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Public Sector Partnership Services Ltd

**Public Sector Partnership Services
Ltd.**

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**Directors' report and
financial statements**
Registered number 07289357
31 March 2023

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Reference and Administration Details 2022-23

Board Directors

Rodney Grocock	(South Holland District Council) – Chair 22/23 (from Sept 22)
Angel Newton	(South Holland District Council – Chair until Sept 22 (Deceased)
Richard Fry	(East Lindsey District Council) – Vice Chair 22/23
Mike Gildersleeves	(East Lindsey District Council)
David Mangion	(East Lindsey District Council)
Richard Hodgson	(South Holland District Council)
Jonathon Noble	(Boston Borough Council)
Peter Watson	(Boston Borough Council) – appointed July 2022

Company Registered Number
07289357

Company Name
Public Sector Partnership Services Ltd

Company Registered Office

2 New Bailey
6 Stanley Street
Salford
Greater Manchester
M3 5GS

Company Solicitors & Secretariat
Law Debenture

Chief Executive Officer
Lewis Duckett

Chief Finance Officer
Samantha Knowles

Senior Leadership Team
Aileen Whatmore – Head of HR&OD
Jackie Wright – Head of ICT & Digital
Mark Elsom – Head of Corporate Services
Amie Househam – Head of Customer Contact
Sharon Hammond – Head of Revenues & Benefits
Martin Gibbs – Head of Procurement and Contracts

Bankers
Barclays Corporate Banking South Yorkshire & Humber,
2-12 Pinstone Street,
Sheffield,
S1 2HN

Internal Auditors
Assurance Lincolnshire (Lincolnshire County Council)

External Auditors
Duncan & Topliss Audit Limited

Directors' report

Public Sector Partnership Services (PSPS) is a Local Authority Trading Company (LATCo) and was established on 18 June 2010, at which point the company was incorporated as Compass Point Business Services (CPBS). The rebrand and change in Company name took effect on 1st April 2019, as part of a programme of transformation.

The Company continues to be limited by shares and delivers a range of shared back-office and customer facing services as outlined below.

On 1st April 2021, the company achieved one of its strategic business plan objectives, to increase the delivery of its services to a third Council. PSPS now delivers its services to three Councils, including Boston Borough Council.

Boston Borough Council were also admitted as a third shareholder of Public Sector Partnership Services Ltd on 1st April 2021.

During October 2021, our three Councils also created a shared strategic partnership, known as the South and East Lincolnshire Councils Partnership (S&ELCP).

The company continues to deliver the same services it did in 2010 which are listed in its principal activities. Since 1st April 2020, the Company has also delivered a Telecare/Lifeline service for one of its shareholder Councils (East Lindsey District Council). During 2022/23 year, the Company, has received its shareholder approval to create and set-up a new Procurement & Contracts Services which will go live on 1st April 2023. Activity has commenced during 2022/23 to ensure the company is ready to go-live with this commercial activity.

Despite Boston Borough Council becoming a third Shareholder, the majority control shareholding percentages (shares) continue to remain apportioned 630/370 with East Lindsey District Council owning 63% and South Holland District Council owning 37%, although both Councils exercise 50:50 control and with equal voting rights on its Board.

Boston Borough Council have been admitted as a C- shareholder with 240 shares.

For financial purposes, the apportioned costing model is aligned on a population-based model and is defined below;

ELDC – 48%

SHDC – 28%

BBC – 24%

The Company Board operate in line with the Articles of Association, which were reviewed and updated in 2020. Boston Borough Council have two appointed Board Directors. The total number of Board Directors during 2022/23 was eight (8), with the ability to appoint two (2) further Directors (if required) as non-executive advisors. These non-exec advisors have not been appointed during 2022/23.

The primary Shareholders (A & B) of the Company are the founder Councils (Full Council ELDC & SHDC). The Company was awarded a new ten-year contract in April 2020 and during this last year, has seen the delivery of year two (2) of the associated transformation plan (investment and savings plan).

The Company's current business plan (2020-2023) which outlines a number of strategic objectives and priorities which included exploring growth with further Council shareholders, which has been achieved, as well as considering additional services it can deliver on behalf of its shareholder Councils. This has also progressed during 2022/23, with further exploration of opportunity to be considered as part of the next three year business plan (2023-2026).

Whilst 2022/23 has been our first "post-covid" normal business year, we have operated during an equally challenging year, as a result of the economical situation and associated cost of living crisis. We have been impacted from a continuing need for some services to provide additional support and services, through to the economic impacts as an employer with inflationary pay pressures.

On 1st April 2022 the company headcount, which included transferred employees, was 275 employees with 75% being full-time and 25% part-time.

The Directors present their Director's report, Strategic report and financial statements for the year ended 31 March 2023.

Principal Activities

The Company provides value for money, back-office and business enabling services to its founding authorities and Boston Borough Council, enabling the Councils to save money and help protect key frontline services for their residents.

The Company has delivered savings in excess of £18.9m since its inception in 2010 and has transformed services through a programme of digitalisation and performance improvements.

The new contract and associated programme of transformation could see up to a further £9m savings delivered during the next 7 years to 2030.

Shared services delivered include:

Information Technology (including digital, web and Print & Design)

Customer Contact

Revenues and Benefits

Financial Services

Human Resources & Payroll

Health and Safety

Telecare/Lifeline (ELDC only)

Research and Development

The Company has not engaged in any research or development activity.

Proposed dividend

The Directors do not recommend the payment of a dividend (2022/23 £nil).

Directors

The Company's Board of Directors are Councillors and Council senior officers who represent each of the Shareholder Councils. Whilst the Board have optional provisions within its articles for the appointment of non-executive Directors, there are currently none appointed.

The Directors who held office during the 2022/23 year are listed on page 1 within the reference and administration section. One Director, the Chairman sadly passed away during the 2022/23 year and, as such, was removed from his Directorship. Rodney Grocock took was was consequently appointed to the Chair role mid-way through 2022/23

Employees

The Company has had an average headcount of 294 employees during the 2022/23 financial year and continues to comply with all equalities legislation, promoting equal opportunity, fairness and opportunity in all of its employment practices and policies to ensure its workforce is diverse and representative of the communities it delivers services to.

The Company has continued to review its employment practices during 2022/23 and considered best practice across a range of its people policies and procedures, to ensure continued compliance and alignment with legislation and best practice. This has included a focus on being a 'family-friendly' and 'disability confident' employer, as well as aiming to become an employer of choice across Lincolnshire. The Company is reaching the end of its 3-year people-plan 2022-2023 and associated Action Plan, approved by the Board of Directors in 2020. This has provided a strategy with a clear focus for continued improvement across all aspects of its activities as an employer.

Since the pandemic, the company has operated in line with a new Hybrid/Agile working policy, which requires all employees to be in the offices for 2 days of each working week. This policy was approved by the Board in May 2022. It will be reviewed in July 2023.

The Company continues to demonstrate through its recruitment processes compliance with all aspects of its selection and assessment processes, ensuring a range of reasonable adjustments are applied where it is necessary. It has also ensured its assessment processes are relevant to the role being applied for and comply with employment and equality legislation. The Company has provided a range of training and development opportunities for all of its Leaders and People Managers, to ensure a consistently high practice exists with this critical activity.

All staff, including those from under-represented groups, are provided with equal access to training, career development and consideration for promotion and development. The Company has developed a careers development pathway for all employees to access, from apprentice and new starter, right through to established senior managers.

A positive action approach continues to be taken in ensuring the development of diverse and representative workforce. The Company undertook its annual staff survey during 2022, whereby 89% of its employees partook and described the Company as a good place to work. We have opted to complete 'pulse surveys' during 2023 as a way to focus on key areas from the 2022 main survey.

The Company recognises Unison as a Trade Union for the purposes of collective bargaining. The Company has one local Trade Union representatives who are provided with facility time to undertake these duties. This agreement is contained within the Recognition Agreement.

The Company Board have received quarterly workforce reports and briefings from the Head of HR & OD, which provides them with oversight on all employee and workforce matters to ensure appropriate oversight and scrutiny has taken place. The Company has provided a number of additional benefits and support for its workforce during the pandemic, such as additional time off work, welfare support and appropriate action in managing employee absence.

Future Developments

In 2020 the Company Board approved a new Business Plan (2020-2023) which included aspirations for growth. It is pleasing that within one year of the business plan being approved, and with the challenges of the pandemic to manage, this objective has been successfully completed in 2021/22 and the benefits and improvements already being realised. As we reached the end of that business plan period, the future opportunity for the Councils to consider transferring further services provides an exciting opportunity for the company.

We continue to work closely with our shareholder Councils to review other opportunities which may exist for the Company and which could support the Councils with their new partnership.

Since the end of the financial year there have been no other significant events that need to be reported that are material to the Company's accounting or financial position.

The Company and its Board have an agreed 10-year contract to 2030 in place and the new shareholder has joined PSPS under the existing governance terms and arrangements, agreed with the founder shareholders on 1st April 2021.

Financial Instruments

The financial risk management objective of the company is to spread risk and achieve increased investment returns without compromising the security and liquidity of the funds. This is achieved via investing in a money market fund (CCLA) to obtain higher levels of interest compared to holding such balances in current accounts.

The company's activities do not expose it to significant financial market risks, including price risk, credit risk and cash flow risk. The company also has no significant liquidity risk due to the funds deposited within the money market fund being available to withdraw at any point in time. The company has in place a risk management programme that seeks to limit any adverse effects on the financial performance of the company by periodic monitoring of these exposures posted by these financial market risks.

Other Matters

Other matters required to be disclosed in the Director's Report are included in the Strategic Report in accordance with s414C(11) of the Companies Act 2006.

Disclosure of information to auditor

The Directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he/ she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor appointed for a period of four years from 2019 is Duncan & Toplis Audit Limited, Oxley House, Lincoln Way, Louth, LN11 OLS

By order of the Board,

Chairman of the Board

2 New Bailey
6 Stanley Street
Salford
Greater Manchester
M3 5GS



Strategic report

Business Plan

The Company Board agreed a three-year Business Plan for the period 2020-2023.

The business plan has 5 key priorities:

1. Provide high quality services to our Customers, Councils and Company
2. Deliver our agreed programme of transformation
3. Deliver our financial savings and efficiencies
4. Develop our organisation to ensure it continues to be a great place to work
5. Explore opportunity for growth with other local authority partners.

The development of our associated Transformation Plan will enable the Company to deliver further savings, maximising the opportunity of technology to improve delivery and achieve maximum efficiency.

Despite the challenges arising from the economic situation during 2022/23, Public Sector Partnership Services Ltd. has continued to provide good value for money to its shareholding Councils through significant reduced costs, sustained over a period of time and which are associated with the shared delivery model of services including HR, Finance, ICT, Revenues & Benefits, Customer Contact and Health & Safety, across three Councils.

During 2022/23 the Company has continued to offer high quality services whilst continuing to deliver the original annual saving of £2.1m, from the base cost which the services were at the commencement of the contract in 2010. It has also continued to develop, digitalise and transform services as part of a programme of continuous improvement. It has developed its transformation plan and agreed this with its shareholders to deliver further improvements and financial savings.

Growing the Business

One of the primary objectives for the Company as part of the new contract and its new business objectives is to seek to grow its services, and with the agreement of its shareholders, seek new partners to deliver services to. This is partly driven by a forward-thinking approach as to the potential for Local Government reorganisation across Lincolnshire and how the Company has the opportunity to establish itself as a service provider across a wider geographical scale and to further Councils.

Boston Borough Council having joined Public Sector Partnership Services as a third shareholder, results in PSPS now delivering services to Councils across 40% of Lincolnshire population.

We have also continued the delivery of the (Telecare/Lifelines service) for our ELDC Council from 1st April 20. This is a commercial delivery arrangement, delivering directly to customers rather than the Councils.

Beyond 2022/23

We will commence delivery of a new Procurement and Contracts service from April 2023, which will see the first new services being delivered to all Councils since 2010.

The Company has an agreed 10-year contract in 2020 and runs to 2030, which has included a review of the primary objectives of the company and how it operates.

We have a new joint venture agreements (JVSA) in management agreement (MA) in place which have taken into account the companies journey, success and demonstrable achievements since its inception in 2010.

There is likely to be further opportunity on the horizon and the company will ensure it positions itself to ensure it is ready to respond and react accordingly.

Our People

During 2022/23 our employee headcount grew slightly to circa 294, there have been no redundancies and we have instead grown with the early onboarding of our new Procurement & Contracts function. Overall we continued to experience a slightly higher than average annual staff turnover of 22.9% but began to see this come down quarter by quarter, over 2022/23. In similar themes to the previous year this reflects both the buoyant recruitment market nationally; as well as the impact for us, of our largest office relocating in January 2023.

With high attrition in some areas of our organisation the impacts have been felt on remaining teams to develop and bring new colleagues up to speed. In a competitive recruitment market we've had to look at transferable skills and reskilling as alternative strategies; and we've expanded our apprenticeships by double compared to last year – with 7 employed and further 6 upskilling through the apprenticeship levy. Additionally we've seen increase in contractors in some of our specialist skill areas.

Our services have needed to continue to support the provision of additional schemes in service to our Local Government clients such as various Government Rebate and Support Schemes; Grants and funding; additionally as impacts from increasing cost of living are felt across our districts; our front line services have seen increased contact from residents seeking support and guidance.

As government guidance and rules relaxed coming out of the pandemic, we started to return to offices and focus to reset and recovery. Much like many organisations, we adopted new ways of working and formalised this through our Agile and Hybrid working approach. We value organisationally the balance this approach gives us to meeting our employees need for flexible working and our ability to connect and collaborate, across our multiple worksites. We identified the potential new challenges this different way of working provided our People Managers and the importance to get this right for our employee experience and invested in targeted People Managers development enabling them to consider how we manage in hybrid world - the delivery of services; contact with stakeholders; performance; engagement and development of our teams. We also undertook a relocation from one of our main offices, from Manby to Horncastle in January 2023, which impacted around 130 employees.

We recognised the need to adapt more agile approaches to our recruitment and continued the growth in our recruitment sourcing team; along with developments in creating consistent and progressive induction and onboarding processes and systems.

We continue organisationally to have a strong engagement with our employees, our annual staff survey had an 82% response rate; and for the majority of the responses we saw over 70% answering positively, our focus in the forthcoming year is to use brief, targeted surveys to get more timely feedback from our employees.

The gender profile of our establishment remains consistent with previous years; with 69% female and 31% male and we have a split 75% full-time to 25% part-time ratio. Our Senior leadership team is equally represented with 50/50 Gender split and our average employee Length of service remains circa 10 years.

Our Gender Pay figures reflect the diverse nature of our workforce and efforts we have made as an inclusive and flexible employer. We continue to develop on our approaches as an employer to build a more inclusive employment offer, we've introduced gender neutral Parental Family leave policy – supporting our new parents who hold primary and secondary caregiver roles; along with new Time off shifting beyond our family friendly parental support to recognise all our employees may have special life moments and challenges and time away from work will support them.

We recognise the continued impacts of rising costs of living and inflation mean we need to review our offer and Employee Value Proposition to attract and retain great talent.

We have benefited from stability in our Senior Leadership Team during 22/23. The Company, led by our Chief Executive, whom the Board appointed in 2016 is supported by the Chief Finance Officer and Senior Leadership Team, all of whom have been in post for between 2 and 10 years.

Our Performance

Despite the challenges from moving out of the pandemic and into the economic situation, our performance and delivery of services continues to be high, both in terms of our agreed key performance indicators but also in respect of additional requirements which clients seek us to deliver on an adhoc basis. The performance has been reported to the Board of Directors on a quarterly basis and to our clients on a monthly basis.

Despite the additional inflationary financial pressures associated with the pandemic, the company is pleased to report that it was in a financial position to offer a 4.5% pay award to its employee's during 2022/23 and is developing a revised medium to financial plan to consider the medium to long term impacts of pay and reward in a competing environment.

The Company has continued its quality apprenticeship offer in partnership with First College, providing employment opportunities for young people across the Company, as apprentices, working across the range of service areas with several being successful in achieving permanent substantive roles in the Company.

Our Services

Each of our services is led by a Head of Department, who is both experienced and qualified within the respective professional discipline.

The services include Financial Services, Human Resources, ICT, Customer Contact, Revenue & Benefits and we have a Corporate Services function which provides Health and Safety, along with a range of internal business support functions.

In 2022 we undertook a comprehensive review of our services, structures, roles & responsibilities across the clients and Company, as well as reviewing how the operation is delivered at an operational level across a number of geographic locations. During 2022 we have undertaken post implementation reviews, to assess the impacts of the 2020 changes and will be reviewing these again in 2023/24 as we move into the next phases of our business plan objectives.

Despite the increase in demand and additional client requirements, we continue to deliver a high level of service to all clients along with the Company requirements for HR, Finance and ICT.

We have developed a programme of transformation as part of the new contract which will further see the development of our digital offer, standardise practices and process across entities and plan for the future requirements of our clients.

The intention will be to ensure the services can be the best then can be to enable future growth and opportunity without impacting the core delivery requirements.

Our departments are all supported by our Corporate Services function, which provides oversight and capacity across associated departmental requirements, such as audit, corporate risk, corporate planning, communications and procurement and contract management.

We have successfully relocated one of our primary offices during 2022/23 from Manby to Horncastle, impacting circa 130 employees. This provides a modern and purpose-built environment in which to operate a number of our services. We continue to be co-located alongside the Councils.

Financial Performance

The Board continues to monitor financial performance quarterly against set budget plans by both type of key income and expenditure category and by service area. The company has a comprehensive medium term financial strategy (MTFS) approved by its Board.

The Directors consider the key performance indicators to be measured by turnover and the net operating profit of the company. It should be noted that the Financial Statements do not reflect the annual net operating profit noted above as the Statements also include a charge for the liabilities within the Company's defined pension scheme.

These liabilities will never crystalize but are reflected in the Statements, resulting in a net deficit position. Note 13 to the accounts provides more information regarding these pension liabilities. The table below illustrates the effect of the stated pension fund deficits on the net assets of the company for the last 2 years.

	31/03/2023	31/03/2022
	£'000/£'k	£'000/£'k
Stated Net Assets/(Liabilities) (£K)	10,653	-11,093
LGPF Liability	-	-12,495
Net Assets without Pension	10,653	1,402

The Board approved a Revised balanced budget in October 31 2022 for 2022/23 and overall the Company delivered a net £249k overspend resulting in a £377k variance to budget.

Income was higher than budgeted with gross turnover being £13.303m compared to a budget of £12.357m. There was a level of increased expenditure on service provision as a result of increased levels of agency in specific areas.

The £249k overspend has been taken from the Company's cash reserves which have decreased from £2,026k to £1,301k. The company has developed a Medium Term Financial Plan and Capital Strategy which will reflect the savings from the Transformation Programme and the agreed investment of resources secured from our client councils.

The Medium Term Financial Plan includes a strategy for the use and re-investment of some of the Company's cash reserves in order to facilitate improved services and greater efficiencies for our client councils as well as some security for unforeseen circumstances.

An annual review of the Medium Term Financial Strategy for 2023-2024 will occur with our Board of Directors as we look to deliver our future aspirations in 2024/25.

The Tri-annual review of the Lincolnshire Pension Fund was carried out during 2022-23 and the results issued to the Board on the 12th December 2022. The LGPS Regulatory Framework requires individual pension funds to review their schemes every three years and to produce a funding strategy to establish how ongoing and future pension liabilities are met going forward. The results proposed an increase in the primary rate of 3.2% to 23.1%.

Business Risk review

Like all businesses, the Company faces risks and uncertainties that could impact on the achievement of its business plan and the delivery of services to our clients. Despite the low business impact to the Company as a result of the pandemic, the company will need to position itself to support the Councils post-pandemic and during recovery, considering the potential unknown impacts to the wider public sector environments arising from the economic situation.

The Company's Corporate Risk Management policy forms part of the internal control and governance arrangements. Its purpose is to ensure that risk management is an integral part of day-to-day management for the company. The Board recognises that the nature and scope of these risks can change and so it regularly reviews them as well as the systems and proposals to minimise or mitigate them.

The oversight of Corporate Risk is the responsibility of the Head of Corporate Services, who also oversees our internal audit arrangements.

A key component of the risk management policy is the corporate risk register which captures the major issues that could impact detrimentally on the Company's ability to achieve its corporate objectives and identify appropriate mitigations that offset those impacts. The Risk Register is maintained by the Senior Leadership Team and reported to the Board on a quarterly basis.

The key strategic risks and uncertainties that the company is likely to experience and the measures to mitigate or minimise these are detailed below:

Category	Description	Mitigation
Financial and other Resources	Inability to deliver core strategic and contractual objectives due to reduced funding or staffing resources	Regular discussions with our Clients regarding required services, resource levels, available funding and the development of an agreed plan for finding future savings
Transformation Plan	Inability to deliver and implement projects that will achieve required future savings	The Transformation Plan has been developed in consultation with the client Councils to ensure agreement about the delivery and funding of projects contained within it. Each project will have an agreed Business Case with a detailed project implementation plan.
Service Demands	In ability to meet changing and challenging client requirements	Approved Service Level Agreements have been developed and new contracts signed. Regular meetings with Client Liaison officers to discuss the delivery of the agreed services and any required changes and how these will be delivered and funded.
Employment and retention of staff	Inability to employ and retain staff in challenging market conditions, and thereby develop and grow services.	Succession planning in place. Policies around reward and recognition and recruitment and retention strategies are in place. Staff forums, briefings and other methods of communication are used to ensure staff are aware of all the benefits of employment by PSPS.

Health, Safety and Wellbeing

The company takes the health, safety and welfare at work of its employees seriously.

The Company has a range of policies and advice that are readily available to its staff. It proactively encourages its staff to undertake appropriate training and has a Working Group in place to discuss all aspects of Health and Safety.

The Board receives quarterly staffing reports covering sickness and staff turnover and also 6 monthly reports covering Health and Safety.

The Company has developed a programme of health and wellbeing support which is available to its employees and an annual plan of activities are delivered to partake. We have also trained 15 employees as Mental Health First Aiders as part of our continued efforts to make available support for employees at difficult times along with reviewing our employee assistance programmes which is offered for staff to access confidential and free support. We also provide a comprehensive employee assistance programme and occupational health services to support employees within the workplace.

Overall the Company is considered to be a safe place to work and operates a low risk environment. Various H&S guidance has been issued in addition whilst employees have been working on a remote basis

There were no RIDDOR incidents during 2022/23 or legal claims filed against the company for health and safety related issues.

The Companies future work priorities for 2023/24 will be;

1. Development of a Business Plan for 2023-2026
2. Develop a Transformation & Improvement Programme for 2023-2026
3. Review the scope of opportunity for further service transfers
4. Review the company operating model with an established hybrid working policy in place

By order of the Board,

Chairman of the Board

Chair of the Board 2023/24

2 New Bailey
6 Stanley Street
Salford
Greater Manchester
M3 5GS



Statement of directors' responsibilities in respect of the directors' report, strategic report and the financial statements

The directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Public Sector Partnership Services Limited
Opinion

Opinion

We have audited the financial statements of Public Sector Partnership Services Limited (the 'company') for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, Balance Sheet, Statements of Changes in Equity, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- ***give a true and fair view of the state of the company's affairs as at 31 March 2023, and of its loss for the year then ended;***
- ***have been properly prepared in accordance with IFRSs as adopted by the European Union; and***
- ***have been prepared in accordance with the requirements of the Companies Act 2006.***

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report¹, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Independent Auditor's Report to the Members of Public Sector Partnership Services Limited

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- ***adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or***
- ***the financial statements are not in agreement with the accounting records and returns; or***
- ***certain disclosures of directors' remuneration specified by law are not made; or***
- ***we have not received all the information and explanations we require for our audit.***

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We have identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial experience, knowledge of the sector, a review of regulatory and legal correspondence and through discussions with Directors and other management obtained as part of the work required by auditing standards. We have also discussed with the Directors and other management the policies and procedures relating to compliance with laws and regulations. We communicated laws and regulations throughout the team and remained alert to any indications of non-compliance throughout the audit.

The potential impact of different laws and regulations varies considerably. Firstly, the company is subject to laws and regulations that directly impact the financial statements (for example financial reporting legislation) and we have assessed the extent of compliance with such laws as part of our financial statements audit.

Secondly, the company is subject to other laws and regulations where the consequence for non-compliance could have a material effect on the amounts or disclosures in the financial statements. We identified the following areas as those most likely to have such an effect: The 2011 Localism Act, The Local Government Act 2003, The Public Procurement Regulations 2020, The Companies Act 2006 and the clauses within the contract between Public Sector Partnership Services Limited and East Lindsay District Council, South Holland District Council and Boston Borough Council.

Independent Auditor's Report to the Members of Public Sector Partnership Services Limited

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection. This inspection included a review of the policies and processes in place within the year for any evidence of non-compliance, in addition to an assessment of the company's performance in line with the service level agreement. Through these procedures, if we became aware of any non-compliance, we considered the impact on the procedures performed on the related financial statement items.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. The further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. As with any audit, there is a greater risk of non-detection of irregularities as these may involve collusion, intentional omissions of the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Timothy Godson FCA (Senior Statutory Auditor)
For and on behalf of Duncan & Toplis Audit Limited, Statutory Auditor
Oxley House
Lincoln Way
Louth
Lincolnshire
LN11 0LS

Date: 18 December 2023

Statement of Comprehensive Income

for year ended 31 March 2023

	Note	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Revenue	2	13,303	12,995
Staff costs	3	(11,935)	(13,321)
Depreciation and amortisation	7,8	(160)	(130)
Other expenses		(2,997)	(3,009)
Total expenses		(15,092)	(16,460)
Operating (Loss)		(1,789)	(3,465)
Financial income	6	1,259	861
Financial expenses	6	(1,570)	(1,241)
Net financing expense		(311)	(380)
(Loss) before tax		(2,100)	(3,845)
Taxation	17	(1)	(19)
(Loss) from continuing operations		(2,101)	(3,864)
(Loss) for the year		(2,101)	(3,864)
Other comprehensive income			
Remeasurements of defined benefit liability	13	14,349	7,445
Other comprehensive Surplus/(Deficit) for the year, net of income tax		14,349	7,445
Total comprehensive Surplus/(Deficit) for the year		12,248	3,581

The accompanying notes are an integral part of the financial statements

Balance Sheet

	Note	2023 £'000	2022 £'000
Non-current assets			
Property, plant and equipment	<u>7</u>	20	3
Intangible assets	<u>8</u>	680	634
		<u>700</u>	<u>637</u>
Current assets			
Trade and other receivables	<u>9</u>	1,438	371
Cash and cash equivalents	<u>10</u>	1,301	2,026
		<u>2,739</u>	<u>2,397</u>
Current liabilities			
Trade and other payables	<u>11</u>	(1,611)	(911)
Deferred Income	<u>12</u>	(144)	(107)
		<u>(1,755)</u>	<u>(1,018)</u>
Net Current liabilities		<u>984</u>	<u>1,379</u>
Total assets less Current Liabilities		<u>1,684</u>	<u>2,016</u>
Non-current liabilities			
Employee benefits	<u>14</u>	-	(12,495)
Deferred Income	<u>12</u>	(529)	(614)
		<u>(529)</u>	<u>(13,109)</u>
Total liabilities		<u><u>1,155</u></u>	<u><u>(11,093)</u></u>
Equity			
Share capital		1	1
Pension Reserve		(1,840)	(1,840)
Retained Earnings Reserve		2,994	(9,254)
Total Retained earnings		<u>1,154</u>	<u>(11,094)</u>
Total equity		<u>1,155</u>	<u>(11,093)</u>

These financial statements were approved by the board of directors on 24th July 2023 and were signed on its behalf by:



Company registered number: 07289357

The accompanying notes are an integral part of the financial statements

Statement of Changes in Equity

	Share capital £'000	Pension reserve £'000	Retained Earnings reserve £'000	Total Equity £'000
Balance at 31 March 2022	1	(1,840)	(9,254)	(11,093)
Total comprehensive income for the period				
Profit/(Loss) for the period	-	-	(2,101)	(2,101)
Remeasurements on Defined Benefit Pension Plan	-	-	14,349	14,349
Total Comprehensive income for the period	-	-	12,248	12,248
Balance at 31 March 2023	1	(1,840)	2,994	1,155

	Share capital £'000	Pension reserve £'000	Retained Earnings reserve £'000	Total Equity £'000
Balance at 31 March 2021	1	(1,840)	(12,835)	(14,674)
Total comprehensive income for the period				
Profit/(Loss) for the period	-	-	(3,864)	(3,864)
Remeasurements on Defined Benefit Pension Plan	-	-	7,445	7,445
Total Comprehensive income for the period	-	-	3,581	3,581
Balance at 31 March 2022	1	(1,840)	(9,254)	(11,093)

Notes

- i) The pension reserve forms part of retained earnings. The purpose of this reserve is explained in note 13 Employee Benefits. At 31 March 2023 the Company has negative retained reserves of £10,653,000 (31 March 2022: negative (£11,093,000))

The accompanying notes are an integral part of the financial statements

Cash Flow Statement

	Note	At 31 March	
		2023 £'000	2022 £'000
Cash flows from operating activities			
(Loss) for the period		(2,101)	(3,864)
<i>Adjustments for:</i>			
Deferred Income Received	12	98	(297)
Depreciation and amortisation	7,8	160	130
Release of Govt grant		(143)	(107)
Pension charge to operating profit		2,930	5,360
Pension contributions paid		(1,420)	(1,365)
Finance Income	6	(1,259)	(861)
Finance Expense	6	1,570	1,241
		<u>(165)</u>	<u>831</u>
Decrease/(increase) in trade and other receivables		(1,068)	(194)
(Decrease) in trade and other payables		<u>700</u>	<u>305</u>
Cash generated from operations		<u>(533)</u>	<u>942</u>
Interest paid	6	0	0
Interest received	6	31	2
		<u>(502)</u>	<u>944</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment and Intangible assets	7,8	<u>(223)</u>	<u>(190)</u>
Net cash from investing activities		<u>(223)</u>	<u>(190)</u>
Net increase in cash and cash equivalents		(725)	756
Cash and cash equivalents at start of the period		<u>2,026</u>	<u>1,272</u>
Cash and cash equivalents at 31 March	10	<u><u>1,301</u></u>	<u><u>2,026</u></u>

The accompanying notes are an integral part of the financial statements

Notes

(forming part of the financial statements)

1. Accounting policies

Public Sector Partnership Services Ltd., formally Compass Point Business Services (East Coast) Limited (the "Company") is a private company limited by shares incorporated and domiciled in England and Wales. The registered number is 07289357 and the registered address is Eversheds House, 70 Great Bridgewater Street, Manchester, M1 5ES.

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

Public Sector Partnership Services Limited is a merged service organisation of South Holland District Council, Boston Borough Council and East Lindsey District Council, and is set up to record a break even position before taxation. Currently the company relies on contracts with the Councils for substantially all of its income, and substantially all of its expenditure is in relation to delivering services to those district councils.

The company's existence as a going concern is reliant on the contractual arrangements with the Councils. This arrangement has recently been extended for a further 10 years (2030) with a review after 5 years. In addition, following a review of existing arrangements the company's Transformation Plan has been agreed to deliver further savings for all client Councils.

1.3 Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes (continued)

1.4 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. Trade Receivables are generally due for settlement within 30 days.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. Trade payables are generally due for settlement within 30 days.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment based on the purchase cost. The estimated useful lives are as follows:

- Vehicles, Plant and Equipment 5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date. Depreciation commences when the asset is brought into use

1.6 Intangible assets

Capitalised IT development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses. Other IT development expenditure is recognised in the income statement as an expense as incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- capitalised IT development costs 5 years
- Software Licences 5 to 7 years depending on contract terms

Notes (continued)

1.7 Employee benefits

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements.

The Company's employees are members of the Lincolnshire County Council Pension Fund, the assets and liabilities of these employees are separately identifiable from the rest of the assets and liabilities of the Fund.

The scheme actuary has confirmed that the company is unaffected by IFRIC 14 regarding surpluses in pension schemes.

1.8 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.9 Revenue

The Company's revenue generating activities in 2019/20 were confined to the 10 year contract starting on 1 August 2010 to provide back office services to East Lindsey and South Holland District Councils (see Director's report above), with the exception of agreed separate contract variations totalling £300k.

The following accounting standards have also been considered when drawing up accounts:

IFRIC 12 (Service concession arrangements) – there were none of these present in 2022/23
IFRS 15 (Revenue Recognition) - no issues were present in 2022/23

Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable net of VAT and trade discounts. The Policies adopted for the recognition of revenue are as follows:

Rendering of Services

Revenue from providing services, where performance obligations are satisfied over time, is recognised in the accounting period in which the services are rendered as this represents the way that control passes to customers. In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule which is approved by each Council.

Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision by a contract change notice agreed by each Council.

Notes (continued)

Interest income

Interest income is recognised using the effective interest method and shown in the statement of profit or loss and other comprehensive income.

1.10 Expenses

Operating lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense.

Financing income and expenses

Interest income and interest payable is recognised in the statement of comprehensive income as it accrues, using the effective interest method.

1.11 Deferred Income/Government Grants

Government grants that relate to the acquisition of an asset measured at fair value are recognised as deferred income, and are amortised as the related asset is depreciated or amortised.

1.12 Adopted IFRS not yet applied

The following standards have been published, endorsed by the EU, and are available for early adoption but have not yet been applied by the Company in these financial statements:

IFRS 16 – Leases. This new standard, requiring the recognition of the value and liabilities for all leases in excess of 12 months, will become applicable for our 31 March 2024 financial statements unless adopted earlier.

The above standards is not expected to have a significant impact on the financial statements of the Company.

2 Revenue

	2023	2022
	£'000	£'000
Contract Income	10,789	10,991
Rendering of services	2,513	2,004
Total revenues	<u>13,303</u>	<u>12,995</u>

All income is from services rendered in the United Kingdom.

Notes (continued)

3 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2023	2022
Directors	7	6
Operations Manager	1	1
Business Support	13	11
Customer Contact	67	69
Procurement	6	0
Revenues and Benefits	101	98
Finance & Administration	36	36
Human Resources	28	23
Information & Communications Technology	35	34
Print and Design	-	0
Total	<u>294</u>	<u>278</u>

The aggregate payroll costs of these persons were as follows:

	2023	2022
	£000	£000
Wages and salaries	7,558	6,999
Social security costs	740	640
Staff costs related to defined benefit plan (note 13)	2,930	5,360
Staff costs relating to non defined benefits	23	4
Agency costs	684	318
	<u>11,935</u>	<u>13,321</u>

4 Expenses and auditor's remuneration

Auditor's remuneration:

	2023	2022
	£000	£000
Amounts receivable by the auditor and their associates in respect of:		
Audit of financial statements pursuant to legislation	<u>15</u>	<u>11</u>

Notes *(continued)*

5 Directors' remuneration

No remuneration or retirement benefits were paid or were payable to the Directors. (2021/22: £nil).

6 Finance income and expense

Recognised in profit or loss

	2023	2022
	£000	£000
Interest income	31	2
Net interest income on defined benefit plan assets	1,228	859
Total finance income	<u>1,259</u>	<u>861</u>

	2023	2022
	£000	£000
Interest expense	0	0
Interest on defined benefit pension plan obligation	(1,535)	(1,212)
Pension Report Administration Fee	(35)	(29)
Total finance expense	<u>(1,570)</u>	<u>(1,241)</u>

Notes (continued)

7 Property, plant and equipment

	Vehicles, plant and equipment	Total	Vehicles, plant and equipment	Total
	2023	2023	2022	2022
	£000	£000	£000	£000
Cost				
Balance at start of year	402	402	402	402
Additions	30	30	0	0
Balance at 31 March	<u>432</u>	<u>432</u>	<u>402</u>	<u>402</u>
Depreciation				
Balance at start of year	(399)	(399)	(394)	(394)
Depreciation charge for the year	(13)	(13)	(5)	(5)
Balance at 31 March	<u>(412)</u>	<u>(412)</u>	<u>(399)</u>	<u>(399)</u>
Net book value				
At start of period	<u>3</u>	<u>3</u>	<u>8</u>	<u>8</u>
At 31 March	<u><u>20</u></u>	<u><u>20</u></u>	<u><u>3</u></u>	<u><u>3</u></u>

Plant and equipment is depreciated when it comes into use.

Notes (continued)

8 Intangible assets

	Software licences and Development costs	Total	Software licences and Development costs	Total
	2023	2023	2022	2022
	£000	£000	£000	£000
Cost				
Balance at start of year	2,867	2,867	2,677	2,677
Additions - acquired separately	193	193	190	190
Balance at 31 March	<u>3,060</u>	<u>3,060</u>	<u>2,867</u>	<u>2,867</u>
Amortisation				
Balance at start of year	(2,233)	(2,233)	(2,108)	(2,108)
Amortisation charge for the year	(147)	(147)	(125)	(125)
Balance at 31 March	<u>(2,380)</u>	<u>(2,380)</u>	<u>(2,233)</u>	<u>(2,233)</u>
Net book value				
At start of year	634	634	569	569
At 31 March year end	<u>680</u>	<u>680</u>	<u>634</u>	<u>634</u>

Capitalised development costs are not treated as a realised loss for the purpose of determining the Company's distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with IAS 38. The amortisation charge is recognised through depreciation and amortisation.

The intangible assets capitalised using the Government Grant included systems to administer Revenues and Benefits, HR, Finance, Document Management and ICT. The net book value of these systems as at the 31st March 2023 is £680k (2021-22 £634k).

Finance System

Carrying Value £563k

Remaining Life 5 Years

Document Management System

Carrying Value £42k

Remaining Life 4 years

HR/Payroll System

Carrying Value £28k

Remaining Life 3 years

Ring Central

Carrying Value £48k

Remaining Life 5 years

Notes (continued)

9 Trade and other receivables

	2023	2022
	£000	£000
Current		
Trade receivables due from the District Councils	949	172
Other trade receivables	253	2
Prepayments	236	197
	<u>1,438</u>	<u>371</u>

10 Cash and cash equivalents

	2023	2022
	£000	£000
Cash at bank	0	1,249
Cash and Cash Equivalents	1,301	777
Cash and cash equivalents per cash flow statement	<u>1,301</u>	<u>2,026</u>

11 Trade and other payables

	2023	2022
	£'000	£'000
Current		
Trade payables due to the District Councils	789	563
Other trade payables	630	325
Corporation Tax Liability	7	23
Overdraft	185	0
	<u>1,611</u>	<u>911</u>

Notes (continued)

12 Deferred income

	2023 £'000	2022 £'000
Government grants capitalised in respect of:		
IT Equipment	0	0
Software Licences	4	4
Other Deferred Income		
	<u>4</u>	<u>4</u>
Deferred Income at 1 April	721	531
Proceeds from Government Grant	96	297
Release of deferred income	(144)	(107)
Deferred income at 31 March	<u>673</u>	<u>721</u>
Current	144	107
Non Current	<u>529</u>	<u>614</u>
	<u>673</u>	<u>721</u>

Government grants have been received from the three district councils in order to enable the company to establish its own IT systems. Once the systems became fully operational, the grants were amortised in line with the depreciation of the individual assets concerned. The deferred income is analysed in the balance sheet as follows:

	2023 £000	2022 £000
Current (expected release in following financial year)	144	107
Non-Current	<u>531</u>	<u>614</u>
	<u>675</u>	<u>721</u>

13 Employee benefits

Pension plans

The company's employees are members of the Lincolnshire County Council Pension Fund. Their liabilities have been segregated from the liabilities of the other employers that contribute to that Fund.

The Scheme provides defined benefits to members (retirement lump sum and pensions), earned as employees worked for the company.

The plans typically are exposed to actuarial risks such as investment, interest rate and longevity. However these risks are mitigated in the company due to the Councils guarantee of its liabilities.

The initial ongoing funding level was deemed to be 100% and hence the assets notionally allocated to the employer at that date were £12.879 million. For accounting purposes the liabilities are calculated using the principles set out in IAS 19 at each relevant reference date. At 1 August 2010 the liabilities were valued at £14.719 million under IAS 19 which resulted in an accounting deficit being recorded as at that date of £1.84

million. This amount has been disclosed as a negative reserve – "Pensions reserve" which is part of the retained earnings of the Company

The formal funding valuation is carried out every three years, to assess the ongoing financial position of the fund and to determine the rate at which the employing bodies in the Fund should contribute in the future. The aim of the valuation is to ensure that the existing assets and future investment returns and contributions will be sufficient to the future benefit payments from the fund. The next valuation/triennial review is due to take place during 2024-27.

The information disclosed below relates to the Company's share of the Lincolnshire County Council Pension Fund's assets and liabilities as calculated under IAS 19.

Notes (continued)

13 Employee benefits (continued)

Pension plans (continued)

The liability recognised in the balance sheet for retirement benefit obligations is:

	2023 £'000	2022 £'000
Present value of funded defined benefit obligations	(38,477)	(59,285)
Fair value of employer assets	47,975	46,788
Reduction in pension Surplus due to asset ceiling	(9,498)	
Recognised asset/(liability) for defined benefit obligations	<u>0</u>	<u>(12,497)</u>

'Without the asset ceiling adjustment, there would be a net pension scheme asset of £9,498,000. In the opinion of the directors, this asset cannot be realistically recovered from the pension scheme, either by direct payment or future pension service contributions, hence an adjustment has been made to remove the pension scheme net surplus.'

Movements in present value of defined benefit obligation

	2023 £000	2022 £000
At start of period	59,285	53,494
Current service cost	2,930	3,052
Past Service Cost	0	0
Net Interest - Interest cost	1,535	1,212
Actuarial (Losses)/Gains	(24,763)	(3,809)
Liabilities assumed/(extinguished) on settlements	0	5,885
Contributions by members	435	410
Benefits Paid	(945)	(959)
At 31 March	<u>38,477</u>	<u>59,285</u>

Movements in fair value of plan assets

	2023 £000	2022 £000
At start of period	46,788	37,929
Net Interest-Income on Plan Assets	1,228	859
Return on Assets excluding Interest return on Plan Assets	(2,358)	3,636
Contributions by employer	1,420	1,365
Contributions by members	435	410
Benefits paid	(945)	(959)
Administration Expenses	(35)	(29)
Settlement prices received/(paid)	0	3,577
Other Actuarial Gains/(losses)	1,442	
At 31 March	<u>47,975</u>	<u>46,788</u>

Expense recognised in the income statement

	2023 £000	2022 £000
Current service cost	2,930	3,052
Interest on defined benefit pension plan obligation	1,535	1,212
Past service cost	0	0
Administration Costs	35	29
Net interest income on plan assets	(1,228)	(859)
Total	<u>3,272</u>	<u>3,434</u>

Notes (continued)

13 Employee benefits (continued)

Pension plans (continued)

The expense is recognised in the following line items in the income statement:

	2023	2022
	£000	£000
Staff costs (note 3)	2,930	5,360
Finance income (note 6)	(1,228)	(859)
Finance expense (note 6)	1,535	1,212
	<u>3,237</u>	<u>5,713</u>

Remeasurements recognised directly in equity in the statement of comprehensive income

	2023	2022
	£000	£000
Opening Value	529	7,974
(Gain)/Loss recognised in the year	(23,847)	(7,445)
Cumulative amount at 31 March	<u>(23,318)</u>	<u>529</u>

The expected rates of return on plan assets are determined by reference to the historical returns, without adjustment, of the portfolio as a whole and not on the sum of the returns on individual asset categories. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

The expected return on Plan assets 2023/24 is (£1,051) (2022/23: £3,799).

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	2023	2022
	%	%
Discount rate	4.8	2.6
Future salary increases	3.9	3.5
Pension increases	<u>2.9</u>	<u>3.2</u>

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date and at 31 March 2023 are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The life expectancy assumption is based on the Funds VitaCurves with improvements in line with CMI2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% per annum.

The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner (Retiring today) aged 65: 19.8 years (male), 22.9 years (female).
- Future retiree* (retiring in 20 years) upon reaching 65: 21.1 years (male), 24.4 years (female).

* Figures assume members aged 45 as at the last formal valuation date.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Notes (continued)

Change in assumptions at year ended 31st March 2023	Approximate % increase to Employer Liability	Approximate monetary amount £'000
0.5% decrease in Real Discount Rate	13%	5,807
0.5% increase in the Salary Increase Rate	2%	1,061
0.5% increase in the Pension Increase Rate	11%	4,642

Change in assumptions at year ended 31st March 2022	Approximate % increase to Employer Liability	Approximate monetary amount £'000
0.5% decrease in Real Discount rate	13%	5,807
0.5% increase in the Salary Increase Rate	2%	1,061
0.5% Increase in the Pension Increase Rate	11%	4,642

The accounting assumptions adopted are the responsibility of the company based on actuarial advice. The suitability of the assumptions have been discussed with the company's auditors to consider the default financial, longevity and other demographic assumptions specific to the company. The default assumptions have also been discussed with the National Audit Office.

Notes *(continued)*

13 Employee benefits *(continued)*

Pension plans *(continued)*

The history of the experience gains and (losses) arising from the defined benefit obligation is as follows

Balance sheet

	2023	2022	2,021	2,020	2,019
	£'000	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(38,477)	(59,285)	(53,494)	(33,290)	(48,944)
Fair value of plan assets	47,975	46,788	37,929	52,858	37,199
Reduction in pension Surplus due to asset ceiling	(9,498)				
Deficit	0	12,497	15,565	19,568	(11,745)

Experience adjustments

	2023	2022	2021	2020	2019
	£000/%	£000/%	£000/%	£000/%	£000/%
Experience gains/(losses) on Plan assets	(2,358)	3,636	(3,122)	(117)	2,784
as a percentage of Plan assets	-5%	8%	8%	0%	10%
Experience gain/(loss) on Plan liabilities	0	0	0	0	1,522
as a percentage of Plan liabilities	0%	0%	0%	0%	-4%

Notes (continued)

14 Capital and reserves

Share capital

	Ordinary shares	
	2023	2022
On issue at start of period	1,240	1,240
Issued for cash	0	0
At 31 March – fully paid	<u>1,240</u>	<u>1,240</u>

Allotted, called up and fully paid	2023	2022
Ordinary A shares of £1 each (issued to East Lindsey District Council)	630	630
Ordinary B shares of £1 each (issued to South Holland District Council)	370	370
Ordinary C Share of £1 each (issued to Boston Borough Council)	240	240

The A ordinary shares were issued at par to East Lindsey District Council.

The B ordinary shares were issued at par to South Holland District

The C ordinary shares were issued at par to Boston Borough Council

Shares classified as liabilities	0	0
Shares classified in shareholders' funds	<u>1,240</u>	<u>1,240</u>

The holders of A, B and C ordinary shares are entitled to receive dividends as declared from time to time and each shareholder is entitled to one vote at meetings of the Company.

Share Capital consist of all funds raised by the Company in exchange for ordinary shares as identified above.

When there is a surplus or a deficit on a pension scheme that results in an asset or a liability being recognised by the company, the recognition of the pension asset or liability results in the creation of a pension reserve. In this instance the Company has a asset on its Balance Sheet.

The Retained Earnings reserve is made up of the company's net income annually and is kept by the Company for reinvestment.

15 Operating leases

The Company is committed to making the following annual payments under non-cancellable operating leases.

	2023	2022
	£000	£000
Other lease commitments		
Within one year	52	59
Within 1 – 5 years	67	119
	<u>119</u>	<u>178</u>

16 Commitments

No Capital commitments have been agreed as at 31st March 2023 (£98k 2021/22)

Notes (continued)

17 Corporation Tax

The 22-23 year Corporation tax expense is estimated to be £0.5k based on the 2022-23 calculation provided to HMRC.

2022-23 Total Revenue	13,303
Revenue considered as Mutual Tax Status	(13,138)
Taxable Profit	38k
Estimated Corporation including previous years	31k

18 Ultimate controlling party

The Company is wholly owned and controlled by South Holland District Council (28% shareholding), Boston Borough Council (24% shareholding) and East Lindsey District Council (48% shareholding). These accounts have been consolidated with all owners' accounts as an incorporated joint venture under IAS11 using gross equity accounting principles of consolidation. The consolidated financial statements of these groups are available to the public and may be obtained from www.sholland.gov.uk, [Boston Borough Council](http://www.boston.gov.uk) and www.e-lindsey.gov.uk.

19 Related parties

The Company has no related party transactions other than transactions with the three district councils and the Lincolnshire County Council Pension Fund to which it is a sponsoring employer. The company considers the directors listed on page 1 to be the key management personnel of the company, plus the senior management team who are involved in the expenditure decision making of the Company.

The compensation of key management personnel is as follows:

	2023	2022
	£000	£000
Emoluments including social security costs	635	593
Reimbursed expenses	0	0
Pension costs – Company Contributions	110	100
Post-employment benefit	0	0
Compensation for Loss of Office	0	0
	<u>745</u>	<u>693</u>

None of the Board Directors listed on page 1 received any remuneration from the Company

As the company is an entity that is jointly controlled by the three district Councils, it has applied the partial exemption in IAS 24 (revised) that is available to government controlled entities. This reduces the disclosure requirements in relation to related party transactions, outstanding balances and commitments with the existing district Councils.

20 Subsequent events

There are no reportable subsequent events.

21 Accounting estimates and judgements

The Company has considered accounting estimates for the following elements of the accounts:

- **Accruals:** the Company has adopted the matching concept and has used experience based judgements as the basis for its accruals.
- **Bad debts:** the Company has no debts with its two parent clients it considers to be at risk of non-payment and so has made no bad debt provision.
- **The Company** has adopted a de-minimus level of £5,000 for stocks in line with its parent clients.

- Depreciation and amortisation: see note 1.5 and 1.6 for the accounting policy.
- Pensions: see note 13 for the assumptions employed.

The Company does not anticipate any material variance from the estimates detailed above due to the low level of uncertainty associated with the individual elements.

22 Place of Business

The company predominantly is based at the Company owners offices as at 31st March 2023 at The Hub, Mareham Road, Horncastle, Lincolnshire and Priory Road, Spalding, Lincolnshire and The Municipal Building, Boston.