

**SUBJECT: DRAFT STATEMENT OF ACCOUNTS 2024/25**

**REPORT BY: CHIEF EXECUTIVE AND TOWN CLERK**

**LEAD OFFICER: LAURA SHIPLEY, FINANCIAL SERVICES MANAGER**

## **1. Purpose of Report**

- 1.1 To present the Statement of Accounts for the financial year ended 31<sup>st</sup> March 2025, together with a short summary of the key issues reflected in the statutory financial statements, for scrutiny.

## **2. Executive Summary**

- 2.1 The Statement of Accounts (SOA) for 2024/25 provide a comprehensive picture of the Council's financial circumstances and are compiled to demonstrate probity and stewardship of public funds.
- 2.2 The Council is statutorily required to publish its draft Statement of Accounts for 2024/25 by 30<sup>th</sup> June 2025 with an audit opinion and certificate by no later than 27<sup>th</sup> February 2026.
- 2.3 The Audit Committee should note that the Statement of Accounts for 2024/25 are still subject to external audit. The audit of the accounts is being undertaken by KPMG, who will commence the audit in July. Should any material changes be necessary as a result of this external audit work, these will be reported to a meeting of this Committee when the audited Statement of Accounts are presented for approval.
- 2.4 The Council must make the Statement of Accounts available for public inspection for 30 working days. Following notification from KPMG, this runs from 27<sup>th</sup> June until 7<sup>th</sup> August 2025, and the External Auditor is available to answer questions during this period.
- 2.5 The Council is also required to provide a documented annual review of the effectiveness of its governance arrangements (Annual Governance Statement AGS), which sits alongside the Statement of Accounts. The overall level of assurance provided in 2024/25 was substantial (green) and is in line with the Council's Code of Corporate Governance. There were no significant governance issues that were identified for inclusion in the 2024/25 AGS.

## **3. Background**

- 3.1 The Accounts and Audit (Amendment) Regulations 2024 require the Statement of Accounts to be certified by the Council's Chief Finance Officer by the 30<sup>th</sup> June each year. The Accounts are then released to be audited by the Council's external auditor, KPMG. After completion of the audit the 2024/25 accounts must

be published with the audit opinion and certificate, and before that must have been approved. The provisional timescales (which will depend on the actual completion date of the audit) involved with the approval of the Statement of Accounts for 2024/25 are therefore as follows:

- |   |                               |
|---|-------------------------------|
| a) Report draft accounts to Audit Committee | 14 <sup>th</sup> July 2025    |
| b) Report to Audit Committee                | 9 <sup>th</sup> December 2025 |
| c) Approval by Council                      | 20 <sup>th</sup> January 2026 |

3.2 In order to ensure that the statutory deadline of 27th February is met KPMG must complete their audit and issue the relevant audit opinion. Should any material changes be necessary as a result of this external audit work, these will be reported to a meeting of this Committee when the audited Statement of Accounts will be presented for approval. The Audit Committee will also receive the Audit Completion report from KPMG at that meeting.

3.3 There is a great deal of technical detail contained in the statutory rigid format of the Accounts that is not always easily understood by the reader unless they are familiar with accounting and audit standards. Training has been provided prior to this meeting to assist members in their understanding of the accounts and a short summary of the accounts will be produced to accompany the Final Statement of Accounts when it is presented to members. The remainder of this report sets out a summary, which highlights the key figures in the financial statements which it is hoped will prompt questions in order for the Council to promote greater accountability and transparency for the significant sums of public money entrusted to the Council.

#### **4. Summary of Key Issues in the Financial Statements**

##### **4.1 The Comprehensive Income and Expenditure Statement**

4.1.1 **The Comprehensive Income and Expenditure Statement (CIES)** (SOA page 28) – in line with statutory accounting practice the Comprehensive Income and Expenditure Statement (CIES) shows the Council's actual performance for the year measured in terms of the resources consumed and generated over the last 12 months. It should not be misinterpreted as the financial outturn position of the Council as this statement contains a number of accounting entries required under International Financial Reporting Standards (IFRS). Regulation allows local authorities to reverse these amounts out of the accounts before determining their outturn position. There is a note to the accounts [Expenditure & Funding Analysis (SOA page 59)] that adjusts the expenditure that is chargeable to general fund and the Housing Revenue Account (HRA) balances (as per the actual outturn position) to the accounting entries in the CIES under IFRS. To further assist members interpretation of the CIES the table below summarises the reconciliation between the net surplus on the Provision of Services of £21.966m in the CIES to the outturn position of an increase in General Fund Balances (including earmarked reserves) of £0.781m and an increase on HRA balances (including earmarked reserves) of £1.119m as reported in the Financial Outturn report (Executive 3<sup>rd</sup> June 2025).

	£m	£m
<b>Net surplus/(deficit) on the Provision of Services</b>		<b>21.966</b>
<i>Of which:</i>		
<b>General Fund</b>	£m	£m
Net surplus/(deficit) on the Provision of Services		12.616
Adjust for:		
Depreciation, revaluation losses and gains & impairment of non-current assets	2.850	
Revenue expenditure funded from capital under Statute	3.582	
Direct Revenue financing of capital expenditure	(4.101)	
Gain/loss on the sale of non-current assets	0	
Contribution to/from the pensions reserve	(1.611)	
Debt repayment and premiums & discounts on debt	(0.970)	
Short-term compensated absences	0.002	
Contribution to Government's Housing Capital Receipts Pool	0	
Capital grants & contributions credited to CI&ES	(12.601)	
Adjustment for Collection Fund	1.014	
Adjustment for Financial Instruments	0	
<b>Total Adjustments</b>		<b>(11.835)</b>
<b>(Increase)/decrease in General Fund Balances/Reserves</b>		<b>0.781</b>
<i>Of which:</i>		
<b>HRA</b>	£m	£m
Net surplus/(deficit) on the Provision of Services		9.350
Adjust for:		
Depreciation, revaluation losses and gains & impairment of non-current assets	6.673	
Direct Revenue financing of capital expenditure	0	
Gain/loss on the sale of non-current assets	(0.540)	
Contribution to/from the pensions reserve	(0.940)	
Short-term compensated absences	(0.005)	
Capital grants & contributions credited to CI&ES	(1.155)	
Transfer to/from the MRR	(12.264)	
<b>Total Adjustments</b>		<b>(8.231)</b>
<b>(Increase)/decrease in HRA Balances/Reserves</b>		<b>1.119</b>
<b>Overall (Increase)/decrease in Balances/Reserves</b>		<b>1.900</b>

4.1.2 Clearly the most significant issue for Members to be aware of from the Comprehensive Income and Expenditure Statement is how the Council performed financially in 2024/25, in comparison to the revised budget for the year. The General Fund is reporting a provisional outturn of an overall budget surplus of £0.147m, in line with the budgeted contribution to reserves, resulting in General Fund balances (including earmarked reserves) of £12.302m as at 31<sup>st</sup> March 2025.

4.1.3 The Housing Revenue Account is reporting a provisional outturn underspend of £0.052m against a budgeted contribution from reserves of £0.101m, generating

an overall budget surplus of £0.153m, resulting in HRA balances (including earmarked reserves) of £8.913m as at 31<sup>st</sup> March 2025.

- 4.1.4 Further details on these are provided in the Narrative Report in the Statement of Accounts (SOA *page 3*) and were subject to a separate report to Performance Scrutiny Committee and Executive on the 22<sup>nd</sup> May 2025 and 3<sup>rd</sup> June 2025, respectively.

## 4.2 The Balance Sheet (SOA *page 29*)

- 4.2.1 **The Balance Sheet** is fundamental to understanding the Council's financial position at the year-end. It shows the Council's balances and reserves, long-term indebtedness, and the non-current and current assets employed in the Council's operations. The key information for members to be aware of in the Balance Sheet as at 31<sup>st</sup> March 2025 are:

- 4.2.2 **General Balances** – General balances have increased by £0.199m during the year, as analysed below:

Description	Opening Balance £m	Closing Balance £m	Increase/ (Decrease) £m
General Fund balances	2.245	2.392	0.147
HRA balances	1.131	1.183	0.052
<b>Total</b>	<b>3.376</b>	<b>3.575</b>	<b>0.199</b>

- 4.2.3 **Earmarked Reserves** - in total monies carried forward to pay for specific future commitments (including the insurance fund) have increased by £1.701m, as analysed below:

Description	Opening Balance £m	Closing Balance £m	Increase/ (Decrease) £m
Other Specific Reserves	15.939	17,640	1.701

This is due to a number of contributions to and from earmarked reserves as reported as part of the 2024/25 Provisional outturn to the Executive 3<sup>rd</sup> June 2025 and as detailed in Note 10 (Transfers to/ from Earmarked Reserves) in the Statement of Accounts (SOA *page 67-69*). The most significant movement in reserves relates to a contribution to the Grants and Contributions reserve. The reserve is used to capture grant contributions for use in subsequent years and to match the expenditure profile. In addition, £370k was contributed to the Leisure Services reserve to support the provision of future facilities.

- 4.2.4 **Liquidity** – a reliable indication of liquidity is the ratio of current assets (excluding inventories) to current liabilities. The Council's current assets (excluding inventories) of £39.467m exceed current liabilities of £35.640m by a ratio of 1.1:1, which represents a decrease from the previous year's ratio of 1.2:1. This is due to an increase in short-term investments and a reduction in short-term debtors.

4.2.5 **Debtors** – debtors have decreased by £1.576m to £18.633m. The decrease is mainly due to reduced outstanding balances relating to the Charterholme development and Housing Subsidy grant balances, offset by an increase in balances on the Central Government and County Council shares of the Council Tax Collection Fund, and Tenant arrears.

4.2.6 **Creditors** – have increased by £4.700m to £32.527m. This is mainly due increased balances (not yet due) in relation to expenditure incurred on the Charterholme development.

### 4.3 Cross Cutting Key Issues

4.3.1 There are a number of areas that have significant impacts or are of particular interest that sit both within the Comprehensive Income and Expenditure Statement and the Balance Sheet. To aid members understanding of the Accounts these are summarised below:

4.3.2 **Non-Current Assets** are shown in the Balance Sheet and represent the Council's land, building, heritage, community, and intangible assets.

- **The value of non-current assets and assets held for sale in the Balance Sheet has increased by £11.5m (4.5%) to £520m between 31<sup>st</sup> March 2024 and 31<sup>st</sup> March 2025 (see the Balance Sheet and Notes 14, 15 and 16 for further detail). This net increase is the result of a number of factors:**
- **Revaluations** - The Council's Assets are valued on a rolling programme, which ensures each asset has a full revaluation every 5 years as at the 31<sup>st</sup> March. In addition to this, all assets are reviewed for any material change in their value at the end of each financial year via a desktop review. The results for 24/25 have seen an **overall increase in value of £4.455m**, which is the net result of valuation gains and losses across a range of assets.
- **Additions - New capital investment in assets belonging to the Council totalled £30.348m.** The main areas of expenditure include £5.751m spent on the Council's new build and acquisition programme, £9.551m improving Council dwellings including re-roofing, kitchens, and landscaping, Charterholme development £13.761m and Town Fund schemes £2.445m. To pay for this investment, the Council has used £13.756m of capital grants and contributions, £0.818m of capital receipts, £13.041m of the Major Repairs Reserve, £2.211m of unsupported borrowing, and £0.522m of Direct Revenue Financing.
- **Depreciation** – a charge is made to the Comprehensive Income and Expenditure account for depreciation to reflect the use of assets in the provision of services during the year. The value of non-current assets in the Balance Sheet is reduced by an equivalent amount. For General Fund services this charge is reversed out in the Movement in Reserves

Statement (MiRS) and replaced with a statutory charge for the repayment of debt. In the HRA under self-financing, depreciation is a real charge to the service however, it is set aside in the Major Repairs Reserve for future investment in the housing stock. **In 2024/25 total depreciation was £11.041m** (£8.455m in relation to HRA dwellings and £2.586m relating to non HRA assets. £8.455m was charged to the HRA which is available in the Major Repairs Reserve for future investment).

- **Disposals – assets valued at £2.093m in the Balance Sheet were disposed** of in 2024/25. This included 37 Right to Buy sales of council dwellings.

4.3.3 **Pensions** – the payments made by the Council to the Lincolnshire County Council Pension Fund each year as employer contributions to the scheme and any addition costs relating to pension strain, etc are reflected in the financial outturn position of the Council. However, accounting practice requires that in the Statement of Accounts pension costs are shown when the Council is committed to give them, even if the actual giving may be years into the future. This means that:

- The costs of providing retirement benefits to employees are recognised in the accounting period in which the benefits are earned by employees, and the related finance costs and any other changes in value of assets and liabilities are recognised in the accounting periods in which they arise.
- The financial statements reflect the liabilities arising from the Council's retirement obligations.
- The financial statements disclose the cost of providing retirement benefits and related gains, losses, assets, and liabilities.

Full details are provided in Note 42 to the accounts – Defined Benefit Pension Schemes (*SOA page 102*). The impact of these accounting requirements in the core financial statements are:

- **Comprehensive Income & Expenditure Statement (CIES)** - The cost of retirement benefits in the CIES is shown as an actuarial estimate of £3.109m reflecting the retirement benefits earned during 2024/25 and to be funded in the future. This includes £3.592m current service costs, £0.164m admin expenses, £0.0m past service costs and net expected return on the defined benefit contributions of £0.647m. This net cost is reversed out in the Movement in Reserves Statement (MiRS) and is replaced by the actual amount charged for pension contributions in the year of £5.658m.
- **Balance Sheet** – The Pension Reserve shows the underlying commitments that the Council has in the long term to pay retirement benefits based on an assessment by the pension schemes actuary. The balance on the Pensions Reserve is the net position of the scheme's liabilities and assets. During 2024/25 the net liability has decreased by £0.815m to £12.173m. The actuarial assumption changes are detailed in note 42 to the accounts

‘Defined benefit pension scheme’. The main driver for the significant reduction in liability being changes in financial assumptions, which take in to account the discount rate (time value of money), linked to high quality bond yields, and the rate of future inflation.

It is important for members to be aware that the statutory arrangements for funding the remaining liability of £12.173m means that this deficit will be made good by the increased level of annual employer contributions payable to the Pension Fund over the remaining estimated average working life of our employees in the Pension Scheme. The financial position of the Council remains healthy.

4.3.4 **Officer Remuneration** – note 33 to the accounts (SOA page 92) details senior staff salaries and the number of employees receiving more than £50k remuneration during the year (this includes receipt of any redundancy payments). Also detailed within the note is the redundancy/pension/payment in lieu costs paid in year, in line with the Council’s redundancy policy.

4.3.5 **Borrowing** – the Council takes borrowing to fund capital expenditure. It also occasionally takes short-term borrowing for cash flow purposes.

- Between 31<sup>st</sup> March 2024 and 31<sup>st</sup> March 2025, the Council’s total borrowing reduced to £105.068m (excluding accrued interest which is shown in the Balance Sheet under short-term borrowing as at 31<sup>st</sup> March 2025).
- The total borrowing can be split between short-term borrowing (payable within 12 months) of £1.578m and long-term borrowing of £103.490m.
- The average rate of interest payable on borrowing during the financial year was 3.28%, a slight increase on the previous year (2023/24 - 3.21%) due to repayment of lower rate loans during the year.
- The Comprehensive Income and Expenditure Statement for 2024/25 includes £3.607m interest payable on borrowing (excluding leases) of which £1.325m relates to the General Fund and £2.282m to the HRA.

The maturity profile of the outstanding borrowing as at 31<sup>st</sup> March 2025 is as follows:

Within	£m	% of Total Debt
1 year	1.578	2%
1 – 2 years	0.686	1%
2 – 5 years	9.552	9%
5 years +	93.252	89%
<b>Total</b>	<b>105.068</b>	<b>100.00%</b>

4.3.6 **Investments** – in line with its Treasury Management Strategy, the Council invests surplus cash on the money markets, typically for periods less than one year to approved organisations, although core cash balances may be invested for periods over 1 year if interest rates and market conditions are favourable.

- As at 31<sup>st</sup> March 2025 the council's total investment balance was £20.021m, an increase of £1.406m when compared with the balance at the previous year end (£18.615m).
- Average investment balance during 2024/25 was £25.313m, compared to £36.319m in 2023/24. The reduction in investment balance due repayment of borrowing using internal resources rather the reborrowing while interest rates are at the peak (forecast to reduce 24/25).
- The average interest rate received achieved on investments during 2024/25 was 4.55% (5.11% 23/24), an increase on the prior year due to the increases in the Bank of England base rate). The comparable performance indicator being the SONIA overnight average rate (4.90%).

## 5. **Strategic Priorities**

5.1 The Council's Statement of Accounts are a financial summary of the Council's activities in support of its Vision 2025 and Strategic Priorities during the financial year 2024/25.

5.2 Communication - The draft Statement of Accounts is available on the Council's website and the period of public inspection has been advertised. The completion of the audit of the Council's Statement of Accounts will be published on the Council website by 27<sup>th</sup> February 2026. The Statement of Accounts will also be made available on the website along with a summary version of the accounts.

## 6. **Organisational Impacts**

6.1 Finance

The financial implications are contained throughout this report.

6.2 Legal

In accordance with the Accounts and Audit (Amendment) Regulations 2024 the Statement of Accounts must be approved and published by the Council, together with the audit opinion and certificate, by the 27<sup>th</sup> February 2026.

6.3 Equality, Diversity and Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.



It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

Due to the nature of the report, no specific Equality Impact Analysis is required.

## **7. Risk Implications**

7.1 There are no direct risk implications arising as a result of this report.

## **8. Recommendation**

8.1 The Audit Committee are invited to scrutinise and comment upon the draft Statement of Accounts.

**Key Decision** No

**Do the Exempt Information Categories Apply** No

**Call in and Urgency:** Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply? No

**Does the report contain Appendices?** Yes

**List of Background Papers:** Medium Term Financial Strategy 2025-2030  
Financial Performance - Outturn 2024/25

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