 31 March 2025		Amount at 31 March 2026	
		£'000	%	£'000	%
AAA Rated Counterparties	0.036%	61,875	28.66%	39,730	30.05%
AA Rated Counterparties	0.022%	0	0.00%	0	0.00%
A Rated Counterparties	0.046%	49,000	22.70%	0	0.00%
BBB Rated Counterparties	0.140%	0	0.00%	0	0.00%
Other Counterparties (*1)	0.008%	105,000	48.64%	92,500	69.95%
Total Treasury Investments		215,875	100.00%	132,230	100.00%

(*1) Other Counterparties are predominantly investments with other Local Authorities (UK Government), who are not credit rated in their own right, however, represent low credit risk to the Council and are exempt from the Expected Credit Loss requirements.

No breaches of the Council's counterparty criteria occurred during the reporting period, and the Council has not received nor expects any losses/defaults from the non-performance by any of its counterparties in relation to its investments.

During the reporting period the Council held no collateral as security for its investments.

ii. Non-Treasury Related Financial Instruments:

NOTES SUPPORTING THE BALANCE SHEET

Loans made to benefit service-related reasons are higher risk because credit worthiness and liquidity is not normally the prime consideration in making the loans.

Risk related to non-treasury related investments is managed by setting an appropriate Prudential Indicator limiting the amount of investment made to the amount of General Reserve the Council is prepared to lose, given the default of a particular loan, after an assessment of the worst case expected credit loss is made. The limit set is 10%.

The Council also has a policy for approval of loans to third parties that requires different level of approval depending on the size of loan required.

The Council's exposure to non-treasury related investments made are shown in the table below:

	Risk Level	Amount at 31 March 2025		Amount at 31 March 2026	
		£'000	%	£'000	%
Legal Services Lincs (Trading) Ltd	Medium	10	2.07%	10	2.49%
Loans to Academies - Government 3rd Party	Exempt	472	97.93%	391	97.51%
Total Non-Treasury Related Investments		482	100.00%	401	100.00%

iii. Trade Debt:

The Council does not generally allow credit for its customers. However, there is one exception to this where there is an agreed policy in relation to care home fees to allow credit with an attachment over property.

The overdue, but not impaired, amounts of the Council's customers at 31 March 2026 can be analysed by age as follows:

Analysis of Debts by Age	Amount at 31 March 2025		Amount at 31 March 2026	
	£'000	%	£'000	%
Less than 3 months	2,077	100.00%	19,241	100.00%
3 months to 1 year	0	0.00%	0	0.00%
More than 1 year	0	0.00%	0	0.00%
Total Outstanding Debt	2,077	100.00%	19,241	100.00%

4) Liquidity Risk

The Council has ready access to borrowings from the Money Markets to cover any day-to-day cash flow need. The Public Works Loan Board provides access to longer-term funds; it also acts as a lender of last resort to Councils (although it will not provide funding to a Council whose actions are unlawful). 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.

NOTES SUPPORTING THE BALANCE SHEET

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 cash flow management procedures required by the Code of Practice.

5) Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Long term risk to the Council relates to managing the exposure to replacing longer term financial instruments (debt and investments) as they mature.

The approved prudential indicator limits for the maturity structure of debt and the limits for investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategists address the main risks, and the central treasury team address the operational risks within the approved parameters. These include:

- 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 that the spread of longer-term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

The maturity analysis of the Council's debt and investments at the reporting date are shown in the table below:

	Approved Maximum Limit	Approved Maximum Limit	31 March 2025	31 March 2026
Debt Outstanding - Financial Liabilities	%	£'000	£'000	£'000
Less than one year	25%	115,533	9,941	9,791
Between one and two years	25%	115,533	6,538	11,486
Between two and five years	50%	231,067	31,254	21,890
Between five and ten years	75%	346,600	19,122	24,000
Between ten and fifteen years	100%	462,133	17,000	10,000
Between fifteen and twenty-five years	100%	462,133	36,822	36,823
Between twenty-five and thirty-five years	100%	462,133	195,726	210,726
Between thirty-five and forty-five years	100%	462,133	137,000	122,000
Total			453,403	446,716

NOTES SUPPORTING THE BALANCE SHEET

	Approved Maximum Limit	Approved Maximum Limit	31 March 2025	31 March 2026
Investments Outstanding - Financial Assets	%	£'000	£'000	£'000
Less than one year	100%	243,732	220,573	134,145
Between one and two years	16%	40,000	0	33
Between two and three years	16%	40,000	53	48
Maturing in more than three years	16%	40,000	921	815
Total			221,547	135,041

All trade and other payables are due to be paid in less than one year. Trade debtors and creditors are not shown in the table above.

6) Market Risk

i. 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. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on Provision of Services Account will rise.
- borrowings at fixed rates – the fair value of the borrowing liability will fall (no impact on revenue balances).
- investments at variable rates – the interest income credited to the Surplus or Deficit on Provision of Services Account will rise; and
- investments at fixed rates – the fair value of the assets will fall. (No impact on revenue balances however the Balance Sheet will be affected for those investments measured at fair value).

Borrowings and Loans measured at amortised cost are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings or fixed rate amortised loans would not impact on the Surplus or Deficit on 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 Provision of Services and affect the General Fund Balance.

Movements in the fair value of fixed rate investments that have a quoted market price and measured at fair value will be reflected in the 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 indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy, a prudential indicator is set which provides maximum limits for fixed and variable

NOTES SUPPORTING THE BALANCE SHEET

interest rate exposure. The central treasury team monitor markets 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.

Based on the financial liabilities and assets as at the balance sheet date a one percent point movement in average interest rates would be equivalent to a £1.284m change in the Council's net interest charge in the Comprehensive Income and Expenditure Account. This calculation is based on a full year interest effect at a constant level of borrowing and investments as at the reporting date, a further breakdown is shown in the table below:

	Amount at 31 March 2026
Financial Impact of the Interest Rate Risk	£'000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	1,284
Impact on Income and Expenditure Account	1,284

The impact on the fair value of the Council's long term fixed borrowings and long-term fixed investments from a one percentage point movement in average rates is shown below:

	Fair Value 31 March 2026	Fair Value 1% Higher	Fair Value 1% Lower
	£'000	£'000	£'000
County Council	307,218	273,168	349,721
Schools	317	310	323
Total Long Term Fixed Borrowing:	307,535	273,478	350,044
Treasury Investments	0	0	0
Non-Treasury Investments	382	376	394
Total Long Term Fixed Investments:	382	376	394

There is no impact on the Surplus or Deficit on Provision of Services or the Other Comprehensive Income and Expenditure account from the movement in fair value on borrowing and loans & receivables shown above. Fair values have been calculated using the same methodology/ assumptions as outlined under the section titled "Fair Value of Financial Assets and Financial Liabilities Carried at Amortised Cost".

ii. Price Risk

The Council, excluding the pension fund, as part of its treasury operations does not generally invest in equity shares or in property/multi asset funds classified as Fair Value through Profit and Loss, and is therefore not exposed to losses arising from movements in the price of shares.

NOTES SUPPORTING THE BALANCE SHEET

The Council does however have a small equity holding of 14,000 shares (£1 par value) in a company called Investors in Lincoln, 100 shares (£1 par value) in a company called ESPO trading Ltd and 3 shares (£1 par value) in a company called Hoople Ltd. All these holdings are non-treasury investments held for Service benefit reasons. Whilst these holdings are generally illiquid, the Council is exposed to gains or losses arising from movements in the price of the shares.

As these shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. The shares are not actively traded in an open market and the values of holdings at year end are calculated using discounted cash flow techniques (enterprise method).

The shares have been designated as Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in the Financial Instrument Revaluation Reserve.

iii. 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 19. DEBTORS

Debtors are recognised in the accounts when the ordered goods or services have been delivered or rendered by the Council in the financial year, but the income has not yet been received. For estimated manual debtors, a de minimis level of £25k for individual revenue items and £50k for capital items is set.

Debtors are initially recognised and measured at fair value of the consideration payable in the accounts. Most debtors are considered to be contractual, and these are then subsequently measured at amortised cost.

If settlement is over a year this is accounted for as long-term debtor. When considering the amortised cost of long-term debtors, the Council has set a £50k de minimis limit. Below this amount, the carrying value of the long-term debtor will be used as a proxy for amortised cost.

All the figures in the tables below are shown net of impairment for doubtful debt.

NOTES SUPPORTING THE BALANCE SHEET

2024/25		2025/26
£'000	Short Term Debtors	£'000
20,267	Trade Receivables	23,275
11,465	Prepayments	8,671
67,098	Other Receivable Amounts	74,264
98,829	Total	106,209

2024/25		2025/26
£'000	Long Term Debtors	£'000
4,810	Trade Receivables	15,811
(2,690)	Prepayments	(2,527)
1,455	Other Receivable Amounts	1,403
3,575	Total	14,686

NOTE 20. ASSETS HELD FOR SALE

These are assets held by the Council which are planned to be disposed of which meet the following criteria:

- the asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets.
- the sale must be highly probable (with management commitment to sell and active marketing of the asset initiated).
- it must be actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale should be expected to qualify for recognition as a completed sale within one year.

Depreciation is not charged on non-current assets held for sale.

	2024/25	2025/26
	£'000	£'000
Balance at 1 April	880	1,110
Assets newly classified as held for sale:		
Property, Plant and Equipment	770	900
Revaluation Increase/(Decrease) to SDPS	10	(30)
Assets declassified as held for sale:		
Assets Sold	(550)	(1,980)
Balance at 31 March	1,110	0

- a) Measurement. Non-Current Assets Held for Sale are revalued immediately before reclassification to Held for Sale and then measured at the lower of carrying value and

NOTES SUPPORTING THE BALANCE SHEET

fair value, less costs to sell (fair value here is the amount that would be paid for the asset in its highest and best use, e.g. market value).

- b) Disposal. Receipts from disposals are recognised in the Surplus or Deficit on provision of services. Amounts in excess of £10k are categorised as capital receipts and can then only be used for new capital investment or to repay the principal of any amounts borrowed. It is Council policy to utilise these receipts to fund the capital programme in the year they are received or to carry them forward to be used in future years. These receipts are transferred from the General Fund Balance via the Movement in Reserves.

NOTE 21. 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 held for the purpose of meeting short term cash commitments rather than for investment or other purposes. The Council classify these as follows:

- Instant Access Deposit Accounts or Overnight Bank Facilities set up for the purpose of meeting short term liquidity requirements and whose return (if any) does not make up the Average Yield Return on Investments, are to be classed as Cash Equivalents.
- Overnight Fixed Deposits, Deposit Based Bank Accounts and Net Asset Value Money Market Funds held for investment purposes for the returns offered, which make up the Councils Average Yield Return on its Investments, are to be classed as Short-Term Investments.

	2024/25	2025/26
	£'000	£'000
Cash held by the authority	289	336
Bank current accounts	(108,607)	(19,442)
Total	(108,318)	(19,106)

Bank Overdrafts are to be shown separately from Cash and Cash Equivalents where they are not an integral part of an Authority's cash management. Where a bank overdraft is assessed as part of the Council's cash management it will be included within Cash and Cash Equivalents.

The Councils Cash and Cash Equivalent Position is reflected in our Statements as an overdrawn position. This is an accounting position, reflected by operating an investment

NOTES SUPPORTING THE BALANCE SHEET

pooling arrangement for all bank accounts including the Pension Fund, out of the County Fund Bank Account. The position is also affected by the timing of General Ledger Bank Postings at the year-end which are not reflected at bank until after 31st March due to payment timings. The actual bank position on the Councils Bank Accounts at 31st March 2026 was £158,657.01.

NOTE 22. CREDITORS

Creditors are recorded where goods or services have been supplied to the Council by 31 March, but payment is not made until the following financial year. For estimated manual creditors, a de minimis level of £25k for individual revenue items and £50k for capital items is set.

Creditors are initially recognised and measured at fair value in the accounts. If payment is deferred to over a year, this is accounted for as a long-term creditor. When considering the amortised cost of long-term creditors, the Council has set a £50k de minimis limit. Below this amount, the carrying value of the long-term creditors will be used as a proxy for amortised cost.

For estimated manual creditors, a de minimis level of £25k for individual revenue items and £50k for capital items is set.

2024/25		2025/26
£'000	Short Term Creditors	£'000
(63,675)	Trade Payables	(65,104)
(101,898)	Other Payables	(114,334)
(165,573)	Total	(179,438)

2024/25		2025/26
£'000	Long Term Creditors	£'000
(9,858)	Trade Payables	(14,199)
(9,858)		(14,199)

NOTES SUPPORTING THE BALANCE SHEET

NOTE 23. PROVISIONS

The Council sets aside provisions for future expenses where:

- a past event has created a current obligation (legal or constructive) to transfer economic benefit.
- it is probable that an outflow of economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The County Council's accounting policy on provisions includes a de-minimis of £250k.

Provisions are charged to the relevant revenue service account in the Comprehensive Income and Expenditure Statement in the year the Council has an obligation. When the obligation is settled, the costs are charged to the provision set up in the Balance Sheet. When payments are eventually made, they are charged against the provision carried in the Balance Sheet.

Provisions contained within the Balance Sheet are split between current liabilities (those which are estimated to be settled within the next 12 months) and non-current liabilities (those which are estimated to be settled in a period greater than 12 months). Provisions are recognised and 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.

The below table shows an analysis of short and long-term provisions:

	Balance at 1 April 2025	Additional provisions made in year	Amounts used in year	Unused amounts reversed in year	Balance at 31 March 2026
	£'000	£'000	£'000	£'000	£'000
Short Term Provisions:					
- Insurance Claims	(3,656)	0	301	1,735	(1,620)
- Business Rates Appeals	(676)	0	382	0	(294)
- Voluntary Overtime Provision	(230)	0	0	0	(230)
	(4,562)	0	683	1,735	(2,144)
Long Term Provisions:					
- Insurance Claims	(4,652)	(4,093)	762	0	(7,983)
	(4,652)	(4,093)	762	0	(7,983)
Total	(9,214)	(4,093)	1,445	1,735	(10,127)

The Insurance provision represents all known and anticipated claims under the excess clauses of the Council's external insurance policies. Material risks which are met by the Council under current insurance policies are shown below:

NOTES SUPPORTING THE BALANCE SHEET

Type of Insurance	Each Claim £'000	Maximum for all such claims £'000
Public and employer's liability	500	4,500
School property	150	500
Other property	150	500

The Business Rates Appeal provision has been created because the Council, under the current funding regime receives 10% of the business rates collected in Lincolnshire. Under this arrangement the Council is liable for 10% of any provision for business rates appeals. The Voluntary Overtime Provision represents an estimate of Voluntary Overtime which could be taken into account for the determination of holiday pay.

NOTE 24. OTHER LONG-TERM LIABILITIES

2024/25		2025/26
£'000		£'000
(9,311)	Outstanding Liabilities on PFI and Finance Leases	(8,999)
(184,200)	Net Pension Liability - Fire Fighters Scheme	(185,000)
(51,419)	Net Pension Liability - LGPS	(52,924)
(244,930)		(246,923)

NOTE 25. PRIVATE FINANCE INITIATIVES (PFI) AND SIMILAR CONTRACTS

The Council has one PFI scheme for the provision of seven separate schools across the County which is classified as a Service Concession Arrangement.

Service Concession Agreements are agreements to receive services where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the contractor. As the Council is deemed to control the services that are provided under such schemes and as ownership of the assets will pass to the Council at the end of the contract for no additional charge, the Council carries these assets used under the contracts on the Balance Sheet as part of Property, Plant and Equipment.

NOTES SUPPORTING THE BALANCE SHEET

The original recognition of these assets is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. Assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

a) Background.

On 27 September 2001 Lincolnshire County Council entered into a 31-year PFI contract with Focus Education (Lincolnshire), for the construction and provision of seven fully serviced school premises across the county. The school sites were completed, and became operational, on a phased basis, as shown in the following table:

Buildings: Description	Occupied from
Sleaford St Botolph's County Primary	Sept 2002
Sleaford Church Lane Primary	Jan 2003
Claypole CE County Primary	Mar 2003
The Fortuna Primary, Lincoln	Sept 2003
Athena School (The Sincil School, Lincoln)	Mar 2006
Greenfields Academy (was The Phoenix School, Grantham)	Sept 2003
Woodlands Academy (was The Lady Jane Franklin School, Spilsby)	Sept 2003

The contractor is required to provide the school facilities to the specified standard (including school buildings and educational equipment). The school must operate within the policies of the Local Education Authority. The school facilities must be available and ready for use as a school during term time and the school day is specified as 8am to 7pm. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards.

The Council is required to pay compensation to the contractor if the contract is terminated early to cover: the senior debt, any redundancy costs incurred by the provider, and any future profit elements set out in the contractor's financial model.

The contract ends in 2032, at which time the school premises will transfer to the ownership of the Council at no further cost. The contract specifies the physical condition in which the premises must be transferred.

b) Property, Plant and Equipment Held under the PFI Contract.

The table below shows the non-current assets held by the Council, and the movement in their values during 2025-26. These assets are included in Note 14 Property, Plant and Equipment.

NOTES SUPPORTING THE BALANCE SHEET

	Land & Buildings		Furniture & Equipment	
	2024/25	2025/26	2024/25	2025/26
	£'000	£'000	£'000	£'000
Balance at 1 April:	18,044	20,909	75	99
Additions	187	176	48	20
Revaluations	3,323	607	0	0
Depreciation	(645)	(755)	(24)	(21)
	20,909	20,937	99	98

The original recognition of these assets is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. Assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

c) Liabilities Outstanding under the PFI Contract – Finance Lease Element.

The following table shows the outstanding liability on the PFI Finance Lease, and the movement during 2025/26:

2024/25		2025/26
£'000	PFI Lease Liability	£'000
5,999	Liability as at 01 April:	5,422
(577)	Principal Repayments	(745)
5,422	Liability as at 31 March	4,678

d). PFI Contract Liabilities.

The amounts payable to the contractors each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- finance cost – an interest charge of 7.20% on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.
- payment towards liability – applied to write down the Balance Sheet liability towards the contractor; and
- lifecycle replacement costs – recognised as additions to Property, Plant and Equipment on the Balance Sheet.

The following table shows a breakdown of the estimated contract costs over the remaining life of the PFI contract, split into the different elements of the total cost.

NOTES SUPPORTING THE BALANCE SHEET

Committed Liabilities as at 31 March 2026	Principal Lease Repayments	Financing Costs (Interest)	Service Charges	Total Estimated Payments
	£'000	£'000	£'000	£'000
Payable in 2026/27	978	305	2,419	3,702
Payable between 2027/28 and 2028/29	2,064	392	5,103	7,559
Payable between 2029/30 and 2030/31	1,216	137	4,506	5,859
Payable between 2031/32 and 2032/33	420	24	2,651	3,095
Total	4,678	858	14,679	20,215

e). School Assets.

On 1 August 2016, the Lady Jane Franklin School in Spilsby converted to Academy status. A lease has been agreed between the Council and the Academy to reflect the effects of conversion. This lease is accounted for in accordance with the Authority's Accounting Policies on Leases and Accounting for Schools. The figures shown in section d above, include £1.019m of principal lease liability and £0.316m of interest liability that relate to the Lady Jane Franklin School.

On 1 March 2013, the Phoenix School in Grantham converted to Academy status. A lease has been agreed between the Council and the Academy to reflect the effects of conversion. This lease is accounted for in accordance with the Authority's Accounting Policies on Leases and Accounting for Schools. The figures shown in section d above, include £1.025m of principal lease liability and £0.319m of interest liability that relate to the Phoenix School.

On 11 November 2011, the school buildings belonging to St Botolph's County Primary School in Sleaford (a Voluntary Controlled School) were transferred to the Diocese Trust. This school has been accounted for in accordance with the Authority's Accounting Policy of School Assets. The figures shown in section d above, include £1.116m of principal lease liability and £0.347m of interest liability that relate to St Botolph's County Primary School.

NOTE 26. LEASES

A lease exists where there is a contract, or part of a contract, which conveys the right to control the use of an identified asset for a period of time. This includes arrangements that convey the right to control the use of an asset in exchange for payment, as well as arrangements where there is no payment or other consideration involved.

The Council accounts for leases in accordance with the International Financing Reporting Standard (IFRS) 16 Leases. All leases and lease arrangements are recognised on the lessee's balance sheet as right-of-use assets with corresponding lease liabilities. Leases for items of

NOTES SUPPORTING THE BALANCE SHEET

low value and leases which expire within 12 months are exempt from the new accounting treatment.

Council as Lessee

a) Right-of-use assets

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

	Land and Buildings		Vehicles, Plant & Equipment	
	2024/25	2025/26	2024/25	2025/26
	£'000	£'000	£'000	£'000
Balance at 1 April:	20,936	37,541	0	305
Additions * (1)	9,235	775	464	1,149
Revaluations	3,143	845	0	0
Depreciation	(1,233)	(1,227)	(159)	(244)
Disposals	(1,411)	0	0	(29)
Derecognition	0	(8)	0	0
Reclassifications	6,871	0	0	0
Net Book Value at 31 March	37,541	37,926	305	1,181

*(1) Restated 2024-25 value. £10k for land added to fixed asset register with a date after 31 March 2025.

ii) Maturity analysis of lease liabilities

The following tables show the lease liabilities due to be settled over the following time bands (measured at the discounted amounts of expected cash payments):

	2024/25		2025/26	
	Minimum Lease Payments	Finance Lease Liabilities	Minimum Lease Payments	Finance Lease Liabilities
	£'000	£'000	£'000	£'000
Land and Buildings:				
Not later than one year	535	171	584	166
Between one year and not later than five years	1,898	478	2,167	422
Later than five years	1,821	606	1,380	518
Total Committed Liabilities as at 31 March	4,253	1,255	4,131	1,106
Vehicles, Plant & Equipment:				
Not later than one year	149	10	312	39
Between one year and not later than five years	161	9	772	46
Later than five years	2	0	0	0
Total Committed Liabilities as at 31 March	312	19	1,084	85

As at 31 March 2025, the Council is committed to making payments of £3.753m for the following low value items previously identified as operating leases:

NOTES SUPPORTING THE BALANCE SHEET

2024/25		2025/26
£'000		£'000
833	Not later than one year	713
1,255	Between one year and five years	1,409
1,768	Later than five years	1,632
3,856	Total Committed Liabilities	3,754

Council as Lessor

i) Finance Leases

The Council has granted a small number of long-term leases for Adult Care properties, a Children's Centre, and a Heritage site, which are accounted for as finance leases. Buildings leased at academy sites are also treated as finance leases. There are no significant lease payments and no debtors.

The Council does not acquire assets specifically for the purpose of letting under finance leases. The Council sub-lets County Farm holdings held under finance leases. At 31 March 2026 the minimum payments expected to be received under non-cancellable sub-leases was £12.550m.

ii) Operating Leases

The Council acts as landlord mainly for the County Farms estate and received income from tenants of £2.292m in 2025-26 (£2.397 in 2024-25). The Council also received rental income from other properties; where the value of the lease is material, the income amounted to £1.626m in 2025-26 (£1.352m in 2024-25).

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

2024/25		2025/26
£'000		£'000
5,683	Not later than one year	2,580
6,718	Between one year and five years	5,361
12,013	Later than five years	10,542
24,414	Total future minimum lease payments	18,483

NOTES SUPPORTING THE BALANCE SHEET

NOTE 27. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

a) Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme (TPS), administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council makes contributions towards the costs based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme however, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purpose of these Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2025-26 the Council paid £19.975m (£19.087m 2024/25) to the administrators of the TPS in respect of Employer's pension contributions. The Council's contribution rate to the teacher's pension fund is 28.68%. The Council is responsible for all pension payments relating to compensatory added years under the Council's early retirement policy. This includes payments for associated pension increases and mandatory compensation payments to fund the early release of benefits from the scheme. These unfunded benefits amounted to £3.523m in 2025-26 (£4.230m in 2024/245) and have an on-going liability to the Council.

b) National Health Service Pension Scheme (NHSPS)

The majority of staff that transferred to the Council from the Health Authority as part of Public Health and Children Services have remained in the National Health Service Pension Scheme (NHSPS).

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded, and the Department for Health uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2025-26 the Council paid £0.848m (£0.875m in 2024/25) to the administrators of the NHS Pension Scheme in respect of employer contributions. This was made of £0.708m of employer's contributions to the scheme at a contribution rate of 14.38% together with a lump sum contribution of £0.140m in 2025-26 (£0.133m in 2024/25).

NOTES SUPPORTING THE BALANCE SHEET

NOTE 28. DEFINED BENEFIT PENSIONS SCHEMES

Participation in Pension Schemes

The Council is required to auto-enrol all eligible employees to the local government pension scheme and makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

I. Local Government Pension Scheme (LGPS)

The Local Government Pension Scheme is a funded defined benefits career average salary scheme. This means that the Council and employees pay contributions into the fund, calculated at a level intended to balance the pension's liabilities with investment assets. The Council paid employer's contributions of £52.813m (£52.269m in 2024-25) into the Lincolnshire Pension Fund in 2025-26, based on 17.8% of scheme employees' pensionable pay.

Under the Council's early retirement policy, additional contributions of £0.576m (£0.182m in 2024-25) were made to the Pension Fund for the pre-funding of early retirements and unfunded benefits in respect of compensatory added years and associated pension increases amounted to £5.935m (£5.878m in 2024-25). Further information can be found on pages 102 to 103 and in the Council's Pension Fund Annual Report which is available on request.

Lincolnshire County Council's pension scheme is operated under the regulatory framework for the Local Government Pension Scheme, and the governance of the scheme is the responsibility of its Pension Committee. Policy is determined in accordance with the Pension Fund Regulations. The investment managers of the fund are appointed by the committee - See the list in the Pension Fund statements on page 180.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, and structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute as described in Note 40 Accounting Policies.

II. Fire-fighters' (Uniformed) Pension Scheme (FPS)

In 2025-26 the Council paid employer's contributions of £8.000m (£6.500m in 2024-25) to the Lincolnshire Fire and Rescue Pension Fund. here are currently three schemes: the 1992 and 2015 schemes, where the employer contribution rate is 21.7% and the 2006 scheme, where the contribution rate is 12%. A further £1.392m (£0.876m in 2024-25) was paid in

NOTES SUPPORTING THE BALANCE SHEET

respect of ill health retirements and £0.509m (£0.516m in 2024-25) in respect of injury benefits. Further information on the Lincolnshire Fire and Rescue Pension fund can be found on pages 159 to 161.

Transactions Relating to Post-Employment Benefits (IAS 19 Retirement Benefits accounting entries).

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 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 via the Movement in Reserves Statement.

The unfunded FPS employer's contributions have been defined by the actuary as benefits expenditure reduced by employee contributions. These are gross contributions and have been adjusted by the Home Office government grant. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

NOTES SUPPORTING THE BALANCE SHEET

a) Pension Assets and Liabilities Recognised in the Balance Sheet, Service Costs & Other Comprehensive Income (OCI) for the Local Government Pension Fund at 31 March 2026:

2024/25				2025/26		
Assets	Obligations	Net liability/ asset		Assets	Obligations	Net liability/ asset
£'000	£'000	£'000		£'000	£'000	£'000
1,748,212	0	1,748,212	Fair value of employer assets	1,822,412	0	1,822,412
(270,946)	0	(270,946)	Impact of asset ceiling	(508,017)	0	(508,017)
0	(1,477,266)	(1,477,266)	Present value of funded liabilities	0	(1,314,395)	(1,314,395)
0	(58,925)	(58,925)	Present value of unfunded liabilities	0	(51,419)	(51,419)
1,477,266	(1,536,191)	(58,925)	Opening position as at 31 March	1,314,395	(1,365,814)	(51,419)
			Service cost:			
0	(35,508)	(35,508)	Current service cost	0	(27,097)	(27,097)
0	(245)	(245)	Past service costs (including curtailments)	0	(644)	(644)
12,669	(8,593)	4,076	Effect of settlements	986	(393)	593
12,669	(44,346)	(31,677)	Total Service Costs	986	(28,134)	(27,148)
			Net Interest:			
91,636	0	91,636	Interest income on planned assets	103,560	0	103,560
0	(75,090)	(75,090)	Interest cost on defined benefit obligation	0	(72,466)	(72,466)
(14,142)	0	(14,142)	Impact on asset ceiling	(28,866)	0	(28,866)
77,494	(75,090)	2,404	Total net Interest	74,694	(72,466)	2,228
90,163	(119,436)	(29,273)	Total defined benefit cost recognised in CIES	75,680	(100,600)	(24,920)
			Cash flows:			
14,570	(14,570)	0	Plan participants' contributions	15,514	(15,514)	0
52,269	0	52,269	Employer contributions	55,261	0	55,261
5,935	0	5,935	Contributions re unfunded benefits	5,878	0	5,878
(71,808)	71,808	0	Benefits paid	(72,528)	72,528	0
(5,935)	5,935	0	Unfunded benefits paid	(5,878)	5,878	0
(4,969)	63,173	58,204	Total Cash Flows	(1,753)	62,892	61,139
1,562,460	(1,592,454)	(29,994)	Expected closing position	1,388,322	(1,403,522)	(15,200)

NOTES SUPPORTING THE BALANCE SHEET

2024/25				2025/26		
Assets	Obligations	Net liability/ asset		Assets	Obligations	Net liability/ asset
£'000	£'000	£'000		£'000	£'000	£'000
0	4,161	4,161	Remeasurements:			
0	216,463	216,463	Changes in demographic assumptions	0	(43,065)	(43,065)
0	4,420	4,420	Changes in financial assumptions	0	55,085	55,085
(23,540)	0	(23,540)	Other experience	(24,948)	(82,383)	(107,331)
(222,929)	0	(222,929)	Return on assets excluding amounts included in net interest	76,616	0	76,616
(246,469)	225,044	(21,425)	Changes in asset ceiling	(19,029)	0	(19,029)
			Total remeasurements recognised in OCI	32,639	(70,363)	(37,724)
1,822,412	0	1,822,412	Fair value of employer assets	1,975,372	0	1,975,372
(508,017)	0	(508,017)	Impact of asset ceiling	(555,912)	0	(555,912)
0	(1,314,395)	(1,314,395)	Present value of funded liabilities	0	(1,419,460)	(1,419,460)
0	(51,419)	(51,419)	Present value of unfunded liabilities	0	(52,924)	(52,924)
1,314,395	(1,365,814)	(51,419)	Closing position as at 31 March	1,419,460	(1,472,384)	(52,924)

The asset ceiling is the present value of any economic benefit available to the Council in the form of refunds or reduced future employer contributions. The asset ceiling determined by our Actuary has followed their interpretation of IFRIC14.

Their calculations assume:

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

NOTES SUPPORTING THE BALANCE SHEET

Analysis of the Remeasurements recognised in Other Comprehensive Income:

	Year to 31/03/2025	Year to 31/03/2026
Remeasurement of the net assets/(defined benefit)		
Return on Fund assets in excess of interest	(23,540)	76,616
Other actuarial gains/losses on assets	0	(24,948)
Change in financial assumptions	216,463	55,085
Change in demographic assumptions	4,161	(43,065)
Changes in effect of asset ceiling	(222,929)	(19,029)
Experience gain/losses on defined benefit obligation	4,420	(82,383)
Remeasurement of the net assets/(defined liability)	(21,425)	(37,724)

NOTES SUPPORTING THE BALANCE SHEET

b) Pension Assets and Liabilities Recognised in the Balance Sheet, Service Costs & Other Comprehensive Income (OCI) for the Fire-fighters Pension Fund at 31 March 2026:

2024/25				2025/26		
Assets	Obligations	Net liability /asset		Assets	Obligations	Net liability /asset
£'000	£'000	£'000		£'000	£'000	£'000
0	(187,100)	(187,100)	Present value of funded liabilities	0	(173,100)	(173,100)
0	(17,900)	(17,900)	Present value of unfunded liabilities	0	(11,100)	(11,100)
0	(205,000)	(205,000)	Opening position as at 31 March	0	(184,200)	(184,200)
			Service cost:			
0	(1,600)	(1,600)	Current service cost	0	(1,600)	(1,600)
0	(1,600)	(1,600)	Total Service Costs	0	(1,600)	(1,600)
			Net Interest:			
0	(9,800)	(9,800)	Interest cost on defined benefit obligation	0	(10,500)	(10,500)
0	(9,800)	(9,800)	Total net Interest	0	(10,500)	(10,500)
0	(11,400)	(11,400)	Total defined benefit cost recognised in CIES	0	(12,100)	(12,100)
			Cash flows:			
1,600	(1,600)	0	Plan participants' contributions	1,800	(1,800)	0
6,500	0	6,500	Employer contributions	8,000	0	8,000
500	0	500	Contributions in respect of injury benefits	0	0	0
200	(200)	0	Transfers to/from other authorities	500	0	500
(8,300)	8,300	0	Benefits paid	(9,800)	9,800	0
(500)	500	0	Injury award expenditure	(500)	500	0
0	7,000	7,000	Total Cash Flows	0	8,500	8,500
0	(209,400)	(209,400)	Expected closing position	0	(187,800)	(187,800)

NOTES SUPPORTING THE BALANCE SHEET

2024/25				2025/26		
Assets	Obligations	Net liability /asset		Assets	Obligations	Net liability /asset
£'000	£'000	£'000		£'000	£'000	£'000
			Remeasurements:			
0	(3,100)	(3,100)	Changes in demographic assumptions	0	1,700	1,700
0	(29,000)	(29,000)	Changes in financial assumptions	0	(6,000)	(6,000)
0	6,900	6,900	Other experience	0	1,500	1,500
0	(25,200)	(25,200)	Total remeasurements recognised in OCI	0	(2,800)	(2,800)
0	(173,100)	(173,100)	Present value of funded liabilities	0	(173,800)	(173,800)
0	(11,100)	(11,100)	Present value of unfunded liabilities	0	(11,200)	(11,200)
0	(184,200)	(184,200)	Closing position as at 31 March	0	(185,000)	(185,000)

The current service cost shown in the table above includes the cost for both the non-injury benefits and injury benefits. This is split £1.300m for the non-injury benefits and £0.300m for the injury benefits. The interest cost shown in the table above includes the cost for both the non-injury benefits and injury benefits. This is split £9.900m for the non-injury benefits and £0.600m for the injury benefits.

Analysis of the present value of the defined obligation – Fire-fighters Scheme:

2024/25				2025/26		
Liability Split		Duration		Liability Split		Duration
£000	%			£000	%	
45,300	26.17	24.8	Members	47,700	27.45	24.8
9,700	5.60	25.4	Deferred Members	9,900	5.70	25.4
118,100	68.23	12.1	Pensioners	116,200	66.86	12.1
173,100	100.00	18.2		173,800	100.00	16.3
4,500	40.54	24.8	Contingent injuries	4,800	42.86	24.8
6,600	59.46	10.4	Injury pension liabilities	6,400	57.14	11.5
11,100	100.00	17.3		11,200	100.00	17.2

NOTES SUPPORTING THE BALANCE SHEET

c) Pension Fund Assets Comprise.

The Local Government Pension schemes comprise the following assets:

Asset Class	Fair value of scheme assets							
	2024/25				2025/26			
	Quoted prices in active markets	Quoted prices not in active markets	Total		Quoted prices in active markets	Quoted prices not in active markets	Total	
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
Corporate Bonds: UK	236,914	0	236,914	13	245,736	0	245,736	12
Total Corporate Bonds	236,914	0	236,914	13	236,445	0	236,445	12
Equities:								
- UK	145,793	0	145,793	8	153,940	0	153,940	8
- Overseas	728,965	0	728,965	40	809,903	0	809,903	41
Total Equities	874,758	0	874,758	48	963,843	0	963,843	49
Property: All	91,121	29,159	120,279	7	85,133	85,133	170,265	9
Total Property	91,121	29,159	120,279	7	85,133	85,133	170,265	9
Other:								
- Hedge fund	0	107,522	107,522	6	0	116,547	116,547	6
- Private Equity	0	125,746	125,746	7	0	117,469	117,469	6
- Infrastructure	0	91,121	91,121	5	0	91,937	91,937	5
- Bonds / Credit - Diversified Income	182,241	0	182,241	10	198,327	0	198,327	10
- Private Debt	0	0	0	0	0	32,594	32,594	2
- Other Diversified Alternatives	0	29,159	29,159	2	0	0	0	0
- Forward Currency Contracts	0	0	0	0	0	(1,975)	(1,975)	0
- Cash/Temporary Investments	54,672	0	54,672	3	40,629	0	40,629	2
Total Other	236,913	353,548	590,461	32	238,956	356,572	595,528	30
Total Assets	1,439,706	382,707	1,822,412	100	1,533,668	441,705	1,975,372	100

NOTES SUPPORTING THE BALANCE SHEET

All scheme assets have quoted prices in active markets. The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. The estimated return on scheme assets in the year was 9.9% (3.88% in 2024-25).

d. 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. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham, (Fire Fighters Pension scheme was assessed by Hymans Robinson) both independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31st March 2025.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Fire-fighters' Pension Scheme	
	2024/25	2025/26	2024/25	2025/26
Price Increases	3.20%	3.30%	3.15%	3.30%
Salary Increases	3.90%	3.90%	3.15%	3.30%
Pension Increases (CPI)	2.90%	2.90%	2.80%	3.00%
Discount Rate	5.80%	6.10%	5.80%	6.20%

The table below shows the life expectancy of future and current pensioners and is based on the CMI 2025 (fire fighters) and CMI 2025 (LGPS) model assuming the current rate of improvement has peaked and will converge to a long-term rate of 1.50% p.a. Life expectancy is based on pensioners of 65 in the LGPS and 60 in the Fire-fighters' scheme.

Life expectancy - Years	Local Government Pension Scheme		Fire-fighters' Pension Scheme	
	Male	Female	Male	Female
Current Pensioners	21.6	23.5	26.1	28.7
Future Pensioners	23.2	25.3	28.1	30.8

NOTES SUPPORTING THE BALANCE SHEET

e. Sensitivity Analysis

The sensitivity analyses below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimation in the sensitivity analysis has followed the accounting policies of 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 a previous period.

	£000	£000	£000	£000	£000
	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Adjustment to discount rate:					
Present value of total obligation	1,377,276	1,452,474	1,472,384	1,492,765	1,579,314
Projected service cost	22,401	26,159	27,176	28,226	32,785
Adjustment to long term salary increases:					
Present value of total obligation	1,476,892	1,473,274	1,472,384	1,471,499	1,468,014
Project service cost	27,176	27,176	27,176	27,176	27,176
Adjustment to pension increases and deferred revaluation:					
Present value of total obligation	1,571,694	1,493,111	1,472,384	1,456,592	1,388,573
Project service cost	33,208	28,304	27,176	26,084	22,055
		+1 year	None	-1 year	
Adjustment to life expectancy assumptions:					
Present value of total obligation		1,528,359	1,472,384	1,418,757	
Projected Service cost		28,110	27,176	26,262	

NOTES SUPPORTING THE BALANCE SHEET

Fire Fighters' Pension Scheme.

	Approximate change to Employer Liability	Approximate monetary amount
Change in assumptions - year ended 31 March 2026	%	£000
0.5% decrease in Real Discount rate	9.0	15,850
1 year increase in member life expectancy	3.0	5,550
0.5% increase in the Salary Increase Rate	<1	140
0.5% increase in the Pension Increase Rate	7.0	13,200

The Fire-fighters' pension arrangements have no assets to cover its liabilities.

The principle demographic assumption is the longevity assumption for the LGPS (i.e. member life expectancy). For sensitivity purposes, it's estimated that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit obligation by around 3-5%. In practice, the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages). There would be a similar increase in the Current Service costs of 3-5%.

Asset and Liability Matching (ALM) Strategy

The Council's pension committee has agreed to an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The fund has matched assets to the pensions' obligations by investing long-term fixed interest securities and indexed linked gilt-edged investment with maturities that match the benefits payments as they fall due. This is balanced with a need to maintain the liquidity of the fund to ensure that it is able to make current payments. As is required by the pensions and investment regulations, the suitability of various types of investment have been considered, as has the need to diversify investments to reduce risk of being invested in too narrow a range. A large proportion of the assets relate to equities (49% of scheme assets) and Bonds (14%), absolute funds (22%). The scheme also invests in properties (9%), infrastructure (5%) and cash/temporary investments (2%) as a part of the diversification of the scheme's investments. The ALM strategy is monitored annually or more frequently if necessary.

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. We are now working on the most recent triennial valuation. The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31

NOTES SUPPORTING THE BALANCE SHEET

March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings scheme to pay pensions and other benefits.

f. Projected defined benefit cost for the period to 31 March 2027.

Net (liability) /asset	Local Government Pension Scheme	Fire Fighters' Pension Scheme
	£000	£000
Projected Current Service Cost	(28,657)	(1,500)
Interest cost on defined benefit obligation	(1,796)	(11,200)
Total included in Income and Expenditure	(30,453)	(12,700)

The weighted average duration of the defined benefit obligation for scheme members is 20 years in 2025/26. The authority expects to pay £41.792m in contributions to the LGPS in 2026/27.

Pass through arrangements

Serco, Balfour Beatty, GLL and Platform were all 100% funded (i.e. they have assets that match the liabilities) at last formal valuation (March 2022), therefore the impact of these bodies being pooled with LCC is not considered to be material.

Virgin Media Ltd vs NTL Trustees

On 25 July 2024, the Court of Appeal dismissed the appeal in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others. The appeal was brought by Virgin Media Ltd against aspects of the High Court's ruling handed down in June 2023 relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. The Court of Appeal upheld the High Court's ruling. The ruling may have implications for other UK defined benefit plans. It is understood this would apply to the LGPS and HM Treasury is currently assessing the implications for all public service pension schemes. No further information is available at this stage.

NOTES SUPPORTING THE CASH FLOW STATEMENT

NOTE 29. FINANCING ACTIVITIES

Reconciliation of Liabilities Arising from Financing Activities:

	2024/25	Financing cash flows	Non-cash changes		2025/26
	£'000		Acquisitions	Other	£'000
Long term borrowing	443,463	(6,538)			436,925
Short term borrowing	9,941	(150)			9,791
Lease liabilities	3,889	433	0	0	4,322
On Balance sheet PFI Liabilities	5,422	(744)	0	0	4,678
Total liabilities	462,715	(7,000)			455,715

	2023/24	Financing cash flows	Non-cash changes		2024/25
	£'000		Acquisitions	Other	£'000
Long term borrowing	450,054	(6,591)			443,463
Short term borrowing	12,072	(2,131)			9,941
Lease liabilities	170	3,719	0	0	3,889
On Balance sheet PFI Liabilities	5,999	(577)	0	0	5,422
Total liabilities	468,295	(5,580)	0	0	462,715

NOTE 30. POOLED BUDGETS

Under Section 31 of the Health Act 1999 (superseded by Section 75 of the Health Act 2006), Lincolnshire County Council (LCC) has entered into pooled budget arrangements. The Council is the host Authority for the pooled budgets relating to: Proactive Care, Specialties including Learning Disabilities, Integrated Community Equipment Service, and Child & Adolescent Mental Health Services; and is responsible for their financial administration. Outside this Better Care Fund (BCF) Section 75 is a stand-alone Section 75 for Sexual Health.

a) Proactive Care

The Proactive S75's primary purpose is to support delivery of prevention and early intervention strategies and to secure the necessary shift from acute to community provision. Performance against the key national targets around Non-Elective Admissions (NEA) and Delayed Transfers of Care (DTC) are crucial areas that the Board is responsible for reviewing.

2024/25		2025/26
£'000	Proactive Care	£'000
66,081	Gross Partnership Expenditure	68,820
(66,081)	Gross Partnership Income	(68,820)
0	(Surplus)/Deficit	0
45,000	Contribution from LCC	45,000

b) Learning Disability

In 2001/02 Lincolnshire County Council and Lincolnshire Clinical Commissioning Groups (CCG's) established a pooled budget Partnership Arrangement for the provision of Learning Disability (LD) services. This has now been extended to include LD Carers, Personal Health Budgets and Adult care section 256s.

2024/25		2025/26
£'000	Learning Disability	£'000
111,916	Gross Partnership Expenditure	112,395
(108,666)	Gross Partnership Income	(110,574)
3,250	(Surplus)/Deficit	1,821
75,947	Contribution from LCC	75,684

This commissioning strategy aims to ensure that eligible Adults with Learning Disability, Autism and/or Mental Health needs receive appropriate care and support that enables them to feel safe and live independently. Services for Learning Disabilities are administered via a Section 75 agreement between the Council and NHS commissioners in Lincolnshire, in addition to a small in-house element that sits outside the Section 75. The Mental Health service is run on behalf of the Council by the Lincolnshire Partnership Foundation Trust, also

OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

by way of a Section 75 agreement. Specialist Adult Services finished 2025/26 with an overspend of £0.823m for the year. The service has seen growth in Supported Living, Residential and Direct Payments costs from a combination of high-cost discharges from in-patient provision and school/college leavers requiring packages of care. Service user income has increased due to direct payment audit income being recovered which has helped to offset some of the high-cost packages.

c) Lincolnshire Community Equipment Service (LCES)

From 1st April 2015 the Council entered into a S75 agreement with the then 4 Lincolnshire Clinical Commissioning Groups for the provision of an integrated Community Equip service (ICES). This is a 46:54 shared responsibility budget between the Council and Lincolnshire Integrated Care Board and there is a risk share agreement regarding any under or overspends in year.

2024/25		2025/26
£'000	Community Equipment Service	£'000
4,028	Gross Partnership Expenditure	4,570
(6,881)	Gross Partnership Income	(6,881)
(2,853)	(Surplus)/Deficit	(2,311)
4,028	Contribution from LCC	4,570

d) Child & Adolescent Mental Health Services

In 2012-13 Lincolnshire County Council and Lincolnshire Clinical Commissioning Groups established a pooled budget Partnership Arrangement for the provision of Child & Adolescent Mental Health Service. The size of this pooled budget increased from 2016-17 following variations made which incorporated additional functions into the Section 75 Agreement.

The Children and Adolescent Mental Health Services (CAMHS) is designed to meet a wide range of mental health needs in children and young people. These include mild to moderate emotional well-being and mental health problems, as well as moderate, acute, and severe, complex and/or enduring mental health problems or disorders that are causing significant impairments in their lives including: anxiety, depression, trauma, eating disorders and self-harm.

The service also provides a 24-hour, 7 day a week Crisis & Home Treatment Service to provide crisis intervention for young people actively displaying suicidal ideation or following suicide attempts, severe symptoms of depression with suicidal ideation, life threatening harm to self, harm to others as a result of a mental health concern, acute psychotic symptoms, or presentation of anorexia with severe physical symptoms. A CAMHS

OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

Professional Advice Line is also available to help with uncertainty of whether to refer, or if help is needed on how to refer.

2024/25	Child & Adolescent Mental Health Services	2025/26
£'000		£'000
19,692	Gross Partnership Expenditure	21,511
(19,692)	Gross Partnership Income	(21,511)
0	(Surplus)/Deficit	0
725	Contribution from LCC	748

The figures within the CAMHS are made up mostly from the Child and Adolescent Mental Health services but now also includes promoting Independence for Children and other services that work towards the delivery of Mental Health issues amongst children and the young. The funding was all fully utilised in 2025/26, which also includes the LCC contribution of £748k.

e) Sexual Health

During 2015/16 the Council jointly procured a new contract with NHS England to provide sexual health treatment and prevention services around the county. The new contract commenced on 1st April 2016 and includes provision for HIV services which are the responsibility of NHS England as well as other treatment and preventative services which remain the responsibility of the Council. Whilst the Council is responsible for the contract, the funding is received from NHS England in respect of the HIV services. As such a S.75 agreement has been agreed between the Council and NHS England.

2024/25	Sexual Health	2025/26
£'000		£'000
6,329	Gross Partnership Expenditure	6,349
(6,329)	Gross Partnership Income	(6,349)
0	(Surplus)/Deficit	0
0	Contribution from LCC	0

f) Wheelchair Service

The Wheelchair Service is part of a Section 75 agreement, and the staff required to manage the service, and all associated costs are entirely funded by the ICB.

2024/25	Wheelchair Service	2025/26
£'000		£'000
2,577	Gross Partnership Expenditure	2,064
(2,800)	Gross Partnership Income	(2,492)
(223)	(Surplus)/Deficit	(428)
0	Contribution from LCC	0

OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

NOTE 31. MEMBERS ALLOWANCES

The Council paid the following amounts to Members of the Council during the year:

2024/25		2025/26
£'000		£'000
849	Basic Allowances	878
577	Special Responsibility Allowances	545
37	Expenses	58
1,463	Total	1,481

NOTE 32. OFFICERS' REMUNERATION

a) Officers' remuneration bandings

The table below shows the total number of staff employed by the Council whose actual remuneration exceeded £50,000 per annum, shown in £5,000 bands.

2024/25		Pay Band	2025/26	
Number of Staff			Number of Staff	
Remuneration received (excl Staff receiving redundancy payments)	Staff who received redundancy payments		Remuneration received (excl Staff receiving redundancy payments)	Staff who received redundancy payments
1	-	£145,000- £149,999	-	-
-	-	£140,000- £144,999	-	-
-	-	£135,000- £139,999	2	-
1	-	£130,000- £134,999	-	-
-	1	£125,000- £129,999	1	-
3	1	£120,000- £124,999	4	-
2	-	£115,000- £119,999	4	-
7	1	£110,000- £114,999	4	-
6	-	£105,000- £109,999	5	-
7	-	£100,000- £104,999	7	-
6	-	£95,000- £99,999	10	-
15	-	£90,000- £94,999	17	1
11	-	£85,000- £89,999	13	-
42	-	£80,000- £84,999	50	1
49	-	£75,000- £79,999	46	1
46	-	£70,000- £74,999	56	1
76	-	£65,000- £69,999	85	-
96	1	£60,000- £64,999	135	1
214	-	£55,000- £59,999	230	-
355	-	£50,000- £54,999	449	-
937	4	Total	1,118	5

Remuneration includes gross salary, expenses, monetary value of benefits in kind and termination payments for staff leaving during the year. In addition, the table also identifies the number of staff that left the Council receiving termination payments in the respective

OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

year. The table excludes all employees who are included within the Senior Officer Remuneration table under section b.

A breakdown of the numbers between schools and other services can be found in the following table:

2024/25				Pay Band	2025/26			
Number of Staff					Number of Staff			
Remuneration received (excl those receiving redundancy payments)		Staff who received redundancy payments			Remuneration received (excl those receiving redundancy payments)		Staff who received redundancy payments	
Schools	Other Services	Schools	Other Services		Schools	Other Services	Schools	Other Services
-	1	-	-	£145,000- £149,999	1	-	-	-
-	-	-	-	£140,000- £144,999	-	-	-	-
-	-	-	-	£135,000- £139,999	2	-	-	-
1	-	-	-	£130,000- £134,999	-	-	-	-
-	-	-	1	£125,000- £129,999	-	1	-	-
1	2	1	-	£120,000- £124,999	-	4	-	-
-	2	-	-	£115,000- £119,999	1	3	-	-
1	6	-	1	£110,000- £114,999	1	3	-	-
1	5	-	-	£105,000- £109,999	1	4	-	-
2	5	-	-	£100,000- £104,999	6	2	-	-
3	3	-	-	£95,000- £99,999	5	6	-	-
4	11	-	-	£90,000- £94,999	5	15	-	1
2	9	-	-	£85,000- £89,999	14	5	-	-
14	28	-	-	£80,000- £84,999	24	29	-	1
16	33	-	-	£75,000- £79,999	22	28	-	1
24	22	-	-	£70,000- £74,999	19	40	-	1
20	56	-	-	£65,000- £69,999	31	58	-	-
30	66	-	1	£60,000- £64,999	49	106	-	1
54	160	-	-	£55,000- £59,999	106	141	-	-
121	234	-	-	£50,000- £54,999	211	270	-	-
294	643	1	3	Total	498	715	0	5

b) Senior Officers' Remuneration

The Accounts and Audit Regulations (England) 2015 requires Local Authorities to disclose individual remuneration details for senior employees, determined as those who have responsibility for the management of the organisation and who direct or control the major activities of the Council.

OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

Senior Officers with a salary over £150,000	Year	Salary	Employer's Pension Contribution	Total
		£	£	£
<u>Job Title</u>				
Deborah Barnes - Chief Executive	2025/26	209,997	50,609	260,606
	2024/25	203,485	49,040	252,525
Andrew Crookham - Chief Executive/Executive Director of Resources & Deputy Chief Executive *	2025/26	189,057	45,563	234,620
	2024/25	175,703	42,344	218,047
Senior Officers with a salary over £50,000 and less than £150,000	Year	Salary	Employer's Pension Contribution	Total
		£	£	£
Executive Director of Children's Services & Deputy Chief Executive *	2025/26	177,913	51,025	228,938
	2024/25	156,342	44,839	201,181
Executive Director of Adult Care & Community Wellbeing	2025/26	157,108	37,863	194,971
	2024/25	153,976	37,108	191,084
Head of Health Intelligence **	2025/26	156,352	15,231	171,583
	2024/25	0	0	0
Executive Director of Resources/Assistant Director Transformation, Systems & Performance *	2025/26	130,690	34,484	165,174
	2024/25	0	0	0
Executive Director - Place	2025/26	142,833	34,423	177,255
	2024/25	146,990	35,425	182,415
Chief Fire Officer	2025/26	148,983	56,018	205,001
	2024/25	137,925	51,860	189,785
Assistant Director - Corporate Property	2025/26	0	0	0
	2024/25	162,728	18,589	181,317
HM Coroner **	2025/26	152,644	36,787	189,431
	2024/25	0	0	0
Director of Public Health	2025/26	124,268	17,870	142,138
	2024/25	131,033	18,843	149,875

*Andrew Crookham & Andrew McLean have been in multiple roles this financial year as outlined in their job titles above.

** There was no requirement to declare these salaries in 2024-25.

Salary includes any bonuses, taxable expenses and compensation for loss of employment.

OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

All Senior Officers are members of the Local Government Pension Scheme (LGPS) aside from the Director Public Health, who is a member of the National Health Service Pension Scheme (NHSPS), one Chief Fire Officer, who is a member of the Fire Pension Scheme (FPS) and the Executive Director of Children's Services who pays into the Teacher Pension Scheme.

NOTE 33. EXIT PACKAGES

Redundancy, pension strain and other payments are presented in this note in the year that payment is made or accrued (at the point in time when an individual employee is committed to leave the Council). Provisions for redundancy, pension strain and other payments are not included within this note as they represent costs which are committed, but where specific individuals have not yet been identified.

The numbers of exit packages with total cost (redundancy, pension strain and other payments) 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	
	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26
							£	£
£0 - £20,000	28	30	17	10	45	40	£286,955	£303,819
£20,001 - £40,000	2	8	6	5	8	13	£280,053	£385,678
£40,001 - £60,000	0	1	2	6	2	7	£107,500	£338,437
£60,001 - £80,000	3	0	0	3	3	3	£195,760	£209,073
£80,001 - £100,000	1	0	0	0	1	0	£94,163	£0
£100,001 - £150,000	1	0	0	2	1	2	£118,551	£243,811
£150,001 - £200,000	0	1	0	0	0	1	£0	£199,554
£250,001 - £300,000	0	1	0	0	0	1	£0	£254,255
Total	35	41	25	26	60	67	1,082,982	1,934,626

Details of the actual costs included within the Council's Income and Expenditure for redundancy, pension strain and other payments are set out in Note 34 Termination Benefits. The difference between the values reported in this note and those within the Termination Benefits note arise due to provisions and any variances between year-end accruals and the actual payments made in the next financial year.

NOTE 34. TERMINATION BENEFITS

Employee termination benefits arise from the Council's obligation to pay redundancy costs to employees. These costs will be recognised in the Council's Financial Statements at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the costs for a restructuring. For example, when there is a formal plan for redundancies (including the location, function and approximate number of employees affected; the termination benefits offered, and the time of implementation).

These items will be accrued in the Balance Sheet at year end and charged to the relevant service revenue account. If payments are likely to be payable in more than 12 months from the year end, then these costs will be discounted at the rate determined by reference to market yields.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority 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.

As a result of further reductions to local government funding the Council is undertaking a review and reshaping of services. In 2025-26 the Council has incurred liabilities of £1.891m (£0.977m in 2024-25) in relation to termination benefits.

- £1.314m for redundancy payments (£0.796m in 2024-25); and
- £0.576m for pension strain and additional pension awards (£0.182m in 2024-25).

Further information on termination benefits can be found in Note 33 on Exit Packages which details the number of exit packages and total cost over bands and Note 28 on Defined Benefit Pension Schemes which details the effect termination benefits have had on pensions in 2025-26.

OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

NOTE 35. EXTERNAL AUDIT COSTS

The Council has incurred the following fees in relation to external audit and inspection work:

	2024/25	2025/26
	£'000	£'000
Fees payable to the Appointed Auditor for external audit services	316	318
Fees payable to the Appointed Auditor for other services	0	16
Total	316	334

NOTE 36. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency (ESFA). The Dedicated Schools Grant (DSG) is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the School and Early Years Finance (England) Regulations 2024. The Schools Budget included elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2025/26 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£'000	£'000	£'000
Schools Budget funded by Dedicated Schools Grant			
Final DSG for 2025/26 before Academy and High Needs recoupment			871,651
Academy and High Needs Figure recouped for 2025/26			(485,677)
Total DSG after Academy and High Needs recoupment for 2025/26			385,974
Plus: Brought Forward from 2024/25			1,750
Agreed Initial Budgeted Distribution in 2025/26	228,092	159,631	387,723
In Year Adjustments	(1,894)	0	(1,894)
Final Budget Distribution for 2025/26	226,198	159,631	385,829
less: Actual central expenditure	(251,202)	0	(251,202)
less: Actual ISB deployed to schools		(159,631)	(159,631)
In year carry forward 2026/27	(25,004)	0	(25,004)
Carry forward to 2026/27	(25,004)	0	(25,004)
DSG unusable reserve at the end of 2025/26			0
Addition to DSG unusable reserve at the end of 2025/26			(25,005)
Total of DSG unusable reserve at the end of 2025/26			(25,005)
Net DSG position at the end of 2025/26			(25,005)

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	Central Expenditure	Individual Schools Budget	Total
	£'000	£'000	£'000
Schools Budget funded by Dedicated Schools Grant			
Final DSG for 2024/25 before Academy and High Needs recoupment			791,480
Academy and High Needs Figure Recouped for 2024/25			(452,739)
Total DSG after Academy and High Needs Recoupment for 2024/25			338,741
Plus: Brought Forward from 2023/24			16,280
Agreed Initial Budgeted Distribution in 2024/25	199,621	155,399	355,020
In Year Adjustments	(27)	(1,423)	(1,450)
Final Budget Distribution for 2024/25	199,594	153,976	353,570
less: Actual central expenditure	(197,844)	0	(197,844)
less: Actual ISB deployed to schools	0	(153,976)	(153,976)
In year carry forward 2025/26	1,750	0	1,750
Carry forward to 2025/26	1,750	0	1,750
DSG unusable reserve at the end of 2024/25			0
Addition to DSG unusable reserve at the end of 2024/25			0
Total of DSG unusable reserve at the end of 2024/25			0
Net DSG position at the end of 2024/25			1,750

The Individual Schools Budget includes school's contingency. For the purposes of the deployment of the grant, ISBs are deemed to be spent once allocated. School balances can be seen elsewhere in the Financial Statements in Note 13 Earmarked Reserves.

NOTE 37. RELATED PARTIES

The Council is required to disclose transactions with other bodies or individuals that have the potential to control or influence the Council or be controlled or influenced by it. Disclosure of these transactions allows readers to make an informed assessment on how much the Council might have been restricted to operate independently or how it might have limited the other bodies' or individuals' ability to bargain freely.

Central Government

Central government has effective control 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. council tax bills). Further details of the grants received by the Council are set out in Note 7 Taxation and Non-Specific Grant Income and Grant Income.

Councillors and Senior Officers

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Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2025-26 is shown in Note 31.

The Chief Executive and those reporting directly to him may also be able to influence Council policy. Therefore, accounting standards require the Council to disclose certain 'related party transactions' between County Councillors, Chief Officers and the Council. This information comes from the statutory registers of interest (maintained for members) and declarations of pecuniary interests (for Officers). Details of all transactions are recorded in the Register of Members' Interest, which are available for public inspection at County Offices on Newland, Lincoln, during normal office hours, or also on-line from the Council's website. All Council members and Chief Officers have been written to, advising them of their obligations and asking for any declarations of related party transactions to be disclosed within the Statement of Accounts.

During 2025-26 the following have been declared:

Councillors

3 Councillors have not returned a related party form this financial year. Information from other sources has been used for these Councillors.

28 Councillors have declared that either they or their immediate family members are Councillors or employees of one or more of the seven Lincolnshire District Councils. The seven District Councils are partner organisations of the County Council. We paid £27.615m to the District Councils and received income of £8.656m in 2025/26.

20 Councillors or their immediate family members have declared an interest in a total of 33 public bodies (e.g. schools, parish councils, NHS bodies, drainage boards). Of these 33 public bodies, we spent a total of £0.103m with 7 public bodies and received income of £0.03m from 4 public bodies in 2025/26.

25 Councillors or their immediate family members have declared an interest in a total of 59 charitable or voluntary bodies. Of these 59 charitable or voluntary bodies, we spent a total of £0.299m with 6 bodies and received income of £0.015m from 5 bodies in 2025/26.

49 Councillors or their immediate family members have declared an interest in a total of 113 private sector organisations. Of these 113 private sector organisations we spent a total of £2.570m with 8 organisations and received income of £0.029m relating to 49 Councillors in 2025/26.

Chief Officers

9 Chief Officers have declared 8 related parties with the Council. Of these 8 Voluntary sector Organisations we spent £0.118m with 5 Organisations and received £0.000m of income relating to 2 Chief Officers in 2025/26

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Other Public Bodies

The Council has entered into Pooled Budget arrangements which are shown in Note 30 with Lincolnshire Integrated Care Board (ICB) for Specialties including Learning Disabilities, Integrated Community Equipment, Proactive Care, Discharge Fund, and Child & Adolescent Mental Health Service, which are all included within a framework schedule to summarise and share the risk. Outside of this schedule there is also a pooled budget for Sexual Health.

The Council is the administrator of the Lincolnshire Pension Fund and has control of the fund within the overall statutory framework. During the financial year £0.420m was recharged from the Council to the pension fund for scheme administration and management. The pension fund earned a total interest of £3.893m on deposits managed within the Council's own cash, which the Council paid over to the pension fund.

Lincolnshire County Council makes payments to independent sector nursing homes for both the nursing care element and the personal care element of the accommodation charges. The nursing care element is the financial responsibility of the Integrated Commissioning Board.

The Council paid £7.312m (£7.167m in 2024-25) acting as an agent of the NHS Lincolnshire ICB (Integrated Commissioning Board) in order to simplify the payment arrangements to the homes. The total amount paid is recovered from the Integrated Commissioning Board.

The Council's arrangement as the Accountable Body and agent for the Greater Lincolnshire Local Enterprise Partnership (GL LEP) will cease when the LEP company is formally closed towards the end of 2026. The Council continues to act as an agent for the LEP, carrying out a small number of transactions which are related to closing down the company. The LEP has no further powers following the transfer of its strategic functions to the Greater Lincolnshire County Combined Authority (GLCCA) in February 2025.

a. Entities Controlled or Significantly Influenced by the Council

The Council controls Transport Connect Ltd through its ownership of the Company which is limited by guarantee. The Council has provided a revolving credit facility of up to £500,000 at an interest rate of 2.25% over Bank of England base rate. The outstanding balance of this facility was nil at the 31 March 2026

Transport Connect Ltd is a teckal company and as such at least 80% of its turnover has to come from the Council. The turnover for the year ending 31 March 2026 is £3.880m (2024-25: £4.470m), of which £3.841m :99% (2024-25: 99%) came from the Council.

The Council owns two further subsidiary companies: EMPSN Infrastructure Limited and Legal Services Lincolnshire (Trading) Limited. Applications were made in March 2024 to close the two companies previously owned by the Council; Lincolnshire Future Limited and

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Lincolnshire County Property Limited, and these have since been removed from the companies register.

The Council controls Legal Services Lincolnshire (Trading) Ltd t/a Lincolnshire Public Law (LPL) through its ownership of the Company which is limited by guarantee. The Council has provided a revolving credit facility of up to £30,000 at an interest rate of 4.0% over Bank of England base rate to cover working capital for the initial operation period. The outstanding balance of this facility was £10,000 at 31 March 2026.

b. Other Public Bodies

The Council acquired a nominal share in Hoople Limited during the year. Hoople Limited is a teckal company and is classed as a related party of the Council. The nature of the relationship between the Council and Hoople Limited is such that the conditions are not met for Hoople Limited to be treated as either a joint venture or an associate of the Council. The Council paid Hoople for the year ending 31 March 2026 £1.032m (2024-25 £0.578m) to Hoople, with no income transactions.

NOTE 38. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The table below shows the financing of the £197.360m capital expenditure (including revenue expenditure financed from capital under statute and finance leases), together with the resources that have been used to finance it. The explanation of movement in year shows the change in the underlying need to borrow to finance capital expenditure.

Further information on the 2025/26 expenditure is provided in the Narrative Report, with details of the asset acquired.

In line with our policy on Minimum Revenue Provision, we have made a Voluntary Revenue Provision in 2025/26, which was funded by an underspend on capital financing charges. The total amount of Voluntary Revenue Provision made is £74.870m, of which £8.388m was made in 2025/26. £16.216m in 2024/25, £14.746m in 2023/24, £9.343m in 2022/23 and £26.177m in 2021/22.

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2024/25		2025/26
£'000		£'000
681,859	Opening Capital Financing Requirement	700,991
	Capital Investment:	
198,130	Property, Plant and Equipment	182,146
865	Investment Property	719
1,352	Intangible Assets	481
26,113	Revenue Expenditure Funded from Capital Under Statute (REFCUS)	14,014
	Sources of Finance:	
(3,308)	Capital Receipts	(3,201)
(111,319)	Government Grants and Contributions	(158,169)
(14,169)	Government Grants and Contributions funding REFCUS	(2,962)
	Sums set aside from Revenue:	
(47,814)	Direct Revenue Contributions	(20,421)
(14,502)	Minimum Revenue Provision	(13,381)
(16,216)	Voluntary Revenue Provision	(8,348)
700,991	Closing Capital Financing Requirement	691,870
19,133	Movement in Year:	(9,121)
	Explanation of movement in year:	
24,273	Increase in underlying need to borrow (unsupported by government financial assistance)	(7,476)
(5,140)	Assets acquired under finance leases	(1,645)
19,133	Increase/(Decrease) in Capital Financing Requirement	(9,121)

NOTE 39. CONTINGENT LIABILITIES

A contingent liability is where there is a possible obligation to transfer economic benefit resulting from a past event, but the possible obligation will only be confirmed by the occurrence or non-occurrence of one or more events in the future. These events may not wholly be within the control of the Council. The Council discloses these obligations in the narrative notes to the accounts.

These amounts are not recorded in the Council's accounts because:

- it is not probable that an outflow of economic benefits or service potential will be required to settle the obligation; or
- The amount of the obligation cannot be measured with sufficient reliability at the year end.

The Council has set a de minimis level for disclosing Contingent Liabilities of £500k.

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At 31 March 2026 the Council has the following material contingent liabilities:

Insurance

The Council obtained public and employer's liability insurance cover from the Independent Insurance Company between 1995 and 1998. The company went into liquidation to the extent that it will not be able to meet any current or future liabilities, meaning the Council is effectively not insured for this period. Previously it was expected that only the liabilities for employers' liability remained, due to a significant increase in disease related claims particularly relating to hearing loss. However, this has since changed because in the past few financial years we have received details of public liability claims for this period linked to historic abuse.

No claim is likely to exceed £500,000 individually for the period affected by Independent's period of insurance and whilst damages have been agreed on a few of the current claims, costs are outstanding, and the remaining claims are still under negotiation. It should also be noted that as The Independent Inquiry into Child Sexual Abuse (IICSA) continues to be reported there is a possibility that claims under the Public Liability policy will still be submitted. The position is independently reviewed annually by the insurance reserve actuary to ensure that reserves are sufficient to cover total liability.

Municipal Mutual Insurance Limited (MMI), the Council's insurer for employers and public liability ceased writing insurance business in September 1992 and entered a Scheme of Arrangement for an expectation of a solvent run off. This did not occur, and the Scheme was triggered on 1 January 2014, when the Scheme Administrator announced a Levy on Scheme Creditors of 15% on all claims payments made by MMI since September 1993, less the first £50,000. A further levy of 10% was then applied in April 2016. This results in a requirement of a total of 25% of future claim payments to be self-insured. There had been an expectation that the levy might be increased further but with the accounts in June 2017 there was a slight improving position and accordingly no further levy has yet been announced. Again, as part of the annual review by the insurance actuary consideration to the exposure is considered as a part of the reserves recommendation.

From 1st April 2013 there are no longer insurance provisions in place for conditions caused by the exposure to asbestos or the Legionella Bacterium, for employees or the public. However, the Council has stringent policies and procedures in place to minimise the exposure to either of these risks.

Deepings Leisure Centre

South Kesteven District Council has handed back the Deepings Leisure Centre to the Council due to a large repairing liability. It is currently assumed that the building can be sold, but if it is not then the Council would need to spend an estimated £1.900m on the demolition of the leisure centre.

NOTE 40. STATEMENT OF ACCOUNTING POLICIES

1. General Principles and Concepts

The Statement of Accounts summarises the Council's transactions for the financial year 2025/26 and the position at the year ended 31 March 2026. The Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 2015. These regulations require the accounts to be prepared in accordance with proper accounting practice. These practices are set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 and supported by International Financial Reporting Standards and statutory guidance. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Changes in Accounting Policies

Changes in accounting policy may arise through changes to the Code or changes instigated by the Council. For changes brought in through the Code, the Council will disclose the information required by the Code. For other changes we will disclose: the nature of the change; the reasons why; report the changes to the current period and each prior period presented and the amount of the adjustment relating to periods before those presented. If retrospective application is impracticable for a particular prior period, we will disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

3. Prior period adjustments – estimates and errors

The Code requires prior period adjustments to be made when material omissions or misstatements are identified (by amending opening balances and comparative amounts for the prior period). Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud. The following disclosures will be made:

- the nature of the prior period error.
 - for each prior period presented, to the extent practicable, the amount of the correction for each Financial Statement line item affected; and
 - the amount of the correction at the beginning of the earliest prior period presented.
- Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change. They do not give rise to a prior period adjustment.

4. Non-Current Assets – Property, Plant and Equipment

Property, Plant and Equipment are assets that have a physical substance and are:

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- held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- expected to be used during more than one financial year.

a) Classification

Property, Plant and Equipment is classified under the following headings in the Council's Balance Sheet:

Operational Assets:

- Land and Buildings.
- Vehicles, Plant, Furniture and Equipment.
- Infrastructure Assets; and
- Community Assets.

Non-Operational Assets:

- Surplus Assets; and
- Assets under Construction.

Infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land, which together form a single integrated highways network. Community Assets are assets that the Council intends to hold in perpetuity, that have no determinable useful life, and which may, in addition, have restrictions on their disposal. They largely comprise of open land. They are classified as operational assets in that their use provides or supports the relevant services of the Council. Community Assets include, for example, countryside parks and beaches and sandhills.

b) Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accrual basis, provided that:

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

c) Measurement

Assets are initially measured at cost, comprising:

- the purchase price.

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- 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 initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The authority does not capitalise borrowing costs incurred while assets are under construction. The cost of an asset 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.

The Council has set a de minimis level of £10k for recognising Property, Plant and Equipment. This means that any item or scheme costing more than £10k must be treated as capital if the above criteria are met. This relates to initial recognition and subsequent expenditure on assets.

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

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

i. Operational Assets

- Infrastructure Assets, Community Assets and Assets under Construction are measured at depreciated historic cost. Where historic cost information is not known for Community Assets these have been included in the Balance Sheet at a nominal value. Highways infrastructure assets are generally measured at depreciated historical cost, however this is a modified form of historical cost – opening balances for highways Infrastructure Assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.
- Property Assets – Land and Buildings are measured at current value for their service potential, which is determined as the amount that would be paid for the asset in its existing use (existing use value or EUV). Property Assets – Land and Buildings where there is no market-based evidence of fair value because of the specialist nature of the asset and because the type of asset is rarely sold, are measured at depreciated replacement cost (DRC). Such specialised assets include schools and fire stations, as well as the building and equipment used for the Energy from Waste plant.
- Vehicles, Plant and Equipment are measured at current value. These are determined as having relatively short useful economic lives and/or relatively low values and historic cost is used as a proxy for current value.

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ii. Non-Operational Assets

- Surplus Assets are measured at fair value, which is estimated at highest and best use from a market participant's perspective. This is the price that would be received to sell an asset, or paid to transfer the liability, in an orderly transaction between market participants at the measurement date. The Council uses the assumptions that the market participants, i.e. buyers and sellers in the principal or most advantageous market, would use when pricing an asset or liability under current market conditions, including assumptions about risk. Therefore, the Council's reasons for holding a surplus asset are not relevant when measuring its fair value.
- Assets Under Construction which are not yet operational, are measured at historic cost. When these assets are operationally complete, they are reclassified into the appropriate asset class and valued under the adopted approach,
- All Other Assets – current value, determined as the amount that would be paid for the asset in its existing use (EUV).

The Council values Property, Plant and Equipment using the basis recommended by CIPFA in the Accounting Code of Practice and in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards, the RICS Valuation – Global Standards 2017 and RICS Guidance Notes.

From 1 April 2025, the code of Practice on Local Authority Accounting (the code) requirements changed in respect of revaluations of Property, plant and equipment. The Council will revalue assets every five years with annual indexation applied to all qualifying assets as 31 March. Full revaluations are carried out in accordance with RICS Red Book requirements, while indexation reflects market-based movements applied in intervening periods for specialised assets only, using Building Cost Information Service (BCIS) data. Actual build costs for each specific asset type are adopted from BCIS where information is provided. The BCIS All-In Tender Price Index is used only where actual build costs are not available. Non-specialised assets are reviewed in the intervening period adopting a market evidence approach. Although the valuation approaches differ, both are treated equally for accounting purposes under the revaluation model.

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:

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- 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.

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.

d) Impairment

If an asset's carrying amount is more than its recoverable amount, the asset is described as impaired. Circumstances that indicate impairment may have occurred include:

- a significant decline in an asset's market value during the period.
- evidence of obsolescence or physical damage of an asset.
- a commitment by the Authority to undertake a significant reorganisation.
- a significant change in the statutory environment in which the Authority operates.

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 of revaluation gains for the asset in the Revaluation Reserve, an insufficient balance or the asset is not revalued as it is measured at historic cost; the carrying amount of the asset is written down to the recoverable amount and the amount written down is charged against the relevant service line(s) in the Comprehensive Income and Expenditure Statement. This is then reversed through the Movement in Reserves Statement and charged to the Capital Adjustment Account.

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.

e) Componentisation of Non-Current Assets

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. The Council has identified the following significant components within the property portfolio:

- Depreciated Replacement Cost (DRC) assets (including fire stations, schools, libraries, and museums where the building is of a specialised nature): land, structures, services, roof, and externals.
- Office Accommodation/Administrative Buildings: land; structures, services, roof, and externals.
- Other market value and existing use value assets (including economic regeneration units): land and buildings.
- Energy from Waste Plant: Civils, Mechanicals and Instrumentation, Control and Automation (for each significant part of the plant).

f) Depreciation

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

Depreciation is calculated on the following bases:

- Operational Buildings are depreciated over their useful life. For buildings which are held at existing use value (EUV) a useful life of 40 years has been assumed. Asset lives for buildings held on a depreciated replacement cost (DRC) basis are reviewed as part of the rolling programme of revaluations and the Valuer estimates the useful life. Depreciation is charged on a straight-line basis.
- Infrastructure Assets. Depreciation is provided on the parts of the highways network of infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis. Useful lives of the various parts of the highways network are assessed by the Council's Highways Engineers using industry standards where applicable as follows:
 - 1-4 years for capital pothole filling.
 - 6-12 years for carriageway surface dressing and slurry sealing.
 - 20 years for carriageways Primary Road Network (PRN) & Non-PRN.
 - 20 years for Bus infrastructure.
 - 20 years for footways/cycleways.

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- 20 years for Public Right of Way (PROW).
- 20 years for street furniture.
- 20 years for Traffic Management
- 40 years for street lighting, kerbs, and drains.
- 60 years for major road structures (i.e. sub base, underpasses).
- Up to 120 years for bridge structures.
- Furniture and Non-Specialist Equipment is depreciated over a period of 5 years, on a straight-line basis.
- Vehicles, Plant, and Specialist Equipment (including computing equipment) are depreciated over their estimated useful lives. Currently these vary depending on the nature of the asset, from 3 years to up to 25 years for solar panels.
- Land, Property and Equipment associated with the Energy from Waste Plant are depreciated over their estimated useful lives. These range from 70 years for civils (including building structures) to 10 years for instrumentation, control and automation (ICA) assets.
- Surplus Assets are depreciated in line with the relevant operational asset class.
- No depreciation is charged on Land or on Assets Under Construction.

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. Depreciation of an asset begins the year the asset becomes available for use. The charge is for 6 months in the first year, for twelve months every year thereafter and ceases when the asset has been derecognised. There is a full year's depreciation in the year of disposal.

g) 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 previously recognised losses in the surplus or deficit on the provision of services. Depreciation is not charged on assets held for sale.

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

OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

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

Amounts received for a disposal in excess of £10k are categorised as capital receipts. The balance of receipts remains within the Capital Receipts Reserve and is used for new capital investment (or set aside to reduce the authority's underlying need to borrow). Receipts are appropriated to the Capital Receipts Reserve from the General Fund balance in the Movement in Reserves Statement. It is Council policy to utilise these receipts to fund the capital programme in the year they are received or to carry them forward to be used in future years, subject to the flexibility described in the next paragraph. Disposal proceeds below £10k are credited to the Comprehensive Income and Expenditure Statement.

Under a Direction issued pursuant to sections 16(2)(b) and 20 of the Local Government Act 2003, capital receipts can also be used to fund revenue expenditure that will reduce costs, increase revenue or support a more efficient provision of services. The Direction was updated in August 2022 which allowed this freedom to continue to 2030. The Council has not used this flexibility for several financial years i.e. capital receipts have not been applied to fund revenue transformation expenditure.

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

h) Derecognition associated with asset enhancements.

When capital expenditure occurs on an existing asset the element of the asset being replaced must be derecognised. Where the original value of the asset being replaced is not known the value of the replacement will be used as a proxy and indexed back to an original cost with reference to the asset's remaining life. De-recognition costs will be charged to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement (gain or loss on the disposal of non-current assets).

- i) Derecognition associated with fully depreciated assets measured at historic cost.

For assets subject to depreciation which are carried at historic cost e.g. Equipment, derecognition takes place in the year after an asset has been fully depreciated. This represents the end of an asset's useful life.

Ordinarily, Infrastructure Assets components of the highways network are derecognised in the year following the year in which they reach the end of their useful economic lives. At this point the carrying amount in the Balance Sheet is nil as the components are fully depreciated. When a component of the network is disposed of or decommissioned before the end of its useful economic life e.g. due to an impairment, the carrying amount of the component in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement. For Infrastructure Assets, no replacement of any part of an asset takes place before that component has reached the end of its useful life, unless there has been an impairment.

5. Donated Assets

Donated assets are non-current assets which are given to the Council at no cost or at below market value. These assets are initially recognised in the Balance Sheet at fair value. The difference between the fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally.

Where there are conditions associated with the asset which remain outstanding, the asset will be recognised in the Balance Sheet with a corresponding liability in the Donated Assets Accounts.

Where there are no conditions or the conditions have been met, the donated asset will be recognised in the Comprehensive Income and Expenditure Statement and then transferred to the Capital Adjustment Account through the Movement in Reserves Statement.

After initial recognition, donated assets are treated like all other non-current assets held by the Council and are subject to revaluation as part of the Council's rolling programme.

6. Charges to Revenue for the use of Non-Current Assets

Service accounts and central support services are charged with a capital charge for all non-current assets used in the provision of services to record the real cost of holding non-current assets during the year. The total charge covers:

- the annual provision for depreciation, attributed to the assets used by services.
- revaluation and impairment losses on assets used by services where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible assets attributable to services.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisation. However, it is required to make a prudent annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. Depreciation, impairment losses and amortisation are therefore replaced by a minimum revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

7. Minimum Revenue Provision

The Council makes provision for the repayment of debt in accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, 5th Edition. This requires the Council to set a Minimum Revenue Provision (MRP) for the repayment of debt. The approach adopted by the Council is to use the average life method (the average life of all the Council's assets) in calculating the MRP to be charged to revenue each year, which is a recommend option, as outlined in the Statutory Guidance above. This applies for both pre 2008 debt (known as Supported Borrowing) and debt taken after this time from 2009/10 onwards (known as Unsupported Borrowing). The asset life of differing categories of assets is estimated and a MRP charge calculated based on an annuity method, whereby a fixed repayment of debt consists of primarily all interest in early years and principal increases in later years. The rationale for using this method is to match the larger MRP charge incurred in the later years of the asset's life with the increased benefits incurred from the asset in later life, and also to the increased maintenance costs incurred on the asset in later life. The increased MRP charge in later life of the asset will also be diminished due to the time value of money. The Council does not charge MRP for Major New Road Schemes until assets have become operational in accordance with the Statutory Guidance.

8. Revenue Expenditure Financed through Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset in the Balance Sheet; has been charged as expenditure to the relevant service revenue account in the year. Statutory provision reverses these charges from the Surplus or Deficit on provision of services by debiting the Capital Adjustment Account and crediting the General Fund Balance via the Movement in Reserves Statement.

9. Borrowing Costs

The Council has adopted the accounting policy of expensing borrowing costs of qualifying assets to the Comprehensive Income and Expenditure Statement (disclosed within Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement) in the year in which they are incurred. This is current practice based on the fact that borrowing undertaken is not attributed to individual schemes making capitalisation of costs complex with marginal benefit.

10. Classification of Leases

A lease exists where there is a contract, or part of a contract, which conveys the right to control the use of an identified asset for a period of time. This includes arrangements that convey the right to control the use of an asset in exchange for payment, as well as arrangements where there is no payment or other consideration involved.

In the remainder of this policy the word “lease” refers to leases and to lease-type arrangements. A lessee is the user of the asset, and a lessor is the owner of the asset who allows a lessee the right to use that asset within a contract.

- A lessee will classify leases as finance leases. There are some exemptions which allow lessees to not apply the accounting requirements for finance leases.
- A lessor will classify leases either as a finance lease (if substantially all the risks and rewards of ownership transfer to the lessee) or as an operating lease (if substantially all the risks and rewards of ownership remain with the lessee).

The right of a lessee to use an intangible asset under a licensing agreement, e.g. a software licence, is an exception to the requirements of IFRS 16 Leases.

Lessee Accounting

The Council has elected to treat groups of leased assets with similar characteristics as portfolios of assets, where the accounting treatment of the portfolio is not likely to be

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materially different from what the accounting treatment of the individual leased assets would have been.

a) Initial measurement of the lease liability

The Council initially recognises lease liabilities measured at the present value of the lease payments which are not yet paid at the commencement date (which is taken to be the date when the lessor makes the underlying asset available for use by the lessee), discounted using the interest rate implicit in the lease, or if this cannot be readily determined, using the lessee's incremental borrowing rate. The lessee's incremental borrowing rate is defined as the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments not yet paid at the commencement date are measured as the total of:

- fixed payments, minus any lease incentives receivable, plus "in-substance" fixed payments,
- variable payments that depend on an index or a rate which are initially measured using the index or rate at the commencement date,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if it is reasonably certain to be exercised,
- payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease.

For assets leased under commercial payment terms, the asset will be measured as the total of the initial lease liability, plus any lease payments made before the commencement date, plus any lessee initial direct costs, plus any dismantling removal and restoration costs, minus any lease incentives received.

For assets leased under non-commercial payment terms, the asset will be measured at its fair value i.e. at the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date. Non-commercial payment terms will include: nominal or peppercorn lease rentals which are substantially below market lease payments, or nil consideration. Depreciated Replacement Cost will be used at the fair value for specialised assets for which there is no re-sale market.

Where a lease has components such as multiple assets or non-lease items such as maintenance services, each component will be accounted for as a lease and separately from non-lease components. A right of use underlying asset will be treated as a separate lease component if both: the lessee can benefit from use of the asset on its own, and the asset is not highly dependent on or inter-related to other assets in the contract.

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b) Subsequent measurement of the right of use asset

Right of use assets will be subsequently measured on the same basis on which they would be valued if they were owned assets (the revaluation model). This will be in accordance with the Council's Property, Plant and Equipment accounting policy.

The Council will use the cost model as an alternative to the revaluation model where it is considered that the cost model will result in a reliable proxy for current value. This will be assessed on an individual asset basis. The cost model measures the right of use asset as the initial cost of the right of use asset when it is first recognised, plus any cost recognised after the commencement date for dismantling removal and restoration costs, minus any accumulated depreciation and impairment losses.

The cost model is more likely to be a reliable proxy for current value in these circumstances:

- Leases with a short enough term that material increases in value are unlikely to arise.
- Leases which contain provisions for rent reviews that will regularly (every one to two years) update amounts payable under the lease to reflect current market conditions, as opposed to updates on general inflation indices such as CPI.

The right-of-use asset is depreciated on a straight-line basis over the lower of either the remaining lease term or remaining useful life of the asset as at the adoption date.

The lease liability is remeasured when:

- change in lease term
- change in assessments of an option to purchase
- change in amounts expected to be payable under a residual value guarantee
- change in future lease payments resulting from a change in an index or rate used to determine lease payments
- change in estimated costs of dismantling removal and restoration.

Such remeasurements are also reflected in the cost of the right of use asset.

c) Leases which are Exempt

As permitted by the Code, the council excludes leases that are:

- Short-term leases, which are leases with a lease term shorter than 12 months at the commencement date of the lease. Any lease which includes an option to purchase cannot be treated as a short-term lease for this purpose.
- Low value leases where the original value of the underlying asset is low. The Council has determined to adopt a value of £10,000 and below, as this is aligned to the Council's existing capital de minimis policy. In determining the value of an asset, recoverable VAT will be excluded.

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An initial review has identified that the following types of assets are likely to be low value items under this definition:

- Small office equipment items such as photocopiers and franking machines.
- Other small equipment such as water coolers and vending machines

d) Accounting treatment

Right of use assets are presented within the line appropriate to the underlying asset. They are separately disclosed in the Property, Plant and Equipment disclosure note. All right of use assets that meet the definition of investment property are included in the investment properties line of the Balance Sheet.

The depreciation charge for a right of use asset will be debited to gross expenditure in the Comprehensive Income and Expenditure Statement and will be adjusted for through the Movement in Reserves Statement to neutralise the impact on the General Fund.

The interest cost of leases will be debited to financing and investment income and expenditure in the CIES, unless any part of it can be capitalised appropriately.

The principal and interest portions of the lease liability will be classified within financing activities in the Cash Flow Statement.

Short term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of the lease liability will be classified within operating activities in the Cash Flow Statement.

Lessor Accounting

Lessors will classify leases as either finance leases or operating leases. The key aspect of a lease which determines its classification as either finance or operating, is the extent to which risks and rewards incidental to ownership of the leased asset lie with the lessor or with the lessee. This classification will be determined at the inception date of the lease i.e. the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

The main indicators of finance leases (where the risks and rewards incidental to ownership of the underlying asset lie with the lessee) are:

- The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
- The lessee has the option to purchase the underlying asset at a price that is expected to be sufficiently lower than the fair value (at the date the option becomes exercisable) for it to be reasonably certain, at the inception date, that the option will be exercised.

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- The lease term is for the major part of the economic life of the underlying asset, even if title is not transferred.
- At the inception date, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the underlying asset (with the exception of non-commercial leases where this indicator would be ignored, and instead the substance of the arrangement and the intentions of the lessor will be assessed).
- The underlying asset is of such a specialised nature that only the lessee can use it without major modifications.
- If the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee.
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equalling most of the sales proceeds at the end of the lease).
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

Any leases that are not classified as finance leases after taking account of the indicators above, will be classified as operating leases.

i. Finance Leases

Where the Council is recognising a leased asset for the first time, the existing asset will be derecognised as if it had been disposed of. The relevant assets are written out of the Balance Sheet to gain or loss on disposal of assets in the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement. A gain is also recognised on the same line in the Comprehensive Income and Expenditure Statement to represent the Council's net investment in the lease. This is matched by a receivable amount set up in long term debtors in the Balance Sheet.

The lease payments are apportioned between repayment of principal written down against the lease debtor and finance income (credited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement). Upon the de-recognition of the asset, a deferred capital receipt is credited, which is equivalent to the value of the discounted future lease payments and an equivalent amount is debited to the Capital Adjustment Account via the Movement in Reserves Statement. As rental income from finance leases are received, they will be treated as a capital receipt and an equivalent amount will be transferred from the Deferred Capital Receipts Reserve to the Capital Receipts Reserve.

The write off value of disposals is not a charge against council tax as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance via the Movement in Reserves Statement.

ii. Operating Leases

Where the Council holds an operating lease over Property, Vehicles or Plant and Equipment, the asset shall be retained on the Balance sheet. Rental income is recognised on a straight-line basis over the life of the lease and is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Initial direct costs incurred in arranging the lease (e.g. legal costs of negotiating the lease, costs of making the underlying asset available) are added to the carrying amount of the relevant asset and charged as an expense over the lease term on a straight-line basis.

11. Government Grants and Contributions

Government grants and contributions may be received on account, by instalments or in arrears. However, they should be recognised in the Comprehensive Income and Expenditure Statement as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments. Conditions are stipulations that specify how the future economic benefits or service potential embodied in the grant or contribution must be consumed, otherwise the grant or contribution will have to be returned to the awarding body; and
- The grant or contribution will be received.

Grants and contributions received where the conditions have not yet been satisfied are carried in the Balance Sheet as creditors and are not credited to the Comprehensive Income and Expenditure Statement until the conditions are met.

a) Capital Grants and Contributions are used for the acquisition of non-current assets. The treatment of these grants is as follows:

- Capital grants where no conditions are attached to the grant and the expenditure has been incurred. The income will be recognised immediately in Comprehensive Income and Expenditure Statement in the taxation and non-specific grant income line. Capital grant income is not a proper charge to the General Fund. It is accounted for through the Capital Financing Requirement (set out in statute) and therefore it does not have an effect on council tax. To reflect this, the income is credited to the Capital Adjustment Account through the Movement in Reserves Statement.
- Capital grants where the conditions have not been met at the Balance Sheet date. The grant will be recognised as a Capital Grant Receipt in Advance in the liabilities section of the Balance Sheet. When the conditions have been met, the grant will be recognised as income in the Comprehensive Income and Expenditure Statement and the appropriate statutory accounting requirements for capital grants applied.
- Capital grants where no conditions remain outstanding at the Balance Sheet date, but expenditure has not been incurred. The income will be recognised immediately in the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement. As the expenditure being financed from the grant has

not been incurred at the Balance Sheet date, the grant will be transferred to the Capital Grants Unapplied Account (within usable reserves section of the Balance Sheet), through the Movement in Reserves Statement. When the expenditure is incurred, the grant shall be transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account to reflect the application of capital resources to finance expenditure.

b) Revenue Government Grants and Contributions

Government grants and other contributions are accounted for on an accruals basis and recognised in the Comprehensive Income and Expenditure Statement when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Where the conditions have not been met, these grants will be held as creditors on the Balance Sheet. Specific revenue grants are included in the specific service expenditure accounts together with the service expenditure to which they relate. Grants which cover general expenditure (e.g. Revenue Support Grant) are credited to the Taxation and Non-specific Grant Income in the Comprehensive Income and Expenditure Statement after Net Cost of Services.

12. Inventories

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

- Materials or supplies to be consumed or distributed in the rendering of services (e.g. highways salt). These are carried at the lower of cost (calculated as an average price) or current replacement cost (at the Balance Sheet date for an equivalent quantity); and
- Held for sale or distribution in the ordinary course of operations are carried at the lower of cost or net realisable value.

The Council has set a de minimis level for recognising inventories of £100k. Inventory balances below this level are not recorded on the Balance Sheet.

13. Contingent Assets

A contingent asset is where there is a possible transfer of economic benefit to the Council from a past event, but the possible transfer will only be confirmed by the occurrence or non-occurrence of one or more events in the future. These events may not wholly be within the control of the Council. The Council has set a de-minimis level for disclosing Contingent Assets of £500k and discloses these rights in the narrative notes to the accounts.

14. Events after the Reporting Date

These are events that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. The Council will report these in the following way if it is determined that the event has had a material effect on the Council's financial position:

- Events which provide evidence of conditions that existed at the end of the reporting period will be adjusted and included within the figures in the accounts; and
- Events that are indicative of conditions that arose after the reporting period will be reported in the narrative notes to the accounts.

Events which take place after the authorised for issue date are not reflected in the Statement of Accounts.

15. Recognition of Revenue (Income)

Revenue is accounted for in the year it takes place, not simply when cash payments are made or received. The Council recognises revenue from contracts with service recipients, whether for services or the provision of goods, when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligation in the contract. Interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

16. Exceptional Items

Exceptional items are material amounts of income or expenditure which occur infrequently in the course of the Council's normal business and are not expected to arise at regular intervals. When these items of income or expense are material, their nature and amount will be 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.

17. Costs of Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

18. Acquired and Discontinued Operations

Where the Council takes on new activities or ceases providing services, the costs relating to these activities will be identified in the Comprehensive Income and Expenditure Statement on the surplus or deficit on acquired and/or discontinued operations line. These items will

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not form part of the net cost of services in the Comprehensive Income and Expenditure Statement in the year they occur.

19. Value Added Tax (VAT)

The Council's Comprehensive Income and Expenditure Statement excludes VAT unless this is not recoverable from HM Revenue and Customs. All VAT must be passed on (where output tax exceeds input tax) or repaid (where input tax exceeds output tax) to HM Revenue and Customs. The net amount due to or from HM Revenue and Customs for VAT at the year-end shall be included as part of creditors or debtors balance.

20. Council Tax and Business Rates Income

The collection of Council Tax and Business Rates is in substance an agency arrangement with the seven Lincolnshire District Councils (billing Authorities) collecting Council Tax and Business Rates on behalf of the Council. The Council Tax and Business Rates income is included in the Comprehensive Income and Expenditure Statement on an accruals basis and includes the precept for the year plus the Council's share of Collection Fund surpluses and deficits from the billing Authorities. The difference between the income reported in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund, shall be taken to the Collection Fund Adjustment Account through the Movement in Reserves Statement. The year-end Balance Sheet includes the Council's share of debtors (arrears and collection fund surpluses, net of the impairment allowance for doubtful debts), creditors (prepayments, overpayments, and collection fund deficits), and provisions (business rate appeals).

21. Employee Benefits – Benefits Payable during Employment

These are amounts expected to be paid within 12 months of the Balance Sheet date. These include:

- Salaries, wages, and expenses accrued up to the Balance Sheet date. These items are charged as an expense to the relevant service revenue account in the year the employees' services are rendered; and
- Annual leave not yet taken at the Balance Sheet date. An accrual is made for items at the wage and salary rate payable. The accrual is charged to the relevant service revenue account but then reversed out through the Movement in Reserves Statement to the Accumulated Absences Account, so this does not have an impact on Council Tax.
- Teacher Leave Accrual. The accrual for short term benefits for teachers is calculated using a standard methodology, reflecting the fact that teachers across the Council are subject to standard terms and conditions of employment. This methodology is based on the number of days of the Spring Term (both term-time

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and holiday) that fall within the financial year and the leave entitlement of the teacher (which varies according to whether an individual has left the teaching profession at the end of the Spring term).

22. Employee Benefits – Post Employment Benefits (Pensions)

The Council participates in four different pension schemes which provide scheme members with defined benefits related to pay and service. The schemes are as follows:

- **Teachers' Pension Scheme:** This is a notionally funded scheme administered nationally by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The pension contributions to be paid by the Council are determined by the Government Actuary and reviewed periodically. The scheme is accounted for as if it were a defined contribution scheme. There is no liability for future payments of benefits recognised in the Balance Sheet. All employers' contributions payable to teachers' pensions in the year are treated as expenditure on the schools service line in the Comprehensive Income and Expenditure Statement.
- **National Health Service Pension Scheme (NHSPS):** This is a notional funded scheme administered nationally by NHS Pensions on behalf of the Department of Health and Social Care (DHSC). The pension contributions to be paid by the Council are determined by the Government Actuary and reviewed periodically. The scheme is accounted for as if it were a defined contribution scheme. There is no liability for future payments of benefits recognised in the Balance Sheet. The employer's contributions payable to the NHSPS in the year are treated as expenditure in the Children's Services and Adult Care and Community Wellbeing service lines in the Comprehensive Income and Expenditure Statement.
- **Uniformed Firefighters Pension Scheme (FPS):** From 1 April 2015, a new pension fund for Firefighters was set up. This scheme replaced the 2006 & 1992 Firefighters schemes for new Firefighters. The 2015, 2006 and 1992 schemes remain unfunded but there are differences in the contributions payable into each scheme and the benefits paid to members. Both employee and employer contributions are paid into the three funds, against which pension payments are made. Each fund is topped up by additional government funding if contributions are insufficient to meet the cost of the pension payments. Any surplus in the funds at the end of each year will be repaid back to the Home Office. Contributions in respect of ill health retirements are still the responsibility of the Council.
- **Local Government Pension Scheme (LGPS):** Other employees are eligible to join the LGPS. The Council pays contributions to a funded pension scheme from which employee pension benefits are paid out.

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The pension costs included in the Statement of Accounts in respect of both the LGPS and the FPS have been prepared in accordance with IAS 19 Employee Benefits. The pension costs in respect of both the LGPS and FPS have been estimated by the Pension Fund actuary adviser and have incorporated an actual valuation of the accrued pension liabilities attributable to the Council as the scheme employer.

a) The Local Government Pension Scheme (LGPS)

The LGPS is accounted for as a defined benefits scheme. The liabilities of the Lincolnshire 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 earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate based on long term UK Government bonds greater than 15 years.

The assets of Lincolnshire Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:

- quoted securities – current bid or last traded price.
- unquoted securities – professional estimates.
- unitised securities – current bid price.
- property – market value.

The change in net pension's 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 arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Other Budgets.
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line 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 (asset) at the beginning of the period – taking into account any changes in the net defined benefit

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liability (asset) during the period as a result of contribution and benefit payments.

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

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

The Council also pays any costs arising in relation to unfunded elements of pensions, paid to certain employees that have retired early and have been awarded discretionary compensation under the provisions of the Council’s early retirement policy. These costs are charged to Other Budgets in the Comprehensive Income and Expenditure Statement.

23. Accounting for Schools Income, Expenditure, Assets, Liabilities and Reserves

In Lincolnshire, Local Authority education is provided in: Foundation, Voluntary Aided, Voluntary Controlled and Community Schools (all known as ‘maintained Schools’).

a) Income and Expenditure

All income and expenditure relating to maintained schools in Lincolnshire is shown in the Council’s Comprehensive Income and Expenditure Statement. Schools non-current assets will be accounted for under IAS 16 Property, Plant and Equipment. The standard defines

non-current assets as “a resource controlled by the Council as a result of a past event and from which future economic benefits or service potential is expected to flow”.

If assets are owned by the Council or the governing body of the school or the future economic benefits are identified to sit with the Council, then the non-current assets will be recorded in the Balance Sheet. Where a school transfers to Academy status and has signed a long term (125 year) lease, the school is removed from the Council's Balance Sheet.

Assets and Liabilities - All assets and liabilities, excluding non-current assets which are covered above, relating to maintained Schools are included within the Council's Balance Sheet.

b) Reserves

The Council maintains specific earmarked reserves for schools balances. At year end, balances from Dedicated Schools Budgets, including those held by schools under a scheme of delegation, are transferred into the reserve to be carried forward for each school to use in the next financial year. This ensures that any unspent balances at the end of the financial year are earmarked for use by those schools as required by the Council's Scheme for Financing Schools approved by the Secretary of State for Education.

Any school with an overall cumulative deficit on its Dedicated Schools Grant (DSG) must produce a management plan detailing how it will return to a balanced position in the future. Accumulated deficits must be held in a Dedicated Schools Grant - Balances from schools under a scheme of delegation, rather than being charged to the General Fund. The Dedicated Schools Grant – Balances for schools under a scheme of delegation account is an unusable reserve. There is currently no accumulated deficit on the Dedicated Schools Grant – Balances from schools under a scheme of delegation. Authorities are required to record any overall Dedicated Schools Grant deficit in an unusable reserve, separate from usable earmarked reserves. Dedicated Schools Grant deficits are not permitted to be charged to the General Fund.

24. Group Relationships

The Council assesses on an annual basis, relationships with other bodies to identify the existence of any group relationships. A de minimis level of £20.000m aggregated gross turnover has been set for determining whether or not group accounts will be prepared. The Council has not identified and does not in aggregate have any material interests in subsidiaries, associated companies or joint ventures and therefore is not required to prepare group accounts.

OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

25. Financial Instruments

a) Financial Liabilities

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

All the Council's borrowings are carried at amortised cost and the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

No repurchase has taken place as part of a restructuring of the loan portfolio that included the modification or exchange of existing instruments. Therefore, gains and losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement and spread over future years under statutory regulation.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. Regulations state that the period to spread discounts is limited to a minimum period equal to the outstanding term on the replaced loan or 10 years if this is shorter. Premiums may be spread over the longer of the outstanding term on replaced loan or the term of the replacement loans, or a shorter period if preferred. The Council will spread premiums over the term that was remaining on the loan replaced and spread discounts in line with regulation. When matching premium and discounts together from a re-scheduling exercise, the Council's policy is to spread the gain/loss over a ten-year period or the term that was remaining on the loan replaced if greater than ten years. The reconciliation of premiums/discounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund is managed by a transfer to or from the Financial Instruments Adjustment Account through the Movement in Reserves Statement.

The Council receives interest free funding from Salix Finance as part of a revolving fund to finance energy saving projects (Soft Loans Receivables). The benefit of a loan to the Council at a below-market rate of interest is treated as a grant or contribution receivable within the

OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement. The benefit is measured as a difference between the cash actually advanced to the Council and the fair value of the loan on recognition, discounted at a comparable market rate of interest for a loan. The amortised cost of the loan in the Balance Sheet is reduced as the benefit has been stripped away. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The Council has set a £50k de minimis limit to the value of soft loans receivable or the benefit calculated by discounting of interest rates. Below this amount the above accounting treatment for soft loans receivable is not applied and the soft loan receivable is shown in the accounts at its carrying value.

b) 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 that financial assets are 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). These types of assets will be measured at fair value.

c) Financial Assets Measured at Amortised Cost

Financial Assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes 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 for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

The following financial assets held by the Council are measured at amortised cost using an effective interest rate that takes account of other considerations attributable to the asset over its lifetime such as premiums paid, or interest forgone. Interest payable in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement will then be recognised on a smoothing effective interest rate basis over the life of the loan.

- Secondary Certificates of Deposit and Bonds - are purchased at an amount different to par and hence a price premium is usually incurred on purchase. The price of the instrument is the amortised cost at initial measurement (its fair value) debited to Investments on the Balance Sheet. This price premium is factored into the cash flows of the instrument over its life, that will result in a smoothing effective interest rate that when discounted will bring back cash flows to the price paid (initial measurement at fair value).

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally lower effective rate of interest than the rate receivable from the Instrument, with the difference serving to decrease the amortised cost of the loan in the Balance Sheet over its life.

Transaction costs paid to a custodian for purchasing these instruments are deemed as immaterial and hence charged directly to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement when incurred, not included within the amortised cost calculation of the instrument.

- Soft Loans – The Council can make loans to third parties at less than market rates (soft loans) for service objectives. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service), for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

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

OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

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

The Council has set a £50k de minimis limit to the value of soft loans or the loss calculated by the discounting of interest rates. Below this amount the above accounting treatment for soft loans is not applied and the soft loans are shown in the accounts at their carrying value.

d) Expected Credit Loss Model – for Assets Measured at Amortised Cost

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors) that are more than 30 days past the due date, held by the Council. These are individually assessed to determine whether or not the trade receivable (debtors) are likely to default on their obligations.

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.

Where the counterparty for a financial asset is central government or a local authority for which relevant statutory provisions prevent default, then no loss allowance is required or recognised. Impairment losses will be charged to the Financing and Investment Income and Expenditure line in the Surplus or Deficit on the Provision of Services and credited to the Financial Assets at Amortised Cost Loss Allowance. The Council has set a de minimis level of £25k to the resultant impairment loss for financial assets at amortised cost, below which the impairment is deemed immaterial and not recognised.

The Council has a portfolio of a different types of loans measured at amortised cost. Where possible losses have been assessed on these loans on a collective basis as the Council does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of expected losses on an individual instrument basis.

The Council has grouped the loans into the following groups for assessing loss allowances:

- Group 1 – treasury investments governed by the Council's Annual Investment Strategy for Treasury Investments. These are loans made to highly credit rated counterparties under the credit analysis followed within the Investment Strategy. As such they are deemed low risk, so the 12 month Expected Credit Loss model is used. The Historical Default Table issued by Credit Rating Agencies and provided by the

OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

Council's Treasury Advisors is used to calculate the expected 12-month impairment losses.

- Group 2 – loans or soft loans to third parties for Service Reasons. These types of loans tend to be higher risk as credit worthiness is often not the prime consideration in making the loan. They will be assessed on an individual basis taking into consideration external credit ratings, economic conditions impacting the third party, the current financial position and financial forecasts of the third party and any history of defaults or extended credit terms. Due to the high-risk nature, the lifetime Expected Credit Loss model would normally be followed for these loans (See *Note below).
- Group 3 – loans to Council owned Companies for Service Reasons. These types of loans tend to be higher risk as credit worthiness is often not the prime consideration in making the loan. They will be assessed on an individual basis taking into consideration external credit ratings, economic conditions impacting the company, the current financial position and financial forecasts of company and any history of defaults or extended credit terms. Due to the high-risk nature, the lifetime Expected Credit Loss model would normally be followed for these loans.

*Note. Where the Council makes loans to companies in financial difficulties to ensure continuation of vital services, fifty percent of the loan is thus deemed credit impaired on origination. This will mean that:

- as lifetime expected credit losses are taken into account in the cash flows used for calculating the effective interest rate, no loss allowance is needed on initial recognition.
- a loss allowance will then be built up on the basis of the cumulative change in lifetime expected credit losses since initial recognition.
- the annual impairment gain or loss will be the change in lifetime expected credit losses over the year.

e) Financial Assets Measured at Fair Value through Profit or Loss (FVPL)

Financial assets held by the Council that fall into this category include Constant Net Asset Value (CNAV) and Low Volatility Net Asset Value (LVNAV) Money Market Funds.

Financial assets are measured at FVPL where they fail to meet the business model and principal or interest tests of the other two classifications. For the Council, financial assets under this category meet the business model of collecting contractual cash flows, but the cash flows are not solely payments of principal or interest, for example they include dividend payments.

These funds are pooled investment funds that invest in short-term assets that aim to offer returns in line with money market rates and preserve the value of investments. They are

OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

instant access, whereby units of the fund are bought and sold, and dividends paid in accordance with daily yields returned, set at the end of each day. The Net Asset Value of these funds only vary by an insignificant amount due to changing values of the assets in the fund, therefore generally the price of the fund (fair value) will equal the carrying amount of units held.

Financial assets measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services, specifically within the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

The Council has set a de minimis level to the adjustment to fair value of £50k for financial assets measured at fair value, below which the change in fair value will not be recognised and the asset will be held on the Balance Sheet at its carrying value.

Statutory provision as defined in SI 2018/1207 (known as the 'statutory override') allowed English Local Authorities the ability not to recognise any gains and losses in the fair value movements of pooled investment funds in their revenue accounts, unless the gain or loss related to impairment or the sale of the asset. Instead, any amount was charged to an account established solely for the purpose of recognising fair value gains and losses. The statutory provision was extended to 31 March 2025, however after consultation, the government announced the statutory override will only apply to existing held funds but not extended to new funds taken out from this time. From 1 April 2025, the treatment on gains and losses to fair value on new pooled investment funds will now be treated in accordance with the IFRS 9 requirements, as adopted by CIPFA' Code of Practice on Local Authority Accounting in the United Kingdom. Authorities holding existing funds were encouraged to close them as soon as financially viable. For CNAV/LVNAV Money Market funds, any gains and losses to fair value are zero and will not impact on the revenue account.

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

f) Expected Credit Loss Model –For Assets Measured at Fair Value through Profit and Loss

The impairment requirements do not apply to financial assets classified as 'fair value through profit or loss', as current market prices are considered to be an appropriate reflection of credit risk, with all movements in fair value (including those relation to credit risk) impacting on the carrying amount being posted to the Financing and Investment

OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

Income and Expenditure line in the Comprehensive Income and Expenditure Statement as they arise.

g) Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)

Financial assets are measured at FVOCI when the business model for holding the asset includes collecting contractual cash flows and selling assets. The Council does not hold any financial assets that meet this definition.

In line with the Code however, the Council has decided to designate some small equity holdings in companies held for service reasons to the category of FVOCI instead of FVPL. This designation is irrevocable and deemed to be a reliable accounting policy for these financial assets, based on the following reasons:

- The holdings are equity instruments as defined by the Code to exclude puttable shares (e.g. those where the issuer has a contractual obligation to exchange the shares for cash if the holder exercises an option for the return of their investment).
- They naturally fall into the FVPL classification of investments.
- The shares are held for a clear service benefit and not held for trading.
- Future gains or losses are expected to be insubstantial.

Assets designated at FVOCI will be carried in the Balance Sheet at Fair Value, with dividends credited to the Surplus or Deficit on the Provision of Services when the right for the Council to receive the payment is established. Movements in fair value will be credited to the Other Income and Expenditure Account and released to the General Fund. The impact on the General Fund will be removed through Movement in Reserves Statement to the Financial Instruments Revaluation Reserve. Gains or losses will be charged directly to the General Fund via the Financing and Investment Income and Expenditure in the Surplus or Deficit on the Provision of Services.

The Council has set a de minimis level to the adjustment to fair value of £50k for financial assets measured at fair value, below which the change in fair value will not be recognised and the asset will be held on the Balance sheet at its carrying value.

h) Expected Credit Loss Model – For Assets Measured at Fair Value through Other Comprehensive Income

The Council recognises expected credit losses on financial assets measured at FVOCI either on a 12-month or lifetime basis depending on an individual assessment of the credit risk of each financial asset as follows:

Has credit risk increased significantly since initial recognition?

- No: 12-month credit loss model.

OTHER NOTES SUPPORTING THE FINANCIAL STATEMENTS

- Yes: lifetime credit loss model.
- No information available to assess: lifetime credit loss model.

Consideration will be made to external credit ratings, economic conditions impacting the company, the current financial position and financial forecasts of company and any history of defaults or extended credit terms when assessing the credit risk of these assets.

Impairment losses will be charged to Other Comprehensive Income and Expenditure and credited to the Financial Instruments Revaluation Reserve. Where financial assets have been designated into the FVOCI category they are outside the scope of impairment for the same reasons that FVPL assets are.

The Council has set a de minimis level of £25k to the resultant impairment loss for financial assets at FVOCI, below which the impairment is deemed immaterial and not recognised.

26. Fair Value Measurement

Some of the Council's non-financial assets, such as surplus assets and investment properties and some of its financial instruments, are measured at fair value. 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 following 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.

When measuring the fair value, the Council would use the assumptions of market participants when pricing the asset or liability whilst acting in their economic best interest. On fair value measurement, the Council takes into account the 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 appropriate for the asset, maximising the use of relevant observable inputs and minimising unobservable inputs.

LINCOLNSHIRE FIRE & RESCUE PENSION FUND 2025-26

2024/25		Note	2025/26
£'000	Fund Account		£'000
	Contributions Receivable:		
	From employer:		
(4,684)	Contributions in relation to pensionable pay	4	(5,183)
	From members:		
(1,646)	Fire-fighters' contributions	4	(1,853)
	Transfers in:		
(224)	Individual transfers from other schemes from Local Authorities	7	0
	Benefits payable:		
7,786	Pensions	5	8,773
876	Commutations and lump sum retirement benefits	5	1,461
2,110	Sub Total Net amount payable before top-up grant		3,198
(2,110)	Top up grant receivable from sponsoring department	6	(3,198)
0	Net amount payable/receivable		0

31 March 2025		31 March 2026
£'000	Net Asset Statement	£'000
	Current Assets:	
10,187	Amounts due from LCC	11,498
(10,187)	Pensions top up grant due	(11,498)
0	Total Current Assets	0
0	Total Current Liabilities	0
0	Total	0

NOTE 1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the main recommendations of the code of practice on Local Authority Accounting issued by the Chartered Institute of Public Finance & Accountancy.

There is no separate bank account for the pension fund therefore the County Councils General Fund is shown as debtor/creditor in the net Asset Statement. The Net Asset Statement does not take account of liabilities to pay pensions and other benefits after the period end.

Note 28 to the Councils Financial Statement shows the Councils long term pension obligations in accordance with International Accounting Standards (IAS19).

LINCOLNSHIRE FIRE & RESCUE PENSION FUND 2025-26

NOTE 2 LINCOLNSHIRE FIRE AND RESCUE PENSION FUND ACCOUNT

The Fund was established at 1 April 2006 and covered the 1992, 2006 and 2015 fire-fighters pension schemes. It was established by the Fire fighters Pension Scheme (Amendment) (England) Order 2006 (SI2006 No1810), amended by the Fire fighters Pension Scheme (England) Regulations 2014 and is administered by Lincolnshire County Council. From 1 April 22, the 1992 & 2006 schemes have closed. All firefighters who are in the pension scheme will be members of the FPS 2015 scheme. Employee and employer contributions are paid into the fund, from which payments to pensioners are made with any difference being met by top up grant from Central Government.

NOTE 3 ACCOUNTING POLICIES

The Principal Accounting Policies are as follows:

a) Contributions

For employees who are members of the pension schemes contributions are receivable from the employer (Council) and the members (employees) throughout the year based on a percentage of pensionable pay. The rates are set nationally by the Home Office/Government Actuary Department and subject to triennial revaluation by the Government Actuary's Department.

No provision is made in the accounts for contributions on pay awards not yet settled.

b) Benefits

Benefits include recurring payments that are paid in advance of the month for which they relate. Lump Sum payments are paid as they become due. The accounts do not take account of liabilities to pay pensions and other benefits after the year end.

c) Transfer Values

The value of accrued benefits transferred from or to another pension arrangement, including Fire-fighters' pension schemes outside England, are recorded in the accounts on a receipts and payments basis.

d) Top up Grant

Central Government pay an instalment of top up grant during the year based on estimated activity. The balance is included within the amount of grant receivable and identified in the Net asset statement under current assets or liabilities.

LINCOLNSHIRE FIRE & RESCUE PENSION FUND 2025-26

NOTE 4 CONTRIBUTION RATES

Under the Fire-fighters pension regulations, the contribution rates are set nationally and are subject to triennial revaluation by the Governments Actuary's Department. During 2024/25 the contribution rates for the 2015 scheme were a minimum of 48.8% of pensionable pay (37.6% employers and tiered employee's contribution of 11.0% to 14.5% based on employees' pensionable pay banding). Contribution tiers for part time and retained firefighters are based on whole time equivalent pay for their role.

Contributions, by the employer for fire-fighters who retire due to ill health are also paid into the Pension Fund in accordance with the regulations. This also applies to protected rights whole time equivalent compensatory payments paid to retained firefighters who were employed from 6th April 2006 and who had been ill health retired due to a qualifying injury.

NOTE 5 BENEFITS PAID

Lump sum and ongoing pensions are paid to retired officers, their survivors and others who are eligible for benefits under pension schemes. The recurring payments are usually paid monthly in advance at the beginning of the period for which they relate.

NOTE 6 CENTRAL GOVERNMENT PENSION TOP UP GRANT

This is an unfunded scheme and consequently there are no investment assets. The fund is balanced to zero each year by receipt of a top up grant from the Central Government Department (Home Office) if contributions are insufficient to meet the cost of benefits payable, or by paying over any surplus to the Home Office. The difference between grant received during the year and grant required to balance to zero is set up as an accrual and shown in the Net Asset Statement.

NOTE 7 TRANSFERS IN AND OUT

The value of accrued benefits of members that are transferred from or to another pension arrangement, if a member joins or leaves the scheme.

Fund Account - For the year ended 31 March 2026

2024/25		Note	2025/26
£'000			£'000
	Contributions and Benefits		
(161,190)	Contributions Receivable	(6)	(172,373)
(16,637)	Transfers In From Other Pension Funds	(7)	(16,260)
(177,827)			(188,633)
135,402	Benefits Payable	(8)	139,138
10,767	Payments To and On Account of Leavers	(9)	17,628
146,169			156,766
(31,658)	Net (additions)/withdrawals from dealings with Fund Members		(31,867)
14,196	Management Expenses	(10)	19,078
(17,462)	Net (additions)/withdrawals including Management Expenses		(12,789)
	Returns on Investments		
(17,255)	Investment Income	(11)	(23,910)
(109,786)	(Profit)/Loss on Disposal of Investments and Changes in the Value of Investments	(12A)	(331,130)
(12,215)	(Profit)/Loss on Forward Foreign Exchange and Currency Deals	(13)	(10,578)
(139,256)	Net Returns on Investments		(365,618)
(156,718)	Net (Increase)/Decrease in the Net Assets Available for Benefits during the year		(378,407)
(3,401,775)	Opening Net Assets of the Fund		(3,558,493)
(3,558,493)	Closing Net Assets of the Fund		(3,936,900)

Net Asset Statement as at 31 March 2026

31 March 2025		Note	31 March 2026
£'000			£'000
1,182	Long Term Investment Assets	(12)	1,182
3,533,979	Investment Assets	(12)	3,916,875
(1,568)	Investment Liabilities	(12)	(5,333)
3,533,593	Total Net Investments		3,912,724
28,756	Current Assets	(19)	27,963
(3,856)	Current Liabilities	(20)	(3,787)
3,558,493	Net Assets of the Fund Available to Fund Benefits at the end of the Reporting Period		3,936,900

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in Pension Fund Note 18.

Notes to the Pension Fund Financial Statements

Note 1. Description of the Pension Fund

The Lincolnshire Pension Fund (the Fund) is part of the Local Government Pension Scheme and Lincolnshire County Council is the Administering Authority. Benefits are administered by West Yorkshire Pension Fund (WYPF) in a shared service arrangement.

General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended);
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- the LGPS (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme to provide pensions and other benefits for pensionable employees of Lincolnshire County Council, the district councils in Lincolnshire and a range of other scheduled and admitted bodies within the county. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Pensions Committee, which is a committee of Lincolnshire County Council.

Membership

Membership of the LGPS is automatic for eligible employees, but they are free to choose whether to remain in the scheme or make their own personal arrangements outside of the scheme.

Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund; and
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the relevant employer. Admitted bodies include

charitable organisations and similar not-for-profit bodies, or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 286 contributing employer organisations in the Fund including the County Council and just over 83,000 members as detailed below:

	31 March 2025	31 March 2026
Number of employers with active members	268	286
Number of employees in the Fund:		
- Lincolnshire County Council	9,971	10,074
- Other Employers	16,494	15,919
Total	26,465	25,993
Number of Pensioners:		
- Lincolnshire County Council	19,460	20,247
- Other Employers	10,713	11,449
Total	30,173	31,696
Number of Deferred Pensioners:		
- Lincolnshire County Council	15,903	15,198
- Other Employers	9,943	10,364
Total	25,846	25,562
Total number of Members in the Scheme:	82,484	83,251

Funding

Benefits are funded by contributions and investment earnings. Contributions are payable by active members of the Fund in accordance with LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employer contributions are set based on triennial actuarial funding valuations. Rates paid by employers during 2025/26 were determined at the 2022 Valuation, or when a new employer joins the scheme. Rates paid during 2025/26 ranged from 16.3% to 33.4% of pensionable pay. In addition, 40% of employers are paying monetary amounts to cover their funding deficit.

Benefits

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is up-rated annually in line with the Consumer Price Index.

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre-April 2008	Service between April 2008 and March 2014
Pension	Each year is worth 1/80 x final pensionable salary.	Each year is worth 1/60 x final pensionable salary.
	Automatic lump sum of 3/80 x salary.	No automatic lump sum.
Lump Sum	In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the scheme including early retirement, ill-health pensions, and death benefits.

Note 2. Basis of Preparation

The financial statements summarise the Fund's transactions for the 2025/26 financial year and its position at year end as at 31 March 2026.

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code), which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounting policies set out below (at Pension Fund Note 3) have been applied consistently to all periods presented within these financial statements.

The financial statements report the net assets available to pay pension benefits. They do not take into account obligations to pay pensions and other benefits that fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net asset statement, in the notes to the account, or by appending an actuarial report prepared for this purpose. The Pension Fund has opted to disclose this information in Pension Fund Note 18.

The financial statements have been prepared on a going concern basis.

Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

On an annual basis, the Code requires the Pension Fund to consider the impact of accounting standards that have been issued but have not yet been adopted and disclose information relating to the impact of these standards. For 2026/27 the Code introduces the following changes to the accounting standards:

- Amendments to FRS 102 the financial reporting standard applicable in the UK (amendments to heritage assets) issued in March 2024;
- Amendments to the classification and measurement of financial instruments (amendments to IFRS 9 and IFRS 7) issued in May 2024;
- Annual improvements to IFRS accounting standards – Volume 11 issued in July 2024; and
- Contracts referencing nature-dependent electricity (amendments to IFRS 9 and IFRS 7) issued in December 2024.

It is not thought that any of these changes will have a significant impact on the Pension Fund financial statements for 2026/27.

Note 3. Significant Accounting Policies

Fund account – revenue recognition

a. Contributions income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations using common percentage rates for all Funds which rise according to pensionable pay; and
- Employer contributions are set at the percentage rate recommended by the Fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body.

Additional employers' contributions, for example in respect of early retirements, are accounted for in the year the event arose.

Any amount due in year but unpaid will be classed as a current financial asset.

b. Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund. They are calculated in accordance with the LGPS Regulations 2013:

- Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged; and
- Bulk transfers are accounted for in accordance with the terms of the transfer agreement.

c. Investment Income**i) Interest income**

Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iv) Changes in the net market value of investments

Changes in the net market value of investments are recognised as income/expense and comprise all realised and unrealised profits/losses during the year. Where the Fund holds accumulation units in pooled funds no dividend or distribution is receivable by the Fund. All dividends and distributions are reinvested in the pooled fund and reflected in the unit price. Changes in the unit price are included in the change in the net market value of investments.

Fund account – expense items**d. Benefits payable**

Pensions and lump sum benefits payable are included in the financial statements at the time of payment.

e. Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted.

Irrecoverable tax is accounted for as part of the overall cost of transactions (e.g. purchase price).

f. Management expenses

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance: Accounting for Local Government Pension Scheme Management Expenses (2016), using the headings shown below. All items of expenditure are charged to the Fund on an accruals basis.

i) Administrative expenses

All costs associated with pensions administration are charged to the Fund.

Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

ii) Oversight and Governance

All costs associated with the governance and oversight are recharged to the Fund.

Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

iii) Investment management expenses

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments.

Fees on investments where the cost is deducted at source have been included within investment expenses and an adjustment made to the change in market value of investments.

Fees for the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase and decrease as the value of the investments change.

In addition, the Fund has negotiated with Morgan Stanley Investment Management Ltd (for the Private Markets Portfolio) that an element of their fee will be performance related.

Where an investment manager's fee invoice has not been received by the financial year end, an estimate based upon the market value of their mandate is used for inclusion in the Funds financial statements.

Net assets statement

g. Financial assets

All investment assets are included in the net asset statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the Fund and are classified as Fair Value through Profit and Loss (FVPL). Any amounts due or payable in respect of trades entered into but not yet completed at 31 March each year are accounted for as financial instruments held at amortised cost.

The values of investments, as shown in the net asset statement, have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Pension Fund Note 14). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Private market, infrastructure, private equity and property venture valuations are based on the most recent valuations provided by managers at the year-end date. Where more up-to-date valuations are received during the financial statement preparation or audit period, their materiality, both individually and collectively will be considered, and the financial statements revised to reflect these valuations, if necessary. If valuations are not produced by the manager at 31 March, then the latest available valuation is used, adjusted for purchases and sales which occur between the valuation date and 31 March.

The investment in the LGPS asset pool, Border to Coast Pensions Partnership, is also carried at fair value. This has been classified as Fair Value through Other Comprehensive Income (FVOCI) rather than FVPL as the investment is a strategic investment and not held for trading.

h. Foreign currency transactions

Dividends, distributions, interest, purchases and sales of investments in foreign currencies have been accounted for at the spot rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period. Any gains or losses arising from these transactions are treated as part of the change in the value of investments in the fund account.

i. Derivatives

The Fund uses derivative financial instruments to manage its exposure to certain risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract. The contracts are valued using Caceis closing spot/forward foreign exchange rates on 31 March.

j. Cash and cash equivalents

Cash comprises: cash in hand, deposits and amounts held by external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimum risk of changes in value.

k. Financial liabilities

A financial liability is recognised in the net assets statement on the date the Fund becomes legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the Fund account as part of the Change in Value of Investments.

Other financial liabilities classed as amortised cost, i.e. the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest.

l. Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is formally assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. At each year end, the promised retirement benefits have been projected using a roll forward approximation from the latest formal funding valuation. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (see Pension Fund Note 18).

m. Additional voluntary contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC

contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the financial statements in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note for information (see Pension Fund Note 21).

Note 4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies, the Fund is required to make judgements about complex transactions and the value of assets and liabilities where there is an element of uncertainty. Those with the most significant effect include:

- No investments are impaired (further detail on how the fund manages risk is set out in Pension Fund Note 16: Nature and Extent of Risks Arising from Financial Instruments).

Any judgements made in relation to specific assets and liabilities, in addition to information stated in the relevant notes, can also be found in Pension Fund Note 3: Significant Accounting Policies.

Note 5. Assumptions Made About the Future and Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made, taking into account, historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the financial statements for the year ended 31 March 2026 for which there is a significant risk of material adjustment in the forthcoming financial year are set out in the table on the next page:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Pension Fund Note 18)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to: the discount rate used; salary and pension increases; changes in retirement ages; mortality rates; and expected returns on Fund assets. Details about the actuarial method and assumptions selected by the Fund's actuary, Barnett Waddingham, are set out in Pension Fund Note 18.	At 31 March 2026 the present value of the total obligation was estimated by the actuary to be £2,848.2m. The effects of changes in the individual assumptions can be measured. For example: 1) a 0.5% increase in the discount rate assumption would reduce future pension liabilities by c. £195.0m. 2) a 0.25% increase in earnings inflation would increase the value of future pension liabilities by c. £5.0m. 3) a 0.25% increase in the pension increase rate would increase the value of future pension liabilities by c. £108.1m. 4) a one-year increase in assumed life expectancy would increase the value of future pension liabilities by c. £100.4m.
Hedge Funds (Pension Fund Note 14)	Some hedge fund investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	A fund manager estimates that the sensitivity of valuation of these assets, included at level three in the fair value hierarchy, is +/-9%. This equates to a +/- £19.7m on a carrying value of £218.8m at 31 March 2026.
Market Value of unquoted level three investments (including: private markets, infrastructure, other property and private equity) (Pension Fund Note 14)	Private markets, infrastructure, other property and private equity are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018) and the Special Guidance issued in March 2020 concerning the impact of Covid-19 on valuations. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Level three investments at 31 March 2026 are valued at £662.1m in the financial statements. There is a risk that these investments may be under- or over-stated in the accounts. Private markets by +/-14% or £62.0m on a carrying value of £443.2m. Infrastructure by +/-14% or £7.1m on a carrying value of £50.9m. Property Venture by +/-16% or £27.4m on a carrying value of £171.3m. Private Equity by +/-20% or £0.5m on a carrying value of £2.3m.

Note 6. Contributions Receivable

Contributions receivable are analysed by category below:

	2024/25	2025/26
	£'000	£'000
Employers		
Normal Contributions	122,703	131,486
Deficit Recovery Contributions	5,433	5,699
Additional – Augmentation Contributions	867	913
Members		
Normal Contributions	32,081	34,196
Additional years Contributions	106	79
Total	161,190	172,373

These contributions are analysed by type of Member Body as follows:

	2024/25	2025/26
	£'000	£'000
Lincolnshire County Council – Administering Authority	64,513	69,797
Scheduled Bodies	95,861	100,901
Admitted Bodies	816	1,675
Total	161,190	172,373

Note 7. Transfers In From Other Pension Funds

	2024/25	2025/26
	£'000	£'000
Individual transfers from other schemes	14,773	16,260
Group transfers from other schemes	1,864	0
Total	16,637	16,260

There were no material outstanding transfers due to the Pension Fund as at 31 March 2026.

During 2024/25 two academy schools transferred into the Lincolnshire Pension Fund. Houghton Regis Academy, a member of The Greenwood Academies Trust and Bowman Academy, a member of C.I.T. Multi-Academy Trust.

Note 8. Benefits Payable

Benefits payable are analysed by category below:

	2024/25	2025/26
	£'000	£'000
Pensions	107,283	112,068
Commutations & Lump Sum Retirement Benefits	24,367	23,565
Lump Sum Death Benefits	3,752	3,505
Total	135,402	139,138

These benefits are analysed by type of Member Body as follows:

	2024/25	2025/26
	£'000	£'000
Lincolnshire County Council – Administering Authority	68,085	69,264
Scheduled Bodies	60,762	63,379
Admitted Bodies	6,555	6,495
Total	135,402	139,138

Note 9. Payments To and On Account of Leavers

	2024/25	2025/26
	£'000	£'000
Individual transfers to other schemes	10,276	17,433
Refunds to members leaving service	491	195
Total	10,767	17,628

There were no material outstanding transfers due from the Pension Fund as at 31 March 2026.

Note 10. Management Expenses

	2024/25	2025/26
	£'000	£'000
Administration Costs	1,700	1,761
Investment Management Expenses	11,512	16,152
Oversight and Governance Costs	984	1,165
Total	14,196	19,078

The statutory audit fee for the year was £0.098m (£0.094m in 2024/25m).

A further breakdown of the investment management expenses is shown below:

2025/26	Total	Management Fees	Performance Related Fees	Transaction Costs
	£'000	£'000	£'000	£'000
Managed by Border to Coast	8,582	5,422	-	3,160
Unitised Insurance Policies	115	80	-	35
Unit Trusts	1,224	885	-	339
Other Managed Funds	5,949	4,248	1,601	100
Cash	4	-	-	4
	15,874	10,635	1,601	3,638
Custody Fees	278			
Total	16,152			

2024/25	Total	Management Fees	Performance Related Fees	Transaction Costs
	£'000	£'000	£'000	£'000
Managed by Border to Coast	4,886	4,148	-	738
Unitised Insurance Policies	802	802	-	-
Unit Trusts	838	711	8	119
Other Managed Funds	4,707	3,719	223	765
Cash	-	-	-	-
	11,233	9,380	231	1,622
Custody Fees	279			
Total	11,512			

Note 11. Investment Income

	2024/25	2025/26
	£'000	£'000
Equities	(673)	190
Managed by Border to Coast		
- Property	-	1,450
Unit Trusts:		
- Property	1,671	1,311
Other Managed Funds:		
- Infrastructure	3,413	3,956
- Private Equity	244	-
- Private Markets	2,713	10,463
- Property	4,486	1,526
Interest on Cash Deposits	5,401	5,014
Total	17,255	23,910

During 2024/25 the Fund reviewed outstanding tax reclaims from segregated equity investments held up to 2020/21. The Fund wrote off £0.682m of reclaims which the custodian believes will not now be received.

Note 12. Investments

	31 March 2025	31 March 2026
	£'000	£'000
Long Term Investments		
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	1,182
Total Long-Term Investments	1,182	1,182
Investment Assets		
Pooled Investment Vehicles		
Managed by Border to Coast:		
- Bonds	449,807	483,289
- Equities – Global	521,662	549,110
- Equities – Global Multi-factor	-	619,887
- Equities – Overseas Developed Markets	349,642	419,262
- Equities – UK	269,997	317,678
- Multi Asset Credit	361,294	388,625
- Property	15,961	108,721
Unitised Insurance Policies:		
- Equities – Global	529,778	-
Unit Trusts:		
- Property	137,378	142,932
Other Managed Funds:		
- Infrastructure	59,999	50,899
- Private Equity	2,642	2,255
- Private Markets	618,355	662,971
- Property	96,937	85,571
Total Pooled Investment Vehicles	3,413,452	3,831,200
Other Investment Assets		
Derivatives:		
- Open Forward Foreign Exchange (FX)	-	-
Cash Deposits	119,703	84,566
Investment Income Due	824	876
Amounts Receivable from Sales	-	233
Total Other Investment Assets	120,527	85,675
Total Investment Assets	3,533,979	3,916,875
Investment Liabilities		
Derivatives:		
- Open Forward Foreign Exchange (FX)	(1,568)	(5,203)
Investment Income Payable	-	(130)
Total Investment Liabilities	(1,568)	(5,333)
Total Net Investment Assets	3,533,593	3,912,724

12A Reconciliation of Movements in Investments

2025/26	Market Value at 31 March 2025	Purchases and Derivative Payments	Sales and Derivative Receipts	Change in Value during the Year	Market Value at 31 March 2026
	£'000	£'000	£'000	£'000	£'000
Long Term Investments					
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	-	-	-	1,182
Total Long-Term Investment	1,182	-	-	-	1,182
Investment Assets					
Pooled Investment Vehicles					
- Managed by Border to Coast	1,968,363	1,433,867	(823,918)	308,260	2,886,572
- Unitised Insurance Policies	529,778	-	(531,320)	1,542	-
- Unit Trusts	137,378	231	(1,224)	6,547	142,932
- Other Managed Funds	777,933	135,441	(126,459)	14,781	801,696
Total Pooled Investment Vehicles	3,413,452	1,569,539	(1,482,921)	331,130	3,831,200
Other Investments					
Derivatives:					
- Open Forward Foreign Exchange (FX)	(1,568)	10,613,698	(10,622,122)	4,789	(5,203)
Total Other Investments	(1,568)	10,613,698	(10,622,122)	4,789	(5,203)
Other Investment Balances					
- Cash Deposits	119,703			5,789	84,566
- Amounts Receivable from Sales	-				233
- Investment Income Due	824				746
Total Other Investments	120,527	-	-	5,789	85,545
Total Net Investment Assets	3,533,593	12,183,237	(12,105,043)	341,708	3,912,724

The large volume of purchases and sales at Border to Coast relates to a switch from accumulation units to distribution units in March 2026 to meet the Funds cashflow needs to pay pensioner benefits from 2026/27. The Fund switched 100% of UK Listed Equity, 30% Global Equity Alpha, 30% Overseas Developed Markets Equity and 30% of Global Multi-Factor Equity.

LINCOLNSHIRE PENSION FUND 2025-26



2024/25	Market Value at 31 March 2024	Purchases and Derivative Payments	Sales and Derivative Receipts	Change in Value during the Year	Market Value at 31 March 2025
	£'000	£'000	£'000	£'000	£'000
Long Term Investments					
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	-	-	-	1,182
Total Long Term Investment	1,182	-	-	-	1,182
Investment Assets					
Pooled Investment Vehicles					
- Managed by Border to Coast	1,902,120	54,443	(64,657)	76,457	1,968,363
- Unitised Insurance Policies	517,508	-	(806)	13,076	529,778
- Unit Trusts	130,518	253	(1,307)	7,914	137,378
- Other Managed Funds	738,267	143,571	(116,244)	12,339	777,933
Total Pooled Investment Vehicles	3,288,413	198,267	(183,014)	109,786	3,413,452
Other Investments					
Derivatives:					
- Open Forward Foreign Exchange (FX)	(6,425)	5,621,937	(5,629,295)	12,215	(1,568)
Total Other Investments	(6,425)	5,621,937	(5,629,295)	12,215	(1,568)
Other Investment Balances					
- Cash Deposits	88,882				119,703
- Investment Income Due	1,952				824
Total Other Investments	90,834	-	-	-	120,527
Total Net Investment Assets	3,374,004	5,820,204	(5,812,309)	122,001	3,533,593

12B Investments Analysed by Fund Manager

Fund Manager	31 March 2025		31 March 2026	
	£'000	%	£'000	%
Investments managed by Border to Coast:				
- Global Equity Alpha	521,662	14.8	549,110	14.0
- Global Multi-factor Equity	-	-	619,887	15.8
- Sterling Investment Grade Credit	449,807	12.7	483,289	12.4
- Multi-Asset Credit	361,294	10.2	388,625	9.9
- Overseas Developed Market Equity	349,642	9.9	419,262	10.7
- Listed UK Equity	269,997	7.6	317,678	8.1
- Core Global Real Estate	15,961	0.5	83,862	2.1
- UK Real Estate	-	-	24,859	0.6
Unitised Insurance Policies:				
- Legal and General (Future World Fund)	529,778	15.0	-	-
Investments managed outside of the asset pool:				
- Morgan Stanley (Private Markets)	633,115	18.0	671,107	17.3
- Morgan Stanley (Legacy Private Equity)	3,725	0.1	2,541	0.1
- Internally Managed (Property Unit Trusts)	137,469	3.9	142,932	3.7
- Internally Managed (Property)	97,018	2.7	85,595	2.2
- Internally Managed (Infrastructure)	60,154	1.7	51,066	1.3
- Internally Managed (Cash managed by LCC Treasury Management Team)	89,000	2.5	63,000	1.6
- Unallocated Cash	13,789	0.4	8,729	0.2
Total	3,532,411	100.0	3,911,542	100.0

12C Fund Assets exceeding 5%

The following table sets out where there is a concentration of investments which exceeds 5% of the total value of the net assets of the scheme (exc. holdings in UK Government Securities).

Fund Manager	31 March 2025		31 March 2026	
	£'000	%	£'000	%
Morgan Stanley (Private Markets)	618,355	17.4	662,971	16.8
Border to Coast (Global Multi-factor Equity)	-	-	619,887	15.7
Border to Coast (Global Equity Alpha)	521,662	14.7	549,110	13.9
Border to Coast (Sterling Investment Grade Credit)	449,807	12.6	483,289	12.3
Border to Coast (Overseas Developed Market Equity)	349,642	9.8	419,262	10.6
Border to Coast (Multi-Asset Credit)	361,294	10.2	388,625	9.9
Border to Coast (Listed UK Equity)	269,997	7.6	317,678	8.1
Legal and General (Future World Fund)	529,778	14.9	-	-

Note 13. Analysis of Derivatives

The holding in derivatives is used to hedge exposures to reduce risk in the Fund. The use of any derivatives is managed in line with the investment management agreements in place between the Fund and the investment manager.

The only direct derivative exposure that the Fund has is in forward foreign currency contracts. The Fund's private markets investment manager uses forward foreign exchange contracts to reduce exposure to fluctuations in foreign currency exchange rates.

Open Forward Currency Contracts

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Asset Value	Liability Value
		'000		'000	£'000	£'000
Up to one month	None					
Over one month	GBP	1,727	AUD	3,257	35	
	GBP	19,348	CAD	35,197	223	
	GBP	25,625	EUR	29,654		(278)
	GBP	601,931	USD	800,750		(5,183)
Total					258	(5,461)
Net Forward Currency Contracts at 31 March 2026						(5,203)
Prior year comparative						
Open forward currency contracts at 31 March 2025					187	(1,755)
Net Forward Currency Contracts at 31 March 2025						(1,568)

Profit (Loss) of Forward Currency Deals and Currency Exchange

The profit or loss from any forward deals and from currency exchange is a result of normal trading of the Fund's managers who manage multi-currency portfolios. For 2025/26 this was a profit of £10.578m (£12.215m profit in 2024/25).

Note 14. Fair Value – Basis of Valuation

All investments assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level One – where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, comprising quoted equities, quoted bonds and unit trusts.

Level Two – where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

Level Three – where at least one input that could have significant effect on the instrument's valuation is not based on observable market data.

The basis of the valuation of each class of investment asset is set out below:

Description of Asset	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
Level One			
Quoted equities and pooled fund investments.	The published bid market price on the final day of the accounting period.	Not Required.	Not Required.
Cash and cash equivalents.	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not Required.	Not Required.
Amount receivable from investment sales	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not Required.	Not Required.
Investment debtors and creditors	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not Required.	Not Required.
Level Two			
Unquoted equity investments, fixed income bonds, unit trusts and pooled fund investments.	Average of broker prices	Evaluated price feeds.	Not Required.
Forward foreign exchange derivatives.	Market forward exchange rates at the year-end.	Exchange rate risk.	Not Required.

Description of Asset	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
Level Two – continued			
Pooled property funds where regular trading takes place.	Closing bid price where bid and offer prices are published. Closing single price where single price published.	NAV-based pricing set on a forward pricing basis.	Not Required.
Level Three			
Pooled property, other investment funds and hedge funds where regular trading does not take place.	Valued by investment managers on a fair value basis each year using PRAG guidance.	NAV-based pricing set on a forward pricing basis.	Valuations are affected by any changes to the value of the financial instrument being hedged against.
Other unquoted and private equities (inc. private markets, infrastructure and private equity).	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020).	EBITDA multiple; Revenue multiple; Discount for lack of marketability; and Control premium.	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
Shares in Border to Coast Pensions Partnership.	Shareholdings in Border to Coast have been valued at cost i.e. transaction price as an appropriate estimate of fair value.	No market for shares held in Border to Coast. Disposal of shares is not a matter in which any shareholder can make a unilateral decision. Partnership is structured so as not to make a profit.	Valuation could be affected by future funding models, post-balance sheet events, or changes to current operating procedures.

Sensitivity of assets valued at level 3

The Fund has determined that the valuation methods described above for level three investments are likely to be accurate within the following ranges and has set out in the table below the consequent potential impact on the closing value of investments held at 31 March 2026.

	Potential variation in fair value	Value as at 31 March 2026	Potential value on increase	Potential value on decrease
	(+/-)	£'000	£'000	£'000
Infrastructure	14%	50,899	58,025	43,773
Private Equity	20%	2,255	2,706	1,804
Private Markets:				
- Hedge Funds	9%	218,756	238,444	199,068
- Unquoted Holdings	14%	443,193	505,240	381,146
Property Venture	16%	171,332	198,745	143,919

14A Fair Value Hierarchy

The following table provides an analysis of the financial assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2026 – Observable Fair Value	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss:				
<u>Pooled Investment Vehicles:</u>				
Managed by Border to Coast Unitised Insurance Policies		2,777,851	108,721	2,886,572
Unit Trusts		142,932		142,932
Other Managed Funds	1,022	22,960	777,714	801,696
Derivatives: Forward Foreign Exchange				-
Cash	13,465			13,465
	14,487	2,943,743	886,435	3,844,665
Financial liabilities at fair value through profit and loss:				
Derivatives: Forward Foreign Exchange		(5,203)		(5,203)
		(5,203)		(5,203)
Financial assets at fair value through other comprehensive income and expenditure:				
Unquoted Equity Holding in Border to Coast Pensions Partnership			1,182	1,182
			1,182	1,182
Net Investment Assets	14,487	2,938,540	887,617	3,840,644

Values at 31 March 2025 – Observable Fair Value	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss:				
<u>Pooled Investment Vehicles:</u>				
Managed by Border to Coast		1,952,402	15,961	1,968,363
Unitised Insurance Policies		529,778		529,778
Unit Trusts		137,378		137,378
Other Managed Funds	1,338	34,431	742,164	777,933
Derivatives: Forward Foreign Exchange		-		-
Cash	17,532			17,532
	18,870	2,653,989	758,125	3,430,984
Financial liabilities at fair value through profit and loss:				
Derivatives: Forward Foreign Exchange		(1,568)		(1,568)
		(1,568)		(1,568)
Financial assets at fair value through other comprehensive income and expenditure:				
Unquoted Equity Holding in Border to Coast Pensions Partnership			1,182	1,182
			1,182	1,182
Net Investment Assets	18,870	2,652,421	759,307	3,430,598

14B Reconciliation of Fair Value Measurements within Level 3

2025/26	Market value at 31 March 2025	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains / (losses) *	Realised gains / (losses) *	Market value at 31 March 2026
	£'000	£'000	£'000	£'000	£'000	£'000
Infrastructure	59,999	294	(5,191)	(6,989)	2,786	50,899
Private Equity	2,642	-	(225)	(355)	193	2,255
Private Markets	617,017	135,012	(105,484)	(23,333)	38,737	661,949
Property Venture	78,467	94,419	(2,177)	623	-	171,332
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	-	-	-	-	1,182
Total	759,307	229,725	(113,077)	(30,054)	41,716	887,617

2024/25	Market value at 31 March 2024	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains / (losses) *	Realised gains / (losses) *	Market value at 31 March 2025
	£'000	£'000	£'000	£'000	£'000	£'000
Infrastructure	66,927	296	(3,036)	(4,552)	364	59,999
Private Equity	3,897	(70)	(1,053)	1,563	(1,695)	2,642
Private Markets	568,915	137,687	(110,616)	15,809	5,222	617,017
Property Venture	58,397	20,225	(843)	524	164	78,467
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	-	-	-	-	1,182
Total	699,318	158,138	(115,548)	13,344	4,055	759,307

* Unrealised and realised gains and losses are recognised in the profit and losses on disposal and change in market values line of the Fund account.

Note 15. Financial Instruments

15A Classification of Financial Instruments

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial assets were reclassified during the accounting period.

	31 March 2026			
	Fair value through profit & loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through comprehensive income
	£'000	£'000	£'000	£'000
Financial Assets				
Unquoted Equity Holding in Border to Coast Pensions Partnership				1,182
Pooled Investment Vehicles:				
- Managed by Border to Coast	2,886,572			
- Unitised Insurance Policies	-			
- Unit Trusts	142,932			
- Other Managed Funds	801,696			
Derivatives: Forward Foreign Exchange	-			
Cash	13,465	84,863		
Other Investment Balances		1,109		
Sundry Debtors		4,244		
	3,844,665	90,216	-	1,182
Financial Liabilities				
Derivatives: Forward Foreign Exchange	(5,203)			
Other Investment Balances			(130)	
Sundry Creditors			(2,726)	
	(5,203)	-	(2,856)	-
	3,839,462	90,216	(2,856)	1,182

	31 March 2025			
	Fair value through profit & loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through comprehensive income
	£'000	£'000	£'000	£'000
Financial Assets				
Unquoted Equity Holding in Border to Coast Pensions Partnership				1,182
Pooled Investment Vehicles:				
- Managed by Border to Coast	1,968,363			
- Unitised Insurance Policies	529,778			
- Unit Trusts	137,378			
- Other Managed Funds	777,933			
Derivatives: Forward Foreign Exchange	-			
Cash	17,532	116,418		
Other Investment Balances		824		
Sundry Debtors		4,749		
	3,430,984	121,991	-	1,182
Financial Liabilities				
Derivatives: Forward Foreign Exchange	(1,568)			
Other Investment Balances			-	
Sundry Creditors			(2,022)	
	(1,568)		(2,022)	-
	3,429,416	121,991	(2,022)	1,182

15B Net Gains and Losses on Financial Instruments

All realised gains and losses arise from the sale or disposal of financial assets that have been derecognised in the financial statements. The fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

	2024/25	2025/26
	£000	£000
Financial Assets		
Fair Value through Profit and Loss	109,786	331,130
	109,786	331,130

Note 16. Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. the promised benefits payable to members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall Pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pensions Committee. Risk management policies have been established to identify and analyse the risks faced by the Pension Fund's operations. These are reviewed regularly to reflect changes in activity and market conditions.

a) Market Risk

Market risk is the loss from fluctuations in equity and commodity prices, interest and foreign exchange rates, and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future prices and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

To mitigate market risk, the Fund invests in a diversified pool of assets to ensure a reasonable balance between different categories, having taken advice from the Fund's Investment Consultant. The management of the assets is split between a number of managers and investment vehicles with different performance targets and investment strategies. Risks associated with the strategy and investment returns are included as part of the quarterly reporting to the Pensions Committee where they are monitored and reviewed.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign

exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instrument.

The Fund's investment managers mitigate this price risk through diversification, and the selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the Fund's investment strategy.

Other Price Risk - Sensitivity Analysis

Following analysis of historical data and expected investment return during the financial year, the Fund, in consultation with a fund manager, has determined that the following movements in market price are reasonably possible for 2025/26; assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same (prior year comparatives are shown on the next page):

Asset Type	Value at 31 March 2026	Potential market movements (+/-)	Value on Increase	Value on Decrease
	£'000		£'000	£'000
UK Equities	317,678	16%	368,506	266,850
Global Equities	1,168,997	16%	1,356,037	981,957
Overseas Equities	419,262	16%	486,344	352,180
Bonds	483,289	6%	512,286	454,292
Multi Asset Credit	388,625	7%	415,829	361,421
UK Property	230,402	16%	267,266	193,538
Overseas Property	106,822	16%	123,914	89,730
Infrastructure	50,899	14%	58,025	43,773
Private Equity	231,854	20%	278,225	185,483
Private Debt	78,807	12%	88,264	69,350
Private Real Assets	135,730	15%	156,090	115,371
Other Alternatives	79	14%	90	68
Hedge Funds	218,756	9%	238,444	199,068
Total Assets Available	3,831,200		4,349,320	3,313,081

Asset Type	Value at 31 March 2025	Potential market movements (+/-)	Value on Increase	Value on Decrease
	£'000		£'000	£'000
UK Equities	269,997	18%	318,596	221,398
Global Equities	1,051,440	18%	1,240,699	862,181
Overseas Equities	349,642	18%	412,578	286,706
Bonds	449,807	7%	481,293	418,321
Multi Asset Credit	361,294	8%	390,198	332,390
UK Property	199,884	16%	231,865	167,903
Overseas Property	50,392	16%	58,455	42,329
Infrastructure	59,999	14%	68,399	51,599
Private Equity	229,922	23%	282,804	177,040
Private Debt	63,816	12%	71,474	56,158
Private Real Assets	108,712	15%	125,019	92,405
Other Alternatives	83	15%	95	71
Hedge Funds	218,464	10%	240,310	196,618
Total Assets Available	3,413,452		3,921,785	2,905,119

Interest rate risk

The Fund recognises that interest rates can vary and can affect both income to the Fund and carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A Fund Manager, and experience, suggests that a movement of +/- 100 basis points (+/- 1.0%) in interest rates from one year to the next is likely (+/-100 basis points in 2024/25).

Interest rate risk – sensitivity analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1.0% change in interest rates. This analysis demonstrates that a 1.0% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Assets Exposed to Interest Rate Risk:

Exposure to interest rate risk	Value at 31 March 2026	Percentage movement on 1.0% change in Interest Rates	Impact of 1.0% increase	Impact of 1.0% decrease
	£'000	£'000	£'000	£'000
Cash and Cash Equivalents	84,566	0	84,566	84,566
Cash Balances	13,762	0	13,762	13,762
Bond Funds	483,289	7,249	490,538	476,040
Total	581,617	7,249	588,866	574,368

Exposure to interest rate risk	Value at 31 March 2025	Percentage movement on 1.0% change in Interest Rates	Impact of 1.0% increase	Impact of 1.0% decrease
	£'000	£'000	£'000	£'000
Cash and Cash Equivalents	119,703	-	119,703	119,703
Cash Balances	14,247	-	14,247	14,247
Bond Funds	449,807	6,747	456,554	443,060
Total	583,757	6,747	590,504	577,010

Income Exposed to Interest Rate Risk	Interest Receivable 2025/26	Percentage movement on 1.0% change in Interest Rates	Impact of 1.0% increase	Impact of 1.0% decrease
	£'000	£'000	£'000	£'000
Cash Deposits, Cash and Cash Equivalents	5,014	75	5,089	4,939
Bond Funds	0	0	0	0
Total	5,014	75	5,089	4,939

Income Exposed to Interest Rate Risk	Interest Receivable 2024/25	Percentage movement on 1.0% change in Interest Rates	Impact of 1.0% increase	Impact of 1.0% decrease
	£'000	£'000	£'000	£'000
Cash Deposits, Cash and Cash Equivalents	5,401	81	5,482	5,320
Bond Funds	-	-	-	-
Total	5,401	81	5,482	5,320

Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. Following analysis of historical data and in consultation with an investment manager, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 7%, as measured by one standard deviation (9% in 2024/25). A 7% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net asset available to pay benefits as follows:

Currency risk – sensitivity analysis

Asset Exposed to Currency Risk	Value at 31 March 2026	Potential Market Movement	Value on Increase	Value on Decrease
	£'000	£'000	£'000	£'000
Overseas Hedge Funds	218,756	15,313	234,069	203,443
Overseas Infrastructure	12,426	870	13,296	11,556
Overseas Other Alternatives	79	6	85	73
Overseas Private Debt	77,551	5,429	82,980	72,122
Overseas Private Equity	231,854	16,230	248,084	215,624
Overseas Property	106,822	7,478	114,300	99,344
Overseas Real Private Assets	134,610	9,423	144,033	125,187
Total	782,098	54,749	836,847	727,349

Asset Exposed to Currency Risk	Value at 31 March 2025	Potential Market Movement	Value on Increase	Value on Decrease
	£'000	£'000	£'000	£'000
Overseas Hedge Funds	218,464	19,662	238,126	198,802
Overseas Infrastructure	14,136	1,272	15,408	12,864
Overseas Other Alternatives	83	7	90	76
Overseas Private Debt	62,762	5,649	68,411	57,113
Overseas Private Equity	229,921	20,693	250,614	209,228
Overseas Property	34,431	3,099	37,530	31,332
Overseas Real Private Assets	107,988	9,719	117,707	98,269
Total	667,785	60,101	727,886	607,684

b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. Assets potentially affected by this are investment assets and cash deposits. The market

values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund’s financial assets and liabilities. The Fund is additionally exposed to credit risk through its daily treasury activities. Credit risk may also occur if an employing body, not supported by central government, does not pay its contributions promptly, or defaults on its obligations.

The Pension Fund's cash and cash-equivalent holdings as at 31 March 2026 were £98.328m (£133.950m in 2024/25). £84.566m (£119.703m in 2024/25) classified as investment cash (see Pension Fund Note 12 Investments) and £13.762m (£14.247m in 2024/25) classified as operational cash (see Pension Fund Note 19 Current Assets). All cash and cash-equivalent holdings are held with well-capitalised and strong financial institutions. The credit rating of these accounts are as follows:

Cash and Cash Equivalents	Rating at 31 March 2026	Balance at 31 March 2026
		£'000
Bank Current Accounts		
Barclays bank	A+	15,162
HSBC Bank	A+	1,000
Caceis Investor Services	A+	21,566
Money Market Funds		
HSBC Global Liquidity Fund	AAA	-
Morgan Stanley Sterling Liquidity Fund	AAA	5,000
Deutsche Managed Sterling Fund	AAA	20,000
Insight Sterling Liquidity Fund	AAA	15,600
Aberdeen Standard Liquidity Fund	AAA	20,000
Total		98,328

The Pension Fund closely monitors employer contributions each month. All contributions from employers, except one, due to the Fund for March 2026, were received by the end of April 2026. The Fund’s default policy for admission bodies joining the Fund is under a pass-through arrangement. Under a pass-through arrangement, the letting authority retains the pensions risk. The admission body is responsible for paying the agreed contribution rate and also additional costs as set out in each admission agreement e.g. redundancy and early retirement costs.

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund takes steps to ensure that it has adequate cash resources to meet its commitments.

The Fund holds a working cash balance in its own bank account and money market funds to cover the payment of benefits and other lump sum payments. At an investment level, the Fund holds a large proportion of assets in instruments that can be liquidated at short notice (pooled equities and bonds), normally within a week. As at 31 March 2026, these assets totalled £2,389.226m (£2,120.886m as at 31 March 2025), with a further £98.328m held in cash (£133.950m as at 31 March 2025).

In 2025/26 the Fund was cash flow positive each month (i.e. contributions received exceed pensions paid). This position is monitored regularly and reviewed at least every three years alongside the Triennial Valuation.

Note 17. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2025 and the next valuation is due to take place as at 31 March 2028.

Description of Funding Policy

Details of the funding policy are set out in the Funding Strategy Statement (FSS), in summary the Fund's long-term funding aims are to:

- Achieve solvency by managing employers' liabilities effectively and ensuring that sufficient resources are available to meet all benefit payments as they arise;
- Achieve long-term cost efficiency by ensuring that employer contribution rates are not set at a level that gives rise to additional costs;
- Enable primary contribution rates to be kept as stable as possible, and (subject to not taking undue risks) at reasonable cost to our employers; and
- Seek returns on investment within reasonable risk parameters.

Further details are contained in the FSS.

Actuary's Statement

The last full triennial valuation of the Lincolnshire Pension Fund (the Fund) was carried out as at 31 March 2025 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 30 March 2026.

Asset value and funding level

The results for the Fund at 31 March 2025 were as follows:

- The smoothed market value of the Fund’s assets as at 31 March 2025 was £3,612m.
- The Fund had a funding level of 110% i.e. the value of assets for valuation purposes was 110% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a surplus of £325m.

Contribution Rates

The employer contribution rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- the annual accrual of benefits allowing for future revaluation and increases to pensions in payment when these fall due;
- plus an amount to reflect each participating employer’s notional share of the Fund’s assets compared with their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 17.9% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer’s share of the cost of benefits accruing and is payable in each of the three years beginning 1 April 2026.

In addition, each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Details of each employer’s contribution rate are contained in the Rates and Adjustments Certificate in Appendix 8 of the triennial valuation report.

Assumptions

The key assumptions used to value the liabilities at 31 March 2025 are summarised below:

Financial Assumptions	Assumptions used for the 2025 valuation
Market date	31 March 2025
CPI inflation	2.7% p.a.
Long-term salary increases	3.7% p.a.
Discount rate	4.7% p.a.

Demographic Assumptions	Assumptions used for the 2025 valuation
Post-retirement mortality:	
Base tables	S4PA tables
Projection model	CMI 2024
Long-term rate of improvement	1.5% p.a.
Initial addition to improvements	0.0% p.a.
Overlay half-life	1 year

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the 2025 valuation report and accompanying advice documents.

Updated position since the 2025 valuation

Assets

Investment returns on the Fund’s assets over the year to 31 March 2026 have been higher than assumed at the 31 March 2025 actuarial valuation. This has increased the market value of the assets since the last actuarial valuation.

Liabilities

Overall, the value of the Fund’s liabilities have increased over the year to 31 March 2026. This is primarily due to interest accruing on those liabilities.

Overall position

Both the value of the assets and the liabilities are estimated to have increased over the year to 31 March 2026. The assets have increased at a higher rate than the liabilities and so the funding level has increased over the year to 31 March 2026.

The Fund also continues to monitor the funding level using LGPS Monitor on a regular basis.

Matthew Paton FFA
Associate, Barnett Waddingham LLP

Note 18. Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary, also undertakes a valuation of the pension fund liabilities adopting methods and assumptions that are consistent with IAS19 on an annual basis.

Introduction

Pension expense calculations have been undertaken in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Lincolnshire Pension Fund as at 31 March 2026. The calculations take into account current LGPS Regulations, as amended, as at the date of this report.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations and summarised on the LGPS website.

This report is prepared in accordance with our understanding of IAS26. This advice complies with Technical Actuarial Standard 100: General Actuarial Standards (TAS 100) as issued by the Financial Reporting Council (FRC). In calculating the disclosed numbers, they have adopted methods and assumptions that are consistent with IAS19.

This report should be read in conjunction with the post accounting date briefing note for disclosures as at 31 March 2026. A copy of this can be requested from the Fund.

Valuation Data

Data Used

The following items of data have been used in the calculations:

- 31 March 2025 - results of the latest funding valuation;
- 31 March 2025 - results of the previous IAS26 report;
- 31 March 2026 - actual Fund returns to;
- 31 March 2026 - Fund asset statement;
- 31 March 2026 - Fund income and expenditure items to; and
- 31 March 2026 - details of any new unreduced early retirement payments out to.

The data is provided by the administering authority and has been checked for reasonableness by the actuary, including consistency with previous valuation data where relevant and is sufficient for this purpose. Although some of these data items have been estimated, the actuary does not believe that they are likely to have a material effect on the results of this report. There have not been any material changes or events since the data was prepared.

Employer Membership Statistics

The table below summarises the membership data, as at 31 March 2025.

Member Data Summary	Number	Salaries / Pensions £'000	Average Age
Active Members	25,766	533,179	45
Deferred Pensioners	28,938	40,757	49
Pensioners	30,075	109,156	72

Payroll

The total estimated pensionable payroll for the employers in the Fund is £549,842,000 for the year to 31 March 2026 (£519,702,000 for the year to 31 March 2025).

Unfunded benefits

Unfunded benefits are excluded from the calculations as these are liabilities of employers rather than the Fund.

Early retirements

The calculations include 25 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £217,500 (19 in the previous financial year totalling £204,400).

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2026 is calculated to be 9.88% based on actual Fund returns as set out in the data section above.

The estimated asset allocation for Lincolnshire Pension Fund as at 31 March 2026 is as follows (noting that due to rounding they may not total 100%):

Asset Breakdown	31 March 2025		31 March 2026	
	£'000	%	£'000	%
Equities	1,671,080	47%	1,905,937	49%
Bonds	513,623	15%	562,096	14%
Property	250,276	7%	337,224	9%
Cash/temporary investments	120,141	3%	81,524	2%
Infrastructure	168,710	5%	186,629	5%
Absolute Return Fund	809,763	23%	839,314	22%
Total	3,533,593	100%	3,912,724	100%

Actuarial methods and assumptions

Details of the actuarial methods and derivation of the assumptions used can be found in the 31 March 2026 briefing note (a copy of this can be requested from the Fund). The key assumptions used are set out below.

Financial Assumptions

Financial Assumptions	31 March 2025 % p.a.	31 March 2026 % p.a.
Discount Rate	5.85%	6.15%
Pension Increases (CPI)	2.90%	2.90%
RPI inflation	3.20%	3.30%
Salary Increases	3.90%	3.90%

Projected unit method is used in the calculations.

The actuary has allowed for actual ONS CPI inflation observed between March 2025 and March 2026. This is reflected in the experience loss/(gain) on defined benefit obligation figure in the results.

Fund Duration

The estimated Macaulay duration of the Fund as at the accounting date, using the assumptions set out above is 15 years.

Demographic Assumptions

Post Retirement Mortality	31 March 2025	31 March 2026
Base table	S3PA	S4PA
Multiplier (M/F)	130% / 120%	105% / 110%
Future Improvements model	CMI_2023	CMI_2025
Long term rate of improvement	1.25% p.a.	1.50% p.a.
Smoothing parameter	7.0	7.0
Initial additional parameter	0.0% p.a.	0.0% p.a.
2020 weight parameter	0%	N/A
2021 weight parameter	0%	N/A
2022 weight parameter	15%	N/A
2023 weight parameter	15%	15%
Half-life parameter	N/A	1.0

The assumed life expectancies, based on the assumptions set out above, are set out in the table below:

Life Expectancy from age 65 years	31 March 2025	31 March 2026
Retiring Today		
Males	19.5	21.6
Females	22.7	23.5
Retiring in 20 years		
Males	20.8	23.2
Females	24.1	25.3

The demographic assumptions adopted are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2025, except for an update of the CMI projection model. Details of the post-retirement mortality assumption are set out in the table on the previous page; further details of the demographic assumptions adopted can be found in the briefing note corresponding to this report, and the Fund's actuarial valuation report.

Results

The net surplus as at 31 March 2026 is estimated to be £1,064,508m.

Net pension asset in the statement of financial position as at:	31 March 2025 £'000	31 March 2026 £'000
Present value of the defined benefit obligation	(2,603,542)	(2,484,216)
Fair value of Fund assets (bid value)	3,533,593	3,912,724
Net surplus/(liability) in balance sheet	930,051	1,064,508

The present value of the defined benefit obligation consists of both vested and non-vested benefits, where members have not reached their vesting period. Non-vested benefits have been assumed to have a negligible value.

The figures presented in this report are prepared on an IAS19 basis and therefore will differ from the results of the 2025 triennial funding valuation (see Pension Fund Note 17) because IAS19 stipulates the discount rate applied.

Note 19. Current Assets

	31 March 2025	31 March 2026
	£'000	£'000
Short Term Debtors:		
Contributions due - Employers	7,291	7,670
Contributions due - Employees	1,776	1,905
Debtors Relating to Members	603	263
VAT Debtor	90	119
Sundry Debtors	4,749	4,244
Short Term Debtors	14,509	14,201
Cash Balances	14,247	13,762
Cash Balances	14,247	13,762
Total Current Assets	28,756	27,963

Note 20. Current Liabilities

	31 March 2025	31 March 2026
	£'000	£'000
Short Term Creditors:		
Contributions - paid in advance	(6)	-
Creditors Relating to Members	(1,828)	(1,061)
Sundry Creditors	(2,022)	(2,726)
Total Current Liabilities	(3,856)	(3,787)

Note 21. Additional Voluntary Contributions

Scheme members may make additional contributions to enhance their pension benefits. All Additional Voluntary Contributions (AVC) are invested in a range of investment funds managed by the Prudential plc. At the year end, the value of AVC investments (excluding any final bonus) amounted to £9.220m (£7.761m in 2024/25). Member contributions of £0.423m (£0.738m in 2024/25) were received by the Prudential and £1.479m (£1.600m in 2024/25) was paid out to members in the year to 31 March 2026.

The value of AVC funds and contributions received in the year are not included in the Fund Account and Net Assets Statement.

Note 22. Related Party Transactions

Lincolnshire County Council

The Lincolnshire Pension Fund is administered by Lincolnshire County Council. During the reporting period, the council incurred costs of £0.387m (£0.353m in 2024/25) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

The Council is also the single largest employer of members of the Pension Fund and contributed £55.274m (£51.039m in 2024/25) to the Fund in 2025/26. All monies owing to and due from the Fund were paid by the statutory deadline and accounted for in the financial year.

The Treasury Management section of the Council acts on behalf of the Pension Fund to manage the cash position held in the Pension Fund bank account and Money Market Funds. This is lent out in accordance with the Council's Treasury Management policies. During the year, the average balance in the Pension Fund bank account and Money Market Funds was £85.213m (£85.949m in 2024/25) and interest of £3.893m (£4.582m in 2024/25) was earned over the year.

Pensions Committee

Each member of the Pension Fund Committee is required to declare their interests at each meeting and also is asked to sign an annual declaration disclosing any related party transactions. Three Committee members: J Balchin (Employee Representative), S Larter (Small Scheduled Bodies Representative) and T Hotchin (Academy Sector Representative) were contributing members of the Pension Fund during 2025/26. S Larter (Small Scheduled Bodies Representative) is also a pensioner member of the scheme, as is P Key (District Council Representative).

Border to Coast Pensions Partnership

Lincolnshire Pension Fund is a minority shareholder in Border to Coast Pensions Partnership. It holds a £1 A share which gives the Fund one vote. The Fund also holds £1.182m (£1.182m in 2024/25) of regulatory share capital (B shares). These are included within long term investments in the net asset statement. At 31 March 2026 the Fund has invested in eight sub-funds managed by Border to Coast Pensions Partnership (details shown in Pension Fund Note 12) and 73.3% of fund assets were under the management of Border to Coast at 31 March 2026 (55.8% at 31 March 2025). During 2025/26 the Fund paid Border to Coast £9.293m (£5.102m in 2024/25) to manage these assets and the company.

Note 23. Key Management Personnel

During the financial year the key management personnel of the Fund included the Deputy Chief Executive and Executive Director of Resources, Chief Finance Officer, Head of Lincolnshire Pension Fund, and Accounting, Investment and Governance Manager. The Fund does not employ any staff directly. Lincolnshire County Council employs the staff involved in providing the duties of the Administering Authority for the Fund. The proportion of employee benefits earned by key management personnel relating to the Pension Fund are: £0.166m short term benefits (£0.148m in 2024/25) and £0.040m post-employment benefits (£0.036m in 2024/25).

Note 24. Contractual Capital Commitments

At 31 March 2026 the Fund had outstanding capital commitments (investments) to eleven investment vehicles, amounting to £44.186m (£76.962m as at 31 March 2025). These commitments relate to outstanding call payments due on unquoted limited partnerships making investments in private equity, property or infrastructure funds. The amounts 'called' by these funds are irregular in both size and timing over the lifetime of the funds.

Note 25. Events After the Balance Sheet Date

There have been no events after the balance sheet date that require adjustment or disclosure within the financial statements.

Glossary of Terms

Actuary – An independent consultant who advises the Fund and every three years formally reviews the assets and liabilities of the Fund and produces a report on the Fund’s financial position, known as the Actuarial Valuation.

Administering Authority – The administering authority has a legal responsibility to maintain and manage their LGPS fund. The administering authority for Lincolnshire Pension Fund is Lincolnshire County Council.

Admitted Body – Private contractors that are admitted to the LGPS to protect member pension rights following a TUPE transfer, or a body which provides a public service which operates otherwise than for the purposes of gain.

Alternatives – Investment products other than traditional investments of stocks, bonds, cash or property. The term is used for tangible assets such as infrastructure and property and financial assets such as private equity, private debt and derivatives.

Asset Allocation – Distribution of investments across asset categories, such as cash, equities and bonds. Asset allocation affects both risk and return and is a central concept in financial planning and investment management.

Asset Pooling – In the context of the LGPS, this is the collaboration of several LGPS Funds to pool their investment assets in order to generate savings from economies of scale, as requested by MHCLG: ‘significantly reducing costs whilst maintaining investment performance’.

Auto Enrolment – UK employers have to automatically enrol their staff into a workplace pension if they meet certain criteria and repeat this process every three years to re-enrol any employees who have opted out.

Bonds – Certificate of debt issued by a government or company, promising regular payments on a specified date or range of dates, usually with final capital payment at redemption.

Career Average Revalued Earnings (CARE) Scheme – The pension at retirement will relate to your average salary over your career (while paying into the pension scheme). More precisely for the LGPS, it is based on pensionable earnings, increased in line with inflation as measured by the Consumer Price Index (CPI).

CIPFA – Chartered Institute of Public Finance and Accountancy.

Consumer Price Index (CPI) – The rate of increase in prices for goods and services. CPI is the official measure of inflation of consumer prices of the United Kingdom.

Counterparty – The other party that participates in a financial transaction. Every transaction must have a counterparty in order for the transaction to complete. More specifically, every buyer of an asset must be paired up with a seller that is willing to sell and vice versa.

Custodian – Organisation which is responsible for the safekeeping of assets, income collection and settlement of trades for a portfolio, independent from the asset management function.

Defined Benefit – An employer-sponsored retirement plan where employee benefits are assessed based on a formula using factors such as salary history and duration of employment.

Derivative – Financial instrument whose value is dependent on the value of an underlying index, currency, commodity or other asset.

Diversification – Risk management technique which involves spreading investments across a range of different investment opportunities, thus helping to reduce overall risk. Risk reduction arises from the different investments not being perfectly correlated. Diversification can apply at various levels, such as diversification between countries, asset classes, sectors and individual securities.

Equities – Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

Fiduciary Duty – A legal obligation of one party to act in the best interest of another. The obligated party is typically a fiduciary, that is, someone entrusted with the care of money or property.

Final Salary – One type of defined benefit pension scheme where employee benefits are based on the person's final salary when they retire. The LGPS Scheme has moved from this to a CARE (career average) scheme from 2014.

Funding Level – The ratio of a pension fund's assets to its liabilities. Normally relates to defined benefit pension funds and used as a measure of the fund's ability to meet its future liabilities.

IFRS – International Financial Reporting Standards. Aim to standardise the reporting and information disclosed in the financial accounts of companies and other organisations globally.

Infrastructure – The public facilities and services needed to support residential development, including highways, bridges, schools, and sewer and water systems. A term usually associated with investment in transport, power and utilities projects.

Investment Strategy – The investor’s long-term distribution of assets across various asset classes, taking into consideration their objectives, their attitude to risk and timescale.

Liabilities – Financial liabilities are debts owed to creditors for outstanding payments due to be paid. Pensions liabilities are the pension benefits and payments that are due to be paid when someone retires.

Market Value – The price at which an investment can be bought or sold at a given date.

Pooled Investment Fund – A fund managed by an external Fund Manager in which a number of investors buy units. The total fund is then invested in a particular market or region. The underlying assets the funds hold on behalf of clients are quoted assets such as fixed interest bonds and equity shares. They are used as an efficient low-risk method of investing in the asset classes.

Portfolio – Block of assets generally managed under a single mandate.

Private Debt – A loan extended to an unquoted company by a private investor rather than a commercial bank.

Private Equity – Shares in unquoted companies, the shares are not on offer to the general public through stock markets. Usually high risk, high return in nature.

Return – Increase in value of an investment over a period of time, expressed as a percentage of the value of the investment at the start of the period.

Risk – Likelihood of a return different from that expected and the possible extent of the difference. Also used to indicate the volatility of different assets.

Scheduled Body – Public sector employers or designating bodies that have an automatic right and requirement to be an employer within the LGPS.

Settlement – Payment or collection of proceeds after trading a security. Settlement usually takes place sometime after the deal and price are agreed.

Target – Managers are set a target for investment performance such as 1% above benchmark per year over three-year rolling periods.

Triennial Actuarial Valuation – Every three years the actuary formally reviews the assets and liabilities of the Lincolnshire Fund and produces a report on the Fund’s financial position.

AUDIT OPINIONS 2025-26

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Annual Governance Statement 2026



ANNUAL GOVERNANCE STATEMENT 2026

The Council's Responsibilities

The Annual Governance Statement is a statutory document which explains the processes and procedures put in place to enable the council to conduct its business in accordance with the law and proper standards. It needs to demonstrate that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The council also has a duty to put in place proper arrangements for the governance of its affairs and the effective discharge of its functions to secure continuous improvement and management of risk.

The Accounts and Audit Regulations (2015) require the council to conduct a review, at least annually on the effectiveness of its internal control systems and include the Annual Governance Statement reporting on the review with the Statement of Accounts.

Lincolnshire is a place which we are proud of, and we will continue to ensure that our residents enjoy the lifestyle they deserve. The Council continues to work with our partners to enhance services and ensure we are successful in meeting the needs and expectations of our residents, businesses, and visitors through the delivery of our Corporate Plan.

We are satisfied that this statement provides a reasonable level of assurance that good governance is in place at Lincolnshire County Council and that appropriate arrangements are in place to address improvements identified in our review of compliance. Progress on these improvements will be monitored through the year by senior officers and reported through the Audit Committee.

Councillor Sean Matthews
Leader of the Council

Andrew Crookham
Chief Executive

Heather Sandy
Deputy Chief Executive

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The Purpose of the Governance Framework

The Council's governance framework comprises all the systems, processes, values and culture by which the council directed and controlled its activities, and through which it accounted to and engaged with the community that we serve. It enabled the council to monitor the achievement of its strategic objectives, manage risk and address areas of development identified. The council has a duty under the Local Government Act 1999 to have proper arrangements in operation for the continuous improvement of our services, the governance of our affairs, including the Local Government Pension Scheme, and includes the management of risk.

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

A robust governance framework has been in place for several years which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government framework (2016 Edition good practice guidance and Addendum 2025 developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and the Senior Managers (SOLACE). The assessment of delivery against the Good Governance principles maintained a particular focus on CIPFA's Seven Principles of Good Governance.

The Governance Framework

The International Framework: Good governance in the public sector states "*Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The fundamental function of good governance in the public sector is to ensure that entities achieve their intended outcomes whilst acting in the public interest at all times.*" The Chartered Governance Institute (UK & Ireland) states its belief that *good governance is important as it provides the infrastructure that improve the quality of the decisions made by those who manage organisations.* It is widely accepted that good quality, ethical decision-making builds sustainable businesses and enables them to create long-term value.

Throughout the year the council regularly reviews the effectiveness of its governance arrangements through performance reporting, internal and external audit services and the activities of the Executive, Regulatory and Scrutiny Committees. The Monitoring Officer has established a programmed review of the Constitution actioned by the Head of Democratic Services which identifies and prioritises the areas for review for reference to the Audit Committee and full Council. Matters that were reviewed during the year are detailed below. In addition, the Monitoring Officer provides an annual report on the effectiveness of the Council's governance arrangements to the Audit Committee.

In addition to the work outlined above, the AGS is informed by senior management governance assessments which includes statutory officers' reports. Together these practices help to ensure there is regular corporate oversight and that our governance arrangements remain effective and sufficient.

The governance arrangements are considered against the definitions of effectiveness in table 1 below. As well as providing overall assurance about the council's governance arrangements, the methodology identifies any processes or areas where governance needs to be strengthened.

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Definition	Description
Adequate.	There are sound policies and processes in place that are working effectively across services, which provide for good governance arrangements and support compliance with requirements of the CIPFA Principle, and the achievement of the council's aims and objectives. There may be minor areas for continuous improvement, but these do not represent a significant or material risk to the council's overall governance framework and/or achievement of objectives.
Some Development or Improvement Needed.	Whilst there are policies and processes in place, there are some areas that remain a challenge for the council or require further improvement, which may impact the effectiveness of elements of the council's governance arrangements, compliance with the CIPFA principle and the achievement of the council's aims and objectives. The council has an action plan in place to address challenges and improvement matters.
Key Development or Many Areas of Improvement Needed.	We have identified significant challenges in relation to the policies and processes, which may impact the effectiveness of elements of our governance arrangements, compliance with the CIPFA principle and achievement of our aims and objectives. We have implemented plans for corrective actions to manage these risks.

Table 1

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Our Constitution establishes the roles and responsibilities for members of the Executive, Regulatory Committees and Scrutiny Committees together with officer functions. It included details of delegation arrangements, codes of conduct and protocols for member/officer relations.

The Constitution was kept under review to ensure that it continued to be fit for purpose, with proposed changes not falling under the Monitoring Officer's delegation being considered by the Audit Committee before being determined by Full Council. During the year updates to the Constitution were undertaken across various areas which included, chief officer functions and the scheme of delegation, scrutiny groups, financial regulations, revision of specific terms of reference and minor changes to Standards arrangements and safety procedures for members.

The Constitution contains procedure rules, standing orders and financial regulations that clearly define how decisions are taken and where authority lies for decisions. The statutory roles of Head of Paid Service, Monitoring Officer, and Chief Financial Officer (S151) are described together with their respective roles and contributions to provide for robust assurance on governance and to ensure that expenditure is lawful and in line with approved budgets and procedures.

Under Section 18(2) of the Children Act 2004, Local Authorities in England have a duty to appoint a Director of Children's Services. Local Authorities in England are also required to appoint a Director of Adult Services. Lincolnshire County Council has in place both Executive Directors. Alongside these officers, the Executive Director of Place, Executive Director of Resources, and the Chief Fire Officer comprise the Council's senior leadership team.

The Constitution sets out how the Council operates. It states what matters are reserved for decision by the whole Council and the responsibilities of the Executive. Decision making powers not reserved for councillors are delegated to chief officers under the Council's Scheme of Officer Delegations. Each chief officer has a scheme of authorisation setting out the powers that others may exercise on their behalf and Key Decisions taken by officers are published in line with key decisions taken by the Executive.

The Members' Code of Conduct provided advise to elected members (or voting co-opted member) for the conduct expected of them and whether their conduct would constitute a criminal offence. A separate Code of

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Conduct exists for staff which sets out the standards of conduct expected of all council employees and prevents employees from being in a situation where they may be vulnerable to an accusation of favouritism or bias or other improper motives, whether real or perceived.

The Council operates under an Executive/Scrutiny model, which had oversight of the formulation of all major policies, strategies and plans. The Executive led on the preparation of the Council's budget. A number of scrutiny committees and panels were in place to provide support and robust challenge to the Executive.

The Council is committed to promoting equality of opportunity, valuing diversity and eliminating discrimination.

Principle B: Ensuring openness and comprehensive stake holder engagement.

All 70 elected members represented their electoral division. Those not appointed to the Executive supported the development of policy and scrutinised decisions made by the Executive or by officers under delegated powers. They also reviewed services provided by the Council and our partners. The Council's committee structure included multiple scrutiny committees, one of which was the designated statutory health scrutiny committee responsible for reviewing proposals for significant changes to NHS services in Lincolnshire. The Council's overall policy is represented through its Council Plan.

Committee meetings were open to the public throughout the year, and most were webcast via YouTube and the Council's website. The agenda papers and minutes remain available on the internet.

The complaints procedure and whistle blowing policy and procedure are maintained and kept under review. The whistleblowing policy was last reviewed and approved by the full Council in September 2024 in line with the three-year review cycle. Whistleblowing procedures encourage employees and other concerned parties to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment. The policy is supported by a confidential whistleblowing hotline and email address. The Confidential Reporting Code also forms part of the Constitution, with utilisation of the whistleblowing procedures and any relevant outcomes communicated to the Audit Committee twice per year, with any matter of material significance reported directly to members of the Corporate Leadership Team. Annually the Monitoring Officer reports complaints received and their resolution along with key lessons learned to the Audit Committee. This was presented and discussed in July 2025 by the Monitoring Officer as part of his annual Monitoring Officer's report. The Deputy Leader was appointed as the Executive Councillor for Community Engagement and holds executive responsibility for oversight of the Council's corporate complaints process. The Audit Committee has responsibility for the oversight of any investigation into complaints against Members.

Throughout 2025/26 interactive workshops led by the Monitoring Officer and assisted by the Head of Democratic Services were held for officers on the Council's decision-making processes to help embed best practice and further aid understanding around legal requirements, transparency and evidential support. In total six sessions were held gaining adequate attendance at each session. Further, a series of Scrutiny Workshops were held to engage and upskill senior officers to enhance the scrutiny programme and support constructive challenge to decision-making. The feedback will drive an internal scrutiny enhancement plan.

The Council expects the highest standards of conduct and personal behaviour from members and employees. These standards are defined and communicated through codes of conduct and protocols. Our Communications team provides a wide range of support for the whole council including using social media, internal communications, marketing and promotions advice, media relations. Public consultation played a key part in the decision-making process, across the full range of Council services. A disclosure log has been included on the Council website, transparently including responses to Freedom of Information requests received.

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The Council has also engaged with its employees on the employee survey and received responses that indicate the Council has good engagement with its workforce. Our Communications team provides a wide range of support for the whole council including using social media, internal communications, marketing and promotions advice, media relations. Public consultation played a key part in the decision-making process, across the full range of Council services. A disclosure log has been included on the Council website, transparently including responses to Freedom of Information requests received.

Principle C: Defining outcomes in terms of sustainable, economic, social and environmental benefits & Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes.

Our Corporate Plan set out the vision and ambitions for the future, with our aim being to continue working for a better future. Through this during 24/25 we remained committed to our determined approach that in the coming years people and communities will have high aspirations, be enabled to enjoy life to the full, enjoy thriving environments and be supported by good value council services.

Throughout 2024/25 the work to deliver our commitment and corporate plan included the following delivery and achievements.

Support high aspirations

The Council continued to support families to enable children to thrive, with the number of children and young people with an Education, Health and Care Plan (EHCP) who are in mainstream education is 58.3%. This is better than the target of 57% and reflects the continued efforts by all those who support young people with special educational needs. The Special Educational Needs and Disabilities (SEND) system has focused on ensuring that the mainstream sector has practitioners with the skills and knowledge to be able to meet the wide range of needs of this cohort. This not only provides young people with SEND the opportunities to access a varied curriculum but also provides capacity in specialist settings for those young people who require a higher level of support.

The council has also supported local groups and organisations with advice, information and resources to help with delivering their vital services and providing support to their volunteers through:

- Practical advice and resources
- Online forums and regular networking opportunities
- Funding advice
- Funding readiness online training and support
- Support to develop new roles and recruit volunteers
- Advice and support with DBS checks

There has been the launch of the new Lincolnshire Funding Alliance which was attended by a variety of local and national funding bodies who discussed the current and developing funding challenges for local organisations across the County.

Over the last year 289 organisations have registered on the Lincolnshire Volunteering Website adding 1,678 volunteer opportunities to the system. These have been made available to the public to view and apply for with 95% of organisations receiving a referral for a potential volunteer.

Extensive work took place to implement a devolution deal for Greater Lincolnshire which will provide around £750 million in government funding over the next 30 years, with £28.4 million allocated to 2024/25. The new

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Greater Lincolnshire Combined County Authority was established in February 2025 to drive economic growth and opportunity across the region, The first mayor will be elected on 1 May 2025.

Enable everyone to enjoy life to the full

At the end of December 2024, out of 1,721 people who were open to social care with a primary reason of learning disability, 194 were in employment or volunteering. A joint funding employment initiative with Department for Work and Pensions (DWP) assists getting people into employment, however, there is no ongoing dedicated base budget to support people with a Learning Disability into employment so future outcomes may be impacted if further investment is not secured.

507 carers out of 518 who have been in receipt of a Direct Payment for 12 months received a review of their support needs. This is 97.9% of carers eligible for a review, exceeding the target. The carers service will continue to monitor cases where carers have not received a review, which can occur for a number of reasons. The number of cases is continuing to fall with 11 carers not receiving a review in Quarter 3 2024/25 compared to 25 carers in Quarter 2 2024/25.

Create thriving environments

The Council continued to invest in business support activities including support for those sectors of the economy facing particular challenges including farming and agricultural business across Lincolnshire. The newly established Greater Lincolnshire Combined County authority is expected to build on this support as the organisation commences work and matures.

The percentage of the unclassified road network where maintenance should be considered has reduced across the last 5 years. This performance indicator has performed well with a value of 25.5% against a target of 26%. During a recent review of all highways and transport performance indicators, this indicator has been expanded to 1 decimal place in order to show greater detail. All historical values which have been previously reported have been retrospectively updated.

The Council has prioritised protecting our environment and opposed those national infrastructure projects where they are potentially harmful to the local environment, communities and the Greater Lincolnshire economy.

Provide good value council services

The UK economy has continued to see high levels of inflation and increased costs for councils in providing services. The council continues to adapt its approach to continue to deliver cost effective, sustainable services.

It is Lincolnshire County Council's ambition to be in the lowest quartile (a rank of 5 or lower out of 21 local authorities). LCC has achieved a rank position of 3 out of 21 local authorities with a council tax band D value of £1,578.69 for 2024/25. We are also assessed each year on our arrangements for securing best value in the use of our resources by our external auditor. The auditors are currently concluding their work for 2023/24 but have reported that no significant risks or weaknesses have been identified in our arrangements for securing economy, efficiency and effectiveness in the use of our resources.

Principle E: Developing the entity's capacity the capacity of its leadership and the individuals within it.

During 2025/26 regular reviews took place and maintenance of appropriate employee structures and leadership; as well as benchmarking and aligning duties and capacity to operational delivery. Adaptable and inclusive approaches to resourcing encouraged appointments that were representative of our communities. Across the Council we delivered induction programmes, regular performance oversight and supported officers to ensure personal and professional effectiveness through our one to one and appraisal processes. There has

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been full use of the apprenticeship levy, a new learning and development programme for senior leaders, business partner developments and supporting behaviour change through our culture and leadership programme.

The launch of the People Strategy and a new governance process, including a People Strategy and Culture Board improved accountability for workforce development and planning.

From an employee support perspective, we provided a wide range of employee health and wellbeing support.

Communications came from several areas including newsletter updates from the corporate leadership team, manager briefings, staff virtual briefings, regular surveys and workshops to inform, support and coproduce resources which helped to drive change and improvements.

In relation to our members, we offered quality training for individual committees and regular portfolio holder/officer interaction to enable reciprocal understanding and collaboration.

Principle F: Managing risks and performance through robust internal control and strong public financial management.

The council recognised the importance of a robust and effective risk management strategy, framework and tool kit, which were in place and utilised by all services across the council in the management of their risks. A central risk team supported the development and education needs for both operational and strategic risk developments. The Risk Manager regularly attends CLT to share updates and report strategic risk activity. 2026 saw a review of the risk processes for effectiveness, efficiency and value added. As a result, a risk management internal audit was proposed and approved by CLT and the Audit Committee, as part of the internal audit plan for 2026/2027. Strategic risks were reviewed throughout the year and reported to the Audit Committee on a quarterly basis. The review of risk management practices included a review of the Corporate Risk and Safety Steering Group which had been in operation for several years. It was recognised by the group's members and senior management that the group was not as effective as it could be and a revised proposal for a Strategic Risk Group was developed and agreed. This will become operational in 2026/2027 and will improve oversight of key risks and acted as an assurance system for quality, training and escalation procedures.

The internal audit programme informs the adequacy of the internal control environment through unrestricted access across all directorates. Management engaged proactively with advisory assignments to develop action plans and understand lesson learned from routine delivery. The delivery of both advisory and assurance audit work informed management of first and second line internal control operations. Follow up assignments provided an updated risk profile following the assurance work and informs the audit committee on its coverage, impact and effectiveness at holding management to account for the implementation of risk mitigations arising from internal audit delivery.

The annual audit committee report, presented by the Chair of the Audit Committee to the Full Council, demonstrated the audit committee effectively discharged their responsibilities and provided support that the independent assurance services were delivering in a manner which was fit for purpose and reliable.

During 2025/2026 effective financial management was achieved through monthly reporting to our leadership teams and senior managers. Our financial position was regularly presented in quarterly public reports alongside service delivery performance and received thorough scrutiny and challenge from councillors. Despite continued financial challenges from growing demand for our services and cost increases, the Executive was able to make additional service investments in the areas of key priority for Lincolnshire residents. This was whilst still delivering our core services and producing an overall underspend against our revenue budget for the year.

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The Corporate Performance Team (CPT) delivered quarterly performance reporting to the CLT as well as Executive Members and Service Scrutiny Committees throughout the year. CPT support the CLT monthly Performance Board where performance data from across the organisation is considered which includes quarterly reporting against the Corporate Plan objectives. This board is mirrored in each Directorate Leadership Team (DLT) to enable data and insight to be appropriately considered and then escalated where appropriate to CLT performance board meetings. Each Directorate area was supported with bespoke performance data provided by CPT, with this being considered at a series of tactical and operational meetings and used to underpin DLT discussions. CPT also ensured that the organisation was compliant with all directorate statutory reporting commitments.

CPT has also supported the development of the new Council Plan, for its launch with new indicators and activities in 26/27.

Information assurance was delivered through well-defined governance structures which integrated legal compliance and accountability controls for routine application, oversight and reporting needs. Breaches, complaints and incidents were investigated and lessons learned fully utilised to help mitigate future risk areas. Role and responsibilities were well defined, with performance data used to assess the adequacy and effectiveness of the service in supporting the council.

Following the ICO consensual audit in February 2025, an agreed action plan was developed to address improvements across three main areas: governance and accountability, training and awareness, and records management. The council has implemented the actions due within the agreed timeframe. The only outstanding actions relate to longer-term activities that require a more protracted delivery period due to their complexity or dependency on wider programmes of work. All actions are in progress, with remedial activity planned over the next four years in line with the approach agreed with the ICO. Progress was monitored and reported through the Senior Information Risk Owner (SIRO) to provide appropriate oversight and assurance.

Principle G: Implementing good practices in transparency, reporting and audit, to deliver effective accountability.

The Council's Corporate Plan set out the Council's objectives for a 10-year period. The Corporate Plan Success Framework (CPSF) set out key activities and key performance indicators (KPIs) which underpinned the delivery of the objectives of the Corporate Plan throughout 2024/25.

The CPSF included targets for the KPIs and milestones for the activities signed off by Executive Members. A quarterly progress report was presented to the Executive for scrutiny and discussion. The Corporate Plan concluded on 31 March 2026 and is being replaced by the Council Plan, which is set to launch with new indicators and activities in 2026/27 for the subsequent three years. There has been significant engagement in the development of the plan approved at Full Council in February 2026.

The council has a duty to demonstrate continuous improvement and value for money in how it delivers its services. All key decisions included resources comments from finance staff which considered the value for money of the decision under consideration and ensured the approved budget was able to meet any costs identified. The council remains in a strong financial position, with adequate budget and reserves to deliver the services it provides on an on-going basis. Budget planning process continually looked at areas for further efficiency and ways to reduce process and administrative burdens. We also consider areas of significant growth in demand and prioritise these areas in our service reviews.

During 2025/26 the contract for provision of IT support services. The functions were insourced back into the council, providing an opportunity for improvements and efficiencies in how these functions are delivered.

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The council's financial strategy and medium-term financial plan, reflects known and emerging cost pressures and risks which were also reflected in the budget set for 2024/25. All service directors provided a robustness statement to confirm their budgets were adequate to provide the services they are delivering in line with corporate priorities. The statements acknowledge risks and volatility within the budgets, and these are highlighted in our financial strategy along with mitigations. This included areas of most volatility and financial challenge, such as social care placements and school transport.

The Council's meetings of full council and the committees which discharge executive and non-executive or scrutiny functions have decisions published on the website and retained for public access. The publication of the forward plan for key decisions is made available to the press and public to provide general public and Member awareness of Council plans and proposals before they are considered for approval. A very limited number of reports are considered in private session only when the subject meets the prescribed criteria for confidentiality with the rationale stated in each report and recorded in the minutes and verified by democratic officers.

Review of the Effectiveness of the Council's Governance Framework

In reviewing the effectiveness of the Council's governance framework, the following section outlines some of the assurances reviewed.

A review of agendas, minutes and decisions taken by the Audit Committee, Executive and Council to ensure that periodic monitoring and reviews are being reported appropriately, and governance issues are addressed.

A review of the Council's arrangements against the CIPFA Statement on the Role of the Head of Internal Audit. The review confirms that the Council's arrangements fully conform to the CIPFA Statement on the Role of the Head of Internal Audit and the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.

A review of the 2025/26 Annual Report from the Head of Information Assurance which provides assurance that during 2025/26 information risks have been effectively managed and provides assurance as to the work undertaken for supporting these governance arrangements.

Subsidiary Companies

During 2025/2026, the council wholly owned three subsidiary companies. These three companies comprised of:

- Transport Connect Limited (TCL), a passenger transport company incorporated in 2016;
- EMPSN Infrastructure Limited, a to manage the communications infrastructure delivering the Council's wide area network; and
- Legal Services Lincolnshire (Trading) Ltd, incorporated in 2024.

An internal audit was conducted to consider the governance arrangements across the three companies with improvements agreed across areas of governance for the three companies.

Statutory Assurances

Several officers at the council hold statutory roles, which are established in legislation and have specific responsibilities. It is important that assurances from these officers are included in this AGS to support its conclusion on the council's governance arrangements.

Chief Executive

The Chief executive is responsible for the overall corporate and operational management of the council. These responsibilities are considered within the context of this statement, and the Chief Executive can confirm that proper arrangements have been put in place for the overall operation and management of the council.

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The Chief Executive retired at the end of 2025/2026, with a new Chief Executive Officer taking control from 2026/2027. The outgoing Chief Executive officer has no significant concerns to report. She acknowledged what a difficult year it had been for the Council through increasing service demand, economic pressures and external influences and the importance of the council's governance arrangements and practices in delivering sustained focus on performance and support whilst effectively managing risks.

Chief Financial Officer

The Executive Director of Resources was responsible for the proper administration of the council's financial affairs and confirms that the council's arrangements conform to Section 151 of the Local Government Act 1972 and that the Council complies with the CIPFA Statement on the Role of the Chief Financial officer in Local Government (2016). The council has robust financial arrangements in place and could demonstrate the effective holding of sufficient reserves to enable the council to manage the risks it faces. A robustness statement (from the S151 Officer) was presented to Council alongside the budget proposals for the year, which highlighted risks and mitigations to be considered alongside the budget proposals the Council approved.

The S151 officer was also the delegated scheme manager for the Lincolnshire Local Government Pension Fund, and ensures the same governance was applied in this area.

Monitoring Officer

The Monitoring Officer was required to report to the council any case where it appears that any proposal, decision or omission by the authority has given rise to or may be likely to give rise to any contravention of any enactment, rule of law or code of practice or maladministration or injustice, in according with Section 5 (as amended) Local Government & Housing Act 1989. No concerns were raised by the Monitoring Officer during 2025/2026.

Internal Audit Annual Opinion

The Head of Internal Audit opinion states "I am satisfied that sufficient assurance work has been carried out to allow me to form a conclusion on the adequacy and effectiveness of the internal control environment.

" In my opinion the frameworks of governance, risk and internal controls are **adequate**, and audit testing has demonstrated controls to be working in practice. Improvements in control design and application will reduce the reliance on employee's diligence and application.

Where weaknesses have been identified through internal audit review, the audit team worked with management to agree corrective actions within an appropriate timescale. Weaknesses in the control environment for maintained schools remain outside the direct control of council officers arising from delegations to Governing Bodies."

External Audit

External audit provided an unqualified opinion of the statement on accounts for 2024-25 and did not identify any significant weaknesses in governance arrangements, financial sustainability or improving economy, efficiency and effectiveness.

Significant Governance Issues

A governance issue arises when something has gone wrong which will affect the achievement of the Council's objectives. There is a need to respond and often recover from an issue and in financial terms responding and recovering may add significant cost to the organisation or its processes. An issue may arise unexpectedly or result from a poorly managed risk.

Whilst determining the significance of an issue will always contain an element of judgement, an issue is likely to be significant if one or more of the following criteria applies:

- It has significantly prejudiced or prevented achievement of a principal objective.
- It has resulted in the need to seek additional significant funding to allow it to be resolved.
- It has required significant diversion of resources.

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- It has had a material impact on the accounts.
- It has been identified by the Audit Committee as significant.
- It has resulted in significant public interest.
- It has resulted in formal actions being taken by the Section 151 Officer or Monitoring Officer.
- It has resulted in significant adverse commentary in external or internal inspection reports that has not been able to be addressed in a timely manner.

No significant governance issues have been identified.

Improvements from 2025/26

The review of the governance arrangements across the council has not resulted in any areas for improvement being identified.

Improvements from 2026/27

The Annual Audit Opinion identified areas of governance, risk and control that need to be taken to improve the control environment. These were:

- Governance: Consider improvements to strengthening control monitoring and improving second line oversight processes.
- Risk: Focus improvements on further developing independent ownership across service/directorate areas and formalising the escalation and de-escalation processes for directorate and strategic risks alongside the introduction of exposure monitoring and reporting.
- Control: Improvements are required to control process design and implementation to reduce the reliance upon individual staff. Consistency and definition of policy and its application would improve the control environment operating across the council.

Conclusion

Taking into consideration the content of this report, the contribution from statutory officers and the external reports shared, we are satisfied that the Council's corporate governance arrangements in place for 2025/26 were fit for purpose in accordance with the CIPFA/SOLACE Delivering Good Governance Framework 2024 and as a result, deem the governance arrangements to be adequate.

GLOSSARY

<u>A</u>	Academy Schools	Academy schools are directly funded by central government (the Department for Education) and are independent of local Council control.
	Accounting Period	The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.
	Accounting Policies	<p>The principles, bases, conventions, rules, and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its Financial Statements.</p> <p>Retrospective application is applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.</p>
	Accruals	Sums included in the final accounts to recognise revenue and capital income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March.
	Amortisation	The term used to describe the charge made for the cost of using intangible non-current assets. The charge for the year will represent the amount of economic benefits consumed (e.g. wear and tear).
	Appropriation	The transfer of sums to and from reserves, provisions and balances.
	Asset	<p>An item having value to the Council in monetary terms, categorised as:</p> <ul style="list-style-type: none"> • 'Current assets' are intended for use or to be sold within the normal operating cycle. They are held for the purpose of current service provision, trading or the Council expects to realise the assets within 12 months after the reporting date. • 'Non-current assets' do not meet the definition of a current asset and can be tangible (e.g. school buildings) or intangible (e.g. computer software licences). • 'Donated assets' are assets which transferred to the Council at nil value or acquired at less than fair value. • 'Heritage Assets' are of an historic nature, including buildings and collections, which are held by the Council. • 'Intangible Assets' are without physical substance. Examples include computer software and licences.

GLOSSARY

	Audit of Accounts	An independent examination of the Council's financial affairs.
<u>B</u>	Balances	The total revenue reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.
	Balance Sheet	Shows all balances including reserves, long-term debt, fixed and net current assets, together with summarised information on the non-current assets held.
	Borrowing costs	Interest and other costs that an entity incurs in connection with the borrowing of funds.
	Budget	The forecast of net revenue and capital expenditure over the accounting period.
<u>C</u>	Capital Charges	This is a general term used for the notional charges made to service expenditure accounts for the use of non-current assets. The term covers depreciation and impairment charges (included in gross expenditure).
	Capital Expenditure	Expenditure on assets which have a long-term value. Includes the purchase of land, purchase, or cost of construction of buildings and the acquisition of plant, equipment and vehicles.
	Capital Financing (Costs & Requirements)	Costs - These are the revenue costs of financing the capital programme and include the repayment of loan principal, loan interest charges, loan fees and revenue funding for capital. Requirements - Statutory requirement to ensure that over the medium term the net borrowing by the Council will only be for capital purposes.
	Capital Grants Unapplied Account	Grants that have been recognised as income in the Comprehensive Income and Expenditure Statement but where the expenditure has not yet been incurred.
	Capital Receipts	Proceeds received from the sale of property and other non-current assets.
	Carrying Amount	The amount of an asset that is recognised on the Balance Sheet after all costs have been charged for the accounting period (e.g. accumulated depreciation and impairment losses).
	Cash equivalents	Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (e.g. bank balances).

GLOSSARY

	Cash Flow Statement	This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes
	Comprehensive Income & Expenditure Statement (CIES)	This statement reports the net cost of all the services which the Council is responsible for and demonstrates how that cost has been financed.
	Contingent...	<p>...Asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.</p> <p>...Liabilities are potential costs the Council may incur in the future because of something that happened in the past, but there is no certainty that a cost will occur.</p>
	Creditors	Amounts owed by the Council for work done, goods received, or services rendered but for which payment has not been made at 31 March.
<u>D</u>	Debtors	<p>Sums of money owed to the Council but unpaid at 31 March.</p> <p>Long Term Debtors are sums of money due to the Council originally repayable within a period in excess of twelve months, but where payment is not due until future years.</p>
	Defined Benefit Scheme	Also known as a final salary scheme. Pension scheme arrangement where the benefits payable to the members are determined by the scheme rules. In most cases there is a compulsory member's contribution but over and above this all costs of meeting the quoted benefits are the responsibility of the employer.
	Depreciation	<p>The allocation of the cost of the useful economic life of the Council's non-current assets for the accounting period through general wear and tear, consumption or obsolescence.</p> <p>Straight Line basis is the method of calculating depreciation by charging the same amount each year over the asset's life.</p>
	Depreciated replacement cost (DRC)	Is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

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<u>E</u>	Employee benefits	Are all forms of consideration (both monetary and in-kind) given by the Council in exchange for service rendered. Short Term Employee Benefits (other than termination benefits) fall due wholly within 12 months after the end of the period in which the employees render the related service.
	Exceptional Items	Are all forms of consideration (both monetary and in-kind) given by the Council in exchange for service rendered.
<u>F</u>	Fair Value	The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length deal.
	Finance Costs	Reflects the element of annual payment for PFI or Leased assets which is in relation to interest payable on the loan liability.
	Financial...	...Assets are a right to future economic benefits controlled by the Council. ... Liabilities are an obligation to transfer economic benefits controlled by the Council.
	Financial Instrument	A contract that gives rise to a financial asset of one entity and a financial liability of another entity; for example, at its simplest, a contractual right to receive money (debtor) and a contractual obligation to pay money (creditor).
	Foundation Schools	Schools run by their own governing body, which employs the staff and sets the administrations criteria. Land and buildings are usually owned by the governing body or a charitable foundation.
<u>G</u>	General Fund	The main revenue fund of the Council. Income from the council tax precept and government grants is paid into the fund, from which the costs of providing services are met.
	Going Concern	The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.
	Government Grants	Payments by central government towards Council expenditure. They are receivable in respect of both revenue and capital expenditure.

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	Grants and Contributions	Assistance in the form of transfers of resources to the Council in return for past or future compliance with certain conditions relating to the operation of activities.
I	<u>Impairment</u>	A reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet, due to damage, obsolescence, or a general decrease in market value.
	International Accounting Standard (IAS)	Regulations outlining the method of accounting for activities, IASs are currently being replaced with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board.
	International Financial Reporting Standards (IFRS)	Regulations outlining the method of accounting for activities, issued by the International Accounting Standards Board.
	Inventories	Items of raw materials, work in progress or finished goods held at the financial year end, valued at the lower of cost or net realisable value.
L	Leases	<p>A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment, the right to use an asset for an agreed period of time.</p> <ul style="list-style-type: none"> • Finance Lease – a lease whereby all the risks and rewards of ownership of an asset are with the lessee. In substance the asset belongs to the lessee. • Operating Lease – a lease where the risks and rewards, and therefore ownership, of the asset remains with the lessor.
	Lessee	The person or organisation that is using or occupying an asset under lease (tenant).
	Lessor	The person or organisation that owns an asset under lease (landlord).
	Liabilities	<p>A present obligation to transfer economic benefits.</p> <p>Current liabilities are payable within one year.</p>
	Liquid Resources	Cash and current asset investments that can be easily converted to known amounts of cash without penalty or can be traded in an active market.
	Long-Term Contract	A contract entered into for the design, manufacture or construction of a single substantial asset, or the provision of a

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		service (or a combination of assets and services which together constitute a single project), where the project life falls into more than one accounting period.
<u>M</u>	Materiality	Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.
	Minimum Revenue Provision (MRP)	A minimum amount, set by law, which the Council must charge to the income & expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).
<u>N</u>	Net Book Value	The value of non-current assets included on the Balance Sheet, being the historical cost or a current revaluation less the cumulative amounts provided for depreciation.
	Net Debt	The Council's borrowings less liquid resources.
	Non-Distributed Costs	These are overhead costs from which no user now benefits. They include the costs associated with unused assets and certain pension costs.
<u>O</u>	Off Balance Sheet	Accounting category not shown or recorded on a Balance Sheet, such as an operating lease or a deferred or contingent asset or liability which is shown only when it becomes 'actual'.
	Operations (Acquired & Discontinued)	Operations comprise services and division of service as defined in SERCOP. - Acquired operations are those that are acquired in the period by the Council. - Discontinued operations are those that are discontinued in the period. Responsibilities that are transferred from one part of the public sector to another are not discontinued operations.
<u>P</u>	Pension fund accounts	This covers accounting and reporting by pension funds to all fund participants as a group rather than being concerned with determination of the cost of retirement benefits in the Financial Statements of employers.
	Precept	The amount levied by one Authority which is collected by another e.g. Lincolnshire is the precepting Authority and the District Councils are the collecting Authorities of Council Tax. Water

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		Authorities also precept on the Council for land drainage purposes.
	Previous Year Adjustments	These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.
	Principal	The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.
	Private Finance Initiative (PFI)	A government initiative that enables Authorities to carry out capital projects, in partnership with the private sector, through the provision of financial support.
	Projected Unit Method	<p>An accrued pension benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a method in which the scheme liabilities at the valuation date relate to:</p> <ul style="list-style-type: none"> • the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases, and • the accrued benefits for members in service on the valuation date.
	Property, Plant & Equipment	<p>Are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.</p> <ul style="list-style-type: none"> • Land and buildings. • Vehicles, plant, furniture, and equipment. • Infrastructure assets that form part of the economic or social framework of the area and whose function is not transferable (e.g. highways, bridges, and footpaths). • Community assets that the Council intends to hold in perpetuity, that have no determinable useful life and may have restrictions on their disposal (e.g. nature reserves, country & coastal parks, and picnic sites). • Surplus assets are non-current assets held by the Council but not directly occupied, used, or consumed in the delivery of services. • Investment properties are land or buildings held to earn rental income or for capital appreciation or both. • Assets under construction are non-current assets which include expenditure capitalised for work in progress in

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		<p>respect of activities to develop, expand or enhance items of property, plant and equipment, intangible assets and exploration assets.</p> <ul style="list-style-type: none"> • Non-current assets held for sale and discontinued operations. These are non-current assets that are either going to be sold or disposed of within the next twelve months.
	Provision	This is an amount which is put aside to cover future liabilities or losses which are considered to be certain or very likely to occur, but the amounts and timing are uncertain.
	Prudential Indicators	A set of financial indicators and limits that are calculated in order to demonstrate that Councils' capital investment plans are affordable, prudent, and sustainable.
	Public Works Loan Board (PWLB)	A central government agency, which provides loans for one year and above to Authorities at favourable rates which are only slightly higher than the Government can borrow itself.
<u>R</u>	Recognition	The process upon which assets are deemed to belong to the Council either by purchase, construction, or other forms of acquisition.
	Related party	These are parties which are considered to be related if one party has the ability to control the other party, or exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control. Related party transactions are transfers of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the Council or the Government of which it forms part.
	Reserves	<p>The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the Revaluation Reserve and Capital Adjustment Account cannot be used to meet current expenditure.</p> <p>Capital Adjustment Account reserve largely consisting of resources applied to capital financing and not available to the Council to support new investment.</p>

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	<p>Earmarked Reserves are those elements of total Council reserves which are retained for specific purposes.</p> <p>Revaluation Reserve holds revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.</p>
Retirement Benefits	<p>Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.</p> <p>Actuarial basis is the estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the Financial Statements of an organisation.</p> <p>Actuarial gains and losses for a defined benefit pension scheme are the changes in actuarial deficits or surpluses that arise because:</p> <ul style="list-style-type: none"> a) Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or b) The actuarial assumptions have changed. <p>Current service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the current period.</p> <p>Defined benefit plans are post-employment benefit plans other than defined contribution plans.</p> <p>Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.</p> <p>Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.</p> <p>Past service cost is the increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).</p>
Revaluation Gain	The increase to the fair value of an asset following a valuation.
Revenue Contributions	This refers to the financing of capital expenditure directly from revenue rather than from loans or other sources.

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	Revenue Expenditure	The day-to-day expenditure on such items as employees and equipment.
	Revenue Expenditure Funded from Capital under Statute (REFCUS)	Expenditure which may be funded from capital, but which does not result in non-current assets owned by the Council. These costs are included in the net cost of services shown in the Income and Expenditure Account.
<u>S</u>	Service Reporting Code of Practice (SERCOP)	Details standard definitions of service and total cost which enables spending comparisons to be made with other Local Authorities.
	Specific Grant	A grant awarded to a Council for a specific purpose or service that cannot be spent on anything else.
<u>T</u>	Termination Benefits	Employee benefits paid upon termination of employment such as redundancy.
	Treasury Management	The utilisation of cash flows through investments and loans.
	Trust Funds	Funds administered by the Council for such purposes as prizes, charities and specific projects or on behalf of minors.
<u>U</u>	Useful Life	The period with which an asset is expected to be useful to the Council in its current state.