

# Statement of Accounts 2024/25 (subject to audit)

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Written statements to the accounts

Lune Valley  
Photo: Kevin Eaves



## Foreword by the Section 151 Officer



I am pleased to introduce the statement of accounts for the 2024/25 financial year.

The financial statements set out both the single entity accounts for Lancashire County Council and the consolidated group position, incorporating its subsidiary Lancashire County Developments Limited. The accounts for the Lancashire County Pension Fund are also included, for which Lancashire County Council is the administering authority.

As the newly appointed Chief Executive of the county council, I have seen firsthand the council's teams continuing to strive to meet local priorities in the context of a challenging economic landscape.

### Performance

In the year the council continued to drive forward in achieving its performance ambitions to ensure efficient and effective services for our communities.

The percentage of children reaching the expected standard in reading, writing, and maths by the end of primary school improved and the council successfully increased the intake of pupils in several secondary schools to meet growing demand.

Understanding this to be of a high priority for residents, I was happy to see that the highways team performed notably well in 2024/25, reflecting the council's commitment to improving road conditions and responding more effectively to defects.

The team addressed a higher number of defects compared to the previous year with improved response times through focussing on meeting strict repair targets. Over 90% of highway defects that met the threshold for repair were fixed within the target times of 5, 10, and 20 days.

With £68 million of investment in the highways network in the year we have continued to maintain and improve the highways infrastructure for our road users.

Also, the new M55 to Heyhouses link road was opened on 28 June, completing the existing Lytham St Annes Way. This major project is another excellent example of how we have worked in collaboration with local and national partners to improve the lives of our residents and help local businesses.

### Inspections

During the year, the council's Special Educational Needs and Disabilities (SEND) services were inspected jointly by Ofsted and the Care Quality Commission. The inspection highlighted the challenges faced by the sector such as funding, workforce retention, and the increasing demand for SEND services.

The council responded with a Priority Action Plan and significant investments to improve services and outcomes for children and young people with SEND.

In October, we received notification that the Care Quality Commission would be inspecting the council's adult social care functions. Teams across the council provided information and support to the inspectors and the outcome of the inspection is expected to be published later in 2025.

## Local Economy

The council recognises its crucial role in fostering economic growth and prosperity in the region and we were incredibly proud to host in February the Convention of the North 2025 at County Hall in Preston. The event brought together business, community, academic, and political leaders to discuss the challenges and opportunities facing the North of England. This year's focus was on skills and innovation, highlighting Lancashire's strengths and its role in driving national economic growth.

Also, this year the Combined County Authority (CCA) was formally established, which includes Lancashire County Council, Blackburn with Darwen Council, and Blackpool Council. This is a key step in the council's devolution journey aiming to bring greater powers and funding to our local area.

## Financial Sustainability

Whilst the financial pressures through inflation and demand remain, the council maintains a strong focus on ensuring it lives within its means. The council's Productivity Plan, approved in July 2024, outlined strategies for improving performance, transforming services, and reducing inefficient

expenditure. This includes the promotion of innovation in service delivery, early prevention reducing the need for services, and integration efforts to reduce collective costs across public services.

Despite initial forecasts of a significant budget deficit, the council was able to reduce its projected overspend position by the year-end through effective financial replanning and management focus.

In our children's services, the council saw reductions in new entrants into care and improved support through new Family Hubs and expanded outreach services in line with the strategic aims. In care services for adults, the "Living Better Lives in Lancashire" program promoted independence and strength-based care planning, leading to better outcomes and reduced costs.

New technology-enabled solutions supported our efforts, such as personalised online guides and real-time well-being assessments in social care to enhance efficiency and reduce staffing costs.

These initiatives reflect the council's strong commitment to effective financial stewardship, maintaining a financial sustainable and resilient organisation.

*Mark Wynn*

Section 151 Officer



## The county of Lancashire

The county of Lancashire lies in the northwest of England. It is bordered by Cumbria, Greater Manchester, Merseyside and Yorkshire with a coastline to the Irish Sea.

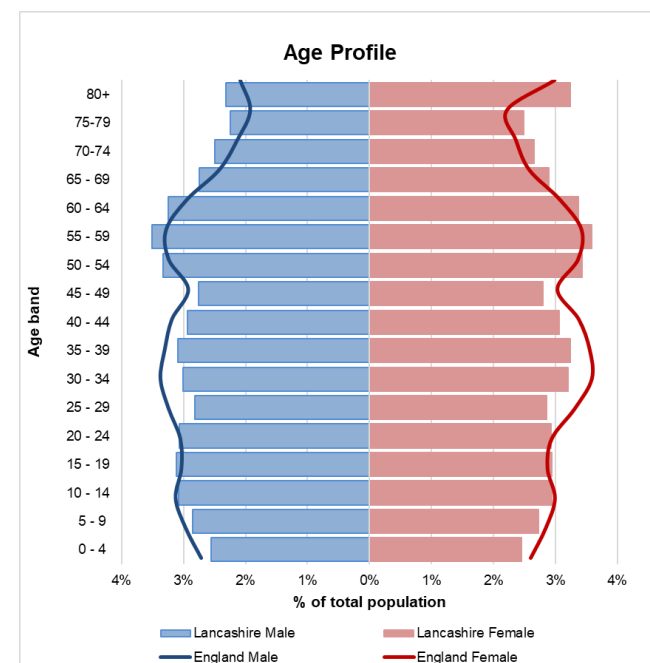
Lancashire contrasts a network of densely populated urban centres set within countryside of outstanding natural beauty. At £37 billion, it is one of the largest economies in the north of England, with around 45,000 businesses.

Lancashire has a diverse heritage and a track record of innovation and productivity with manufacturing still retaining a key presence, providing around one eighth of total employment. Lancashire is home to the world's fourth largest aerospace cluster, as well as core strengths and capabilities in advanced manufacturing, energy, digital and health innovation.

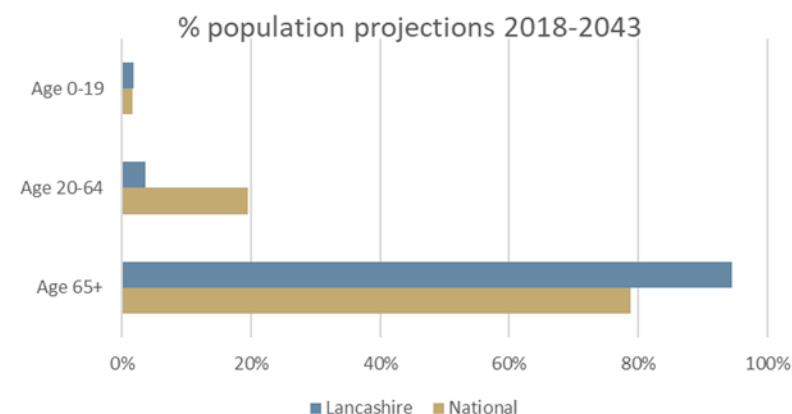
## Demographic profile of Lancashire

The Office of National Statistics (ONS) mid-year population estimate for Lancashire in 2023 showed that there were 1,270,162 people living in the county. The population is projected to increase to 1.3 million by 2043, with significant increases forecast in the age over 65 population.

The profile of the population is an important determinant of the demand for services provided by the council, such as the need for adult and children's social care. The age profile chart highlights some challenges with a forecast lower proportion of working age adults relative to an increasing older population. This highlights the importance of our economic development activity to attract working age people into Lancashire.



ONS mid-2023 population estimates



2018-based subnational principal population projections for local authorities

## About Lancashire County Council

Lancashire County Council is the fourth largest council in the UK covering a geographic area of 2,894km<sup>2</sup>. It provides services to residents of the twelve district areas of Burnley, Chorley, Fylde, Hyndburn, Lancaster, Pendle, Preston, Ribble Valley, Rossendale, South Ribble, West Lancashire and Wyre.

Its responsibilities include:

- Schools and education;
- Adult and children's social care;
- Highways and transport;
- Registration of births and deaths;
- Public health;
- Waste and minerals management;
- Libraries and heritage; and
- Economic development.

## Our vision

"We are building a better Lancashire where everyone can live their best life through stronger communities, a growing economy and high-quality public services."

Our ambition for a better Lancashire is built on our remarkable strengths – our sense of community, our natural environment and heritage, and our world-class industrial and commercial sectors make our county a great place to live and visit.

Our challenge is to use those strengths to create more economic opportunities for local people, help make our communities safer and respond to the increasing numbers of residents who need support. Throughout all of this, we need to keep delivering quality services at an affordable cost.



## Our ambitions



### Better lives for all

We will ensure more children and young people have the best start in life, families are more resilient, adults are supported to live more independent lives, and that everyone can live a healthy and happier life.



### Economic ambition

We will work with the business community to equip people with the right skills to secure rewarding work, invest in Lancashire, improve transport and digital connectivity, and grow the local economy.



### Stronger communities

We will ensure our communities are safer and more resilient, encourage people to play their part, promote our rich heritage and culture, and protect our environment for future generations.



### Thinking differently

We will focus on delivering high-quality public services, providing the right help at the right time, embracing digital and technological innovation and developing the best possible workforce.

## Our values

- Supportive
- Innovative
- Respectful
- Collaborative

## Working together

- With residents
- With partners
- With councillors
- With colleagues

## Being accountable

- Managing performance
- Delivering our priority programmes
- Balancing our budget





We want Lancashire to be the best place to raise a family, to thrive as an adult and remain independent for as long as possible.

**Our priorities are:**

- Each child can get the best start in life to help reach their full potential
- Families are supported to be resilient
- Residents enjoy independent and fulfilling lives in supportive communities
- Everyone can have a healthy and happier life, regardless of circumstances or background

**Success will look like:**

- More people living healthier and happier lives at home or closer to home for longer
- Narrowing the gap in health and life expectancy between more and less prosperous areas
- Higher levels of educational attainment and progress for all children and young people
- Helping more people and families at an earlier stage, avoiding the need for more intensive services, such as being placed into the care of the county council
- More inclusive and sustainable services that meet the needs of children with SEND



## **Economic ambition**

We are committed to driving economic growth and prosperity for all. Building on Lancashire's rich history of innovation, world-class industries and a £39.6 billion economy.

### **Our priorities are:**

- Residents have the right skills to secure rewarding work
- Existing and new businesses invest in Lancashire
- Places are better connected with well-maintained roads and good transport links
- We collaborate with partners to accelerate economic growth

### **Success will look like:**

- Lancashire's economy grows significantly over the next five years
- More of the Lancashire workforce is engaged in high-quality, well-paying jobs
- Expanding transport links to key employment, housing and education sites
- Continuing to make Lancashire an attractive location for successful businesses to start, grow and stay
- Shrinking the income gap between Lancashire households and the UK average



## **Stronger communities**

We are committed to celebrating and supporting our diverse communities and to building a strong sense of place we can all be proud of.

### **Our priorities are:**

- Our neighbourhoods are safe and resilient
- We encourage local people to play their part in improving their communities
- Residents and visitors enjoy our rich culture and heritage
- Our environment is protected for future generations

### **Success will look like:**

- Low crime and anti-social behaviour
- Less waste and higher rates of reuse and recycling
- Fewer people killed or seriously injured on our roads
- Increased footfall to our cultural and heritage attractions
- Reduced carbon emissions from our estate and operations





## Thinking differently

Building a better Lancashire means taking every opportunity to improve how we do things. We will build on our strong record of financial management and do more through technology and data, a dynamic, united workforce, and by targeting support where it's most needed.

### Our priorities are:

- We deliver high-quality public services in an efficient way
- We provide the right help at the right time
- We embrace digital innovation to become more accessible and effective
- We develop the best council workforce, attracting and retaining talented people

### Success will look like:

- We remain within our budget
- Our services are accessible and user-friendly for residents
- Residents can address their own challenges, with help if needed
- Our costs and performance compare well with similar councils
- We improve outcomes for residents and reduce costs through early intervention and prevention



# Building on our achievements



**13,976**  
Carers supported.



Crossing guards help  
**107,000** children get to  
school safely every day.



Approved **15** new  
children's homes.



**311,328** daytime  
support sessions delivered.



**2,000** Supported  
Living homes made  
available to help to people  
live independently.



We record around **50,000**  
contacts with families each  
quarter through services  
delivered at **29** Family Hubs.



The Lancashire Skills  
Pledge helps over **250**  
businesses with bespoke  
recruitment support.



Supporting **14,000**  
businesses, creating  
**3,500** jobs and adding  
over **£100m** to our  
economy since 2013.



More than **21,000**  
children trained in **bike and  
pedestrian safety**.



We assist customers with  
**17,000**  
queries each week.



Helped **4,060** people with a learning  
disability, **12,353** people with a  
physical disability and **3,771** people  
with a memory or cognition need.



Improving and promoting  
bus services increased  
journeys by **9%** in two  
years.





Our Shared Lives service is rated '**Outstanding**' by the Care Quality Commission.



Opened the **ambitious** Preston Western Distributor and the M55 to Heyhouses Link Road.



**2.5m** visitors borrow around **3.2m** books from our **64** libraries and attend **26,000** events each year.



Supported **143** new apprentices at **90** businesses with a further **100** places approved.



**2,235** people have been supported through **54** Skills Bootcamps



Reduced the county council's carbon emissions by **27%** over the last five years.



Working with families, we reduced the number of children needing care by **13.5%** in two years.



Helped **1,912** eligible people to claim welfare benefits, securing them **£5.4m** overall.



Resurface around **750,000m<sup>2</sup>** of road and manage a network of more than **4,300** miles.



**Expanding** Special Educational Needs and Disabilities (SEND) provision, including new units in Nelson and Burnley.



Our **£19.8m** Lancashire Economic Growth and Development Investment Fund powers key sectors like cybersecurity.



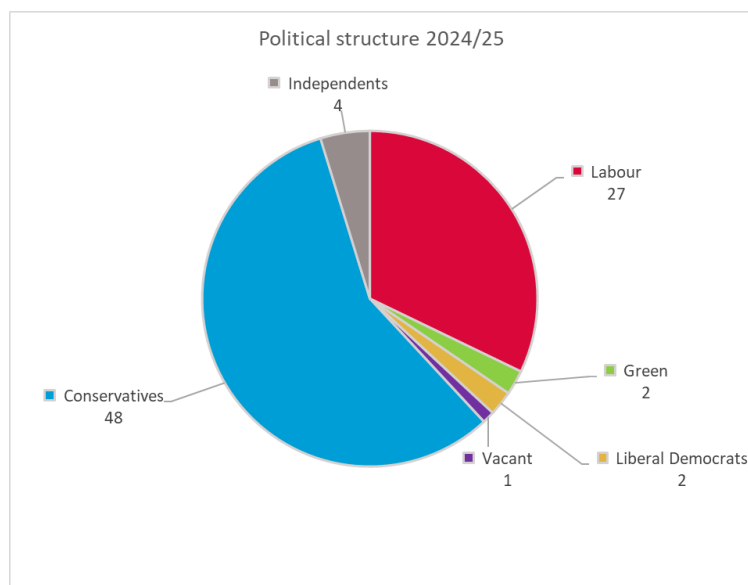
**41,798** Health Checks for people over 40.

## Our governance structure

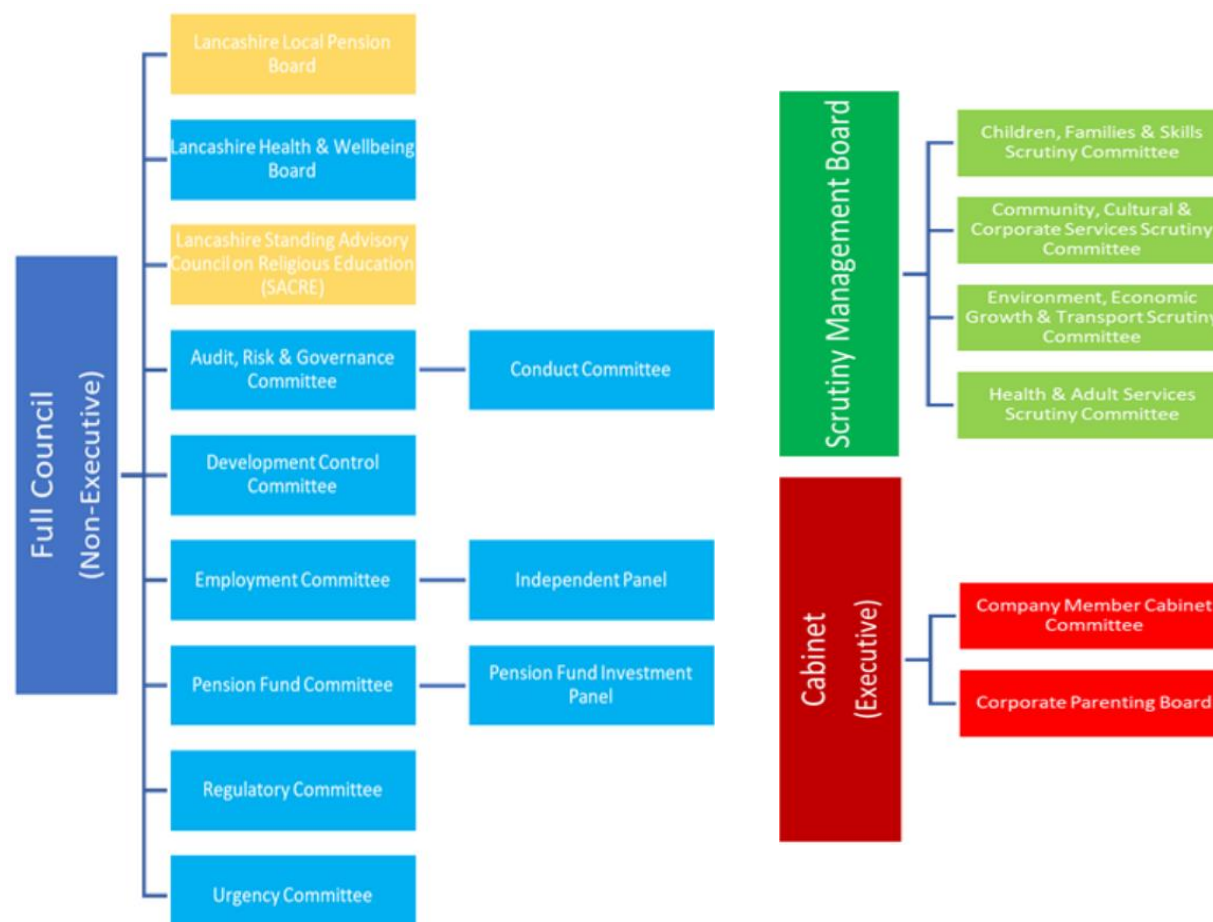
There are 84 county councillors elected to cover all the electoral divisions in the 12 Lancashire district areas. County councillors represent their communities in the council's decision-making processes.

Council meetings are broadcast live on our website as part of our ambition to bring decision-making closer to the public.

The chart below shows the political structure of the council as at 31 March 2025.



The Council appoints various committees, sub-committees and boards to undertake a range of non-Executive functions. This diagram shows the overall committee structure of the Council:



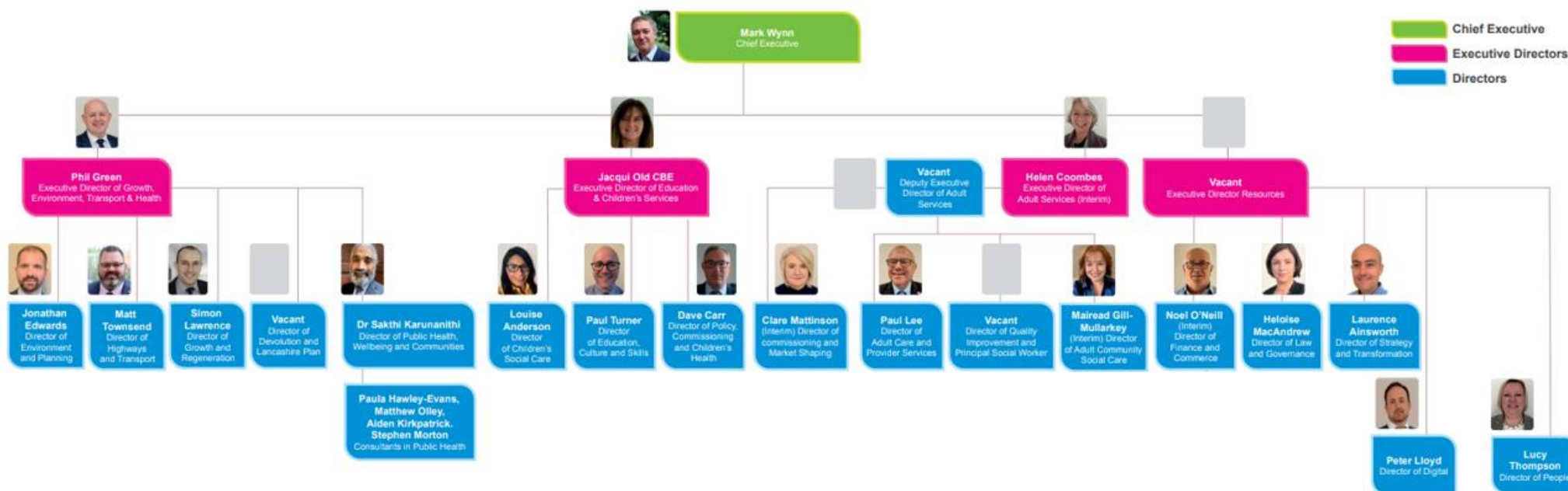
Further details of the council's governance arrangements are provided in the Annual Governance Statement.



## Our staff

The council is managed by the Chief Executive together with four executive directors. They are accountable to the county councillors who determine policy and agree spending priorities. The council is supported by administrative, professional, technical and operational employees whose role is to advise the council on all aspects of its functions and to put into effect decisions, which are taken in order to provide services to the public. The council has responsibilities spanning public health, social care, the economy and the environment and employs over 13,250 people in full time and part time contracts with around a further 28,000 people employed in schools.

The council's management structure on 31 March 2025 is shown below.



## Our performance

The corporate performance report provides information on the progress we have made towards achieving our four key priorities: delivering better services, caring for the vulnerable, protecting the environment, and supporting economic growth. The full performance report can be found on our website at <https://www.lancashire.gov.uk> and is summarised in this section.



Key	
✓	Achieving the target/expected level of performance
!	Slightly below desired level
✗	Requires improvement

Target	Good Is	As of Date	Metric Name	Latest Value	RAG Status
Quartile 2 - 98.8-99.2	High	2024/25	% of parents who get one of three preferred school places (Primary)	99.1	✓
Quartile 2 - 94.8-97.7	High	2024/25	% of parents who get one of three preferred school places (Secondary)	96.9	✓
2024/25 85%	High	2024 d Autumn Term	% of 2 year old children eligible for free funded education	88.0	✓
2024/25 85%	High	2024 d Autumn Term	% of 3 and 4 year old children eligible for free funded education	102.4	✓
<700	Low	2024/25 Q4	Number of children in Lancashire, not on roll and not receiving suitable education	836.0	✗
2024/25 - 5800000	High	2024/25 Q4	Number of visits to libraries and Number of e-downloads (annual cumulative indicator)	5,962,786.0	✓
57.9% Annual target (2024/25)	High	2024/25 Q4	NHS Health Checks undertaken (proportion of eligible population per quarter) %	62.8	✓
National 95%	High	2024/25 Q3	PH 0-19: Infants who received a 6–8-week review by the time they turned 8 weeks %	89.5	!
TBC	Low	2024/25 Q4	Number of Complaints upheld by the Ombudsman	28.0	
2023/24 10 days	Low	2024/25 Q4	Correspondance answered in timescales average (days)	12.0	!

Performance remains broadly positive. School admissions show high success rates, with 98.7% of primary and 96.6% of secondary applicants receiving one of their top three choices. Early years education uptake is strong, though lower in some areas, prompting targeted outreach. Library usage reached its highest post-pandemic level, with digital engagement up 15%. Highways maintenance scored 9.5/10, exceeding the target of 8, and street lighting and gully cleaning met all planned targets. Customer service call response rates remained high, supported by low staff turnover. NHS Health Checks exceeded targets however, Ombudsman complaints rose, especially in SEND with correspondence response times improved but remaining below target.





Target	Good Is	As of Date	Metric Name	Latest Value	RAG Status
8 to 10	High	2024/25 Q4	Condition and maintenance score	9.50	✓
90% Quarterly (2022/23)	High	2024/25 Q4	Safety carriageway defects repaired within 4 hours (emergency) %	90.59	✓
90% Quarterly (2022/23)	High	2024/25 Q4	Safety carriageway defects repaired within 2 working days (urgent) %	95.73	✓
90% Quarterly (2022/23)	High	2024/25 Q4	Safety carriageway defects repaired within 5 working days (non-urgent) %	92.23	✓
90% Quarterly (2022/23)	High	2024/25 Q4	Safety carriageway defects repaired within 10 working days (non-urgent) %	92.95	✓
90% Quarterly (2022/23)	High	2024/25 Q4	Safety carriageway defects repaired within 20 working days (non-urgent) %	96.73	✓
90% Quarterly (2022/23)	High	2024/25 Q4	Non-Traffic Management (NTM) lamp-out faults repaired within 5 working days %	99.26	✓
90% Quarterly (2022/23)	High	2024/25 Q4	Traffic Management (TM) lamp-out faults repaired within 20 working days %	100.00	✓
88.75% Quarterly (2022/23)	High	2024/25 Q4	% of calls presented to the Customer Access Service answered	97.69	✓



## CARING FOR THE VULNERABLE

Target	Good Is	As of Date	Metric Name	Latest Value	RAG Status
95	High	2024/25 Q4	Timeliness of safeguarding decisions: proportion of section 42 decisions made within 2 days of concern raised.	99.7	✓
72.6	High	2024/25 Q4	Percentage of people with long-term support needs receiving community-based packages of support	69.3	!
1171	Low	2024/25 Q4	Number of people waiting over 28 days for an initial assessment, reassessment or occupational therapy assessment.	3099.0	✗
76.8	High	2024/25 Q4	Proportion of carers receiving carer-specific services who receive direct payments.	100.0	✓
90	High	2024/25 Q3	Percentage of Care Act eligible people discharged from hospital into their own home (or usual place of residence).	0.9	✓
80	High	2024/25 Q4	Proportion of completed annual reviews in a rolling 12-month period.	50.2	✗
85	High	2024/25 Q4	Percentage of adult social care providers rated good or outstanding by the Care Quality Commission (a weighted average across Community/Residential Care homes).	85.5	✓
5.0 (2024/25)	Low	2024/25 Q4	Children becoming looked after (Rate and Number)	4.5	✓
71	High	2024/25 Q4	Long term stability of placements for children looked after	70.2	!
66%	High	2024/25 Q4	% of Care Leavers in Education, Employment or Training (17/18 yrs)	61.7	!
Above national average	High	2024/25 Q3	Substance Misuse and Alcohol: Proportion of all in treatment, who successfully completed treatment and did not re-present within 6 months: alcohol %	44.4	!
Above national average	High	2024/25 Q3	Substance Misuse and Alcohol: Proportion of all in treatment, who successfully completed treatment and did not re-present within 6 months: opiates %	4.7	✗

Community-based support for adults is stable but below target, with new models being implemented to improve access and independence. Carer support remains high, and safeguarding decisions are consistently timely. Most adult social care providers are rated good or outstanding, and hospital discharge outcomes are strong. Annual reviews and assessment wait times remain areas of concern, though recruitment and triage improvements are underway. The number of children entering care is stable and below national averages, with strong placement stability. Alcohol treatment outcomes exceed national averages, while opiate treatment remains below target. Care leaver engagement in education, employment, or training is improving but still lags behind benchmarks.





## PROTECTING OUR ENVIRONMENT

Target	Good Is	As of Date	Metric Name	Latest Value	RAG Status
2024/25 60%	High	2024/25 Q4	% of Waste Re-used, Recycled, Recovered or Composted at Household Waste Recycling Centres	58.50	✓
7.5	High	2024/25 Q4	Sustainable travel index	8.30	✓
Target year 5 2024/25 is 2.88%	Low	2024/25 Q4	Condition of A road % Red	3.90	✗
Target year 5 2024/25 is 3.73%	Low	2024/25 Q4	Condition of B road % Red	5.10	✗
Target year 5 2024/25 is 6.02%	Low	2024/25 Q4	Condition of C road % Red	7.40	✗
Year on year reduction	Low	2022-23	Gross tonnes of Carbon dioxide equivalent (tCO2e)	38,317.00	✓
120 sites (10% of all BHSs) surveyed, and management advice provided starting from 2023/24	High	2024/25 Q4	Number of Biological Heritage Sites (BHSs) surveyed with management advice provided	112.00	✓
An improving trend in the % of AQMAs with air quality within compliance limits	High	2024/25 Q2	% of Air Quality Management Areas (AQMAs) with air quality within compliance limits.	93.00	✓

Recycling and reuse at Household Waste Recycling Centres reached 61.1%, surpassing the 60% target. The Sustainable Travel Index improved, with better bus user satisfaction and progress in active travel schemes. Carbon emissions from council operations continue to decline, though future reductions will be harder to achieve. Biological heritage site surveys fell slightly short due to weather, but 75 management plans were issued. Air quality improved, with fewer areas exceeding nitrogen dioxide limits. However, the condition of A, B, and C roads remains below target, prompting reprioritisation of investment in the next phase of the Transport Asset Management Plan.



Target	Good Is	As of Date	Metric Name	Latest Value	RAG States
2022/23 65%	High	2023/24	% Good Level of Development at Early Years Foundation Stage	64.80	!
2022/23 59%	High	2023/24	% Expected Standard in Reading, Writing & Maths at Key Stage 2	60.00	✓
2022/23 47	High	2023/24 1 Revised	Pupils Average Attainment 8 Score at Key Stage 4	44.90	✗
2024/25 95.5%	High	2024/25 Q4	% of Young People in Employment Education or Training	93.50	!
2024/25 National Average	Low	2024/25 YTD3.4.25	% Primary School Absence	5.03	✓
2024/25 National Average	Low	2024/25 YTD3.4.25	% Secondary School Absence	8.07	✓
2024/25 National Average	Low	2024/25 Autumn Term	% Absence EHCP Pupils	10.92	✓
2024/25 National Average	Low	2024/25 Autumn Term	% Absence SEN Pupils	7.12	✓
Above 90%	High	2024/25 Q4	Economic Impact (Index of Performance)	86.50	✓
Above 75%	High	2024/25 Q4	Strategic Development and Infrastructure Programme performance (including multi-district regeneration programmes) (% RAG rating)	77.00	✓
5.5 by end of Summer Term 2025	High	2024/25 Q4	% Gatsby benchmark achieved by Lancashire Careers Hub (Skills)	6.60	✓

Educational attainment shows mixed results: early years and Key Stage 2 performance improved slightly but remain below national averages, while Key Stage 4 scores declined marginally. Pupil absence rates are better than national averages, and efforts to reduce NEET rates among young people are ongoing. Strategic infrastructure projects are progressing well despite inflationary pressures, with several nearing key milestones. The Economic Impact Index is positive overall, with strong business support and investment, though new business starts and website visits were slightly below target. The Lancashire Careers Hub continues to exceed Gatsby Benchmark targets, supporting skills development across schools.

## Our risk management

In delivering our services, we are faced with a range of risks, which can threaten the quality and availability of the services we provide. The corporate risk and opportunity register is reported quarterly to Cabinet and the Audit, Risk and Governance Committee. Some of the most significant of these risks are highlighted below:

Risk description	Possible consequences	Mitigating actions
Financial sustainability	Services become unsustainable and we cannot fulfil our statutory duties resulting in an adverse impact on clients/residents.	<p>As part of the budget process, plans for savings have been reviewed against expectations of delivery and those assessed as high risk of being unachievable were replaced by alternative savings plans.</p> <p>Rigorous challenge on proposed savings has been applied and detailed delivery plans established. This focus on delivery will support spending within the approved budget.</p> <p>The statutory override applicable to DSG deficits will allow these to be ring-fenced away from the council's reserves, however this override is due to expire in March 2026.</p>
Workforce recruitment and retention	Unable to attract and recruit candidates and retain staff leading to an inability to deliver services.	<p>A full strategic review of the current approach, processes, principles, policies and engagement continues.</p> <p>A strategic resourcing offer is being developed, intended to help departments in the use of key data for targeted recruitment campaigns to improve recruitment and retention outcomes.</p>
Promoting Independence and Reducing Demand	Unable to meet the need for social care presenting in adults and children.	<p>Improving adult social care business responsiveness and timeliness, strengthening the adult social care market, and enhancing the availability of placements for children with complex needs.</p> <p>Includes enhancing data quality and service access, increasing assessment capacity, improving provider oversight, strengthening commissioning systems, and ensuring strategic leadership and collaboration to address funding and placement challenges.</p>



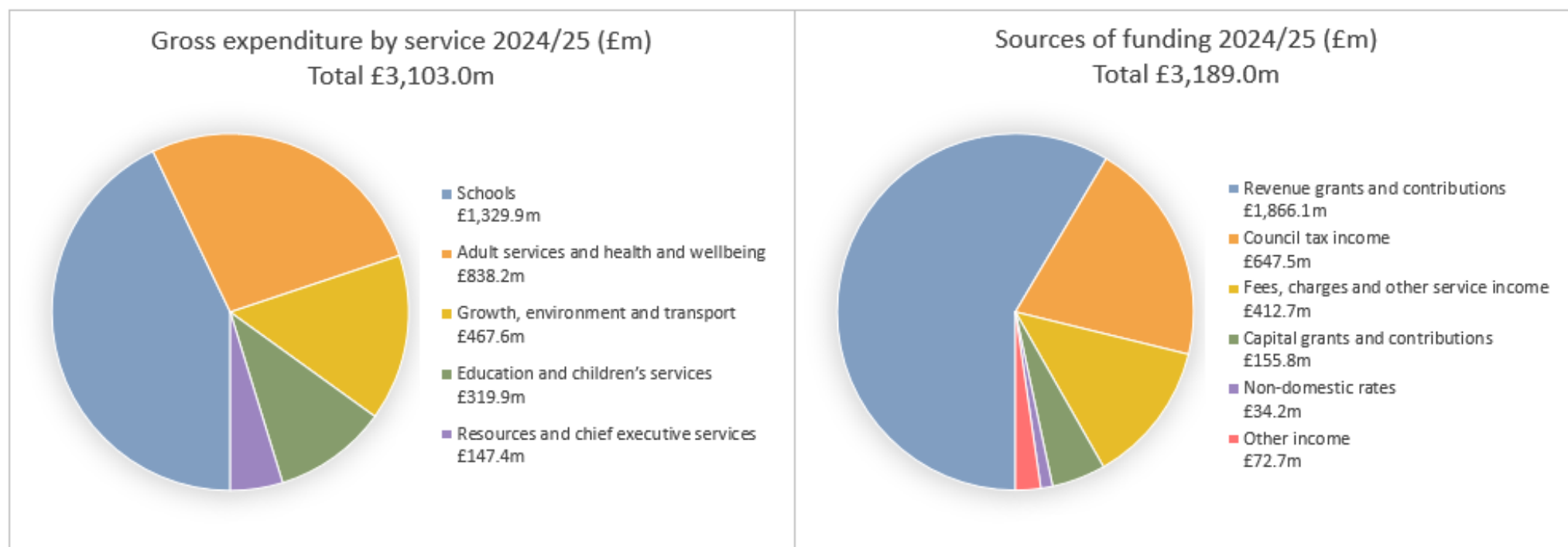
## Our financial performance

### Revenue summary

The council receives funding from three main sources:

- Government grants
- Council tax
- Business rates

The council also generates income from fees and charges for services it provides. The charts illustrate the funding received and how it was spent on services.



## Revenue outturn

In February 2024, the council approved a net revenue budget of £1,111.754 million. The revenue budget shows the annual cost of delivering against the council's duties and responsibilities to the community, many of which are given to the council under statute.

The following table shows what Lancashire County Council actually spent compared to the planned spending for the year. The difference between the two is shown in the (under)/overspend column. The negative figures are those where spend is less than planned and the positive figures are where spend is more than planned.

Service	Approved budget	Outturn	(Under)/overspend
	£m	£m	£m
Adult services and health and wellbeing	469.835	491.444	21.609
Education and children's services	256.090	256.040	(0.050)
Growth, environment and transport	194.948	196.727	1.779
Resources and chief executive services	190.881	178.149	(12.732)
<b>Sub total</b>	<b>1,111.754</b>	<b>1,122.360</b>	<b>10.606</b>
Schools	0	43.919	43.919
<b>Total</b>	<b>1,111.754</b>	<b>1,166.279</b>	<b>54.525</b>

The overspend for the council (excluding schools) of £10.606 million is 0.95% of the 2024/25 budget. The most significant area of overspending relates to adult social care, which is attributed to continued demand and price pressures with challenges in delivering the planned cost savings in this context. This overspend was partially offset by reduced corporate staffing costs and early savings delivery in this area.

Schools have overspent against their grant for 2024/25 by £43.919 million. Whilst there is continued pressure in relation to price and salary costs, the demand for services relating to support for pupils with special educational needs and disabilities has taken increased pace. The impact of the overspend is to decrease schools reserves by £43.919 million, of which £2.865 million relates to independent schools

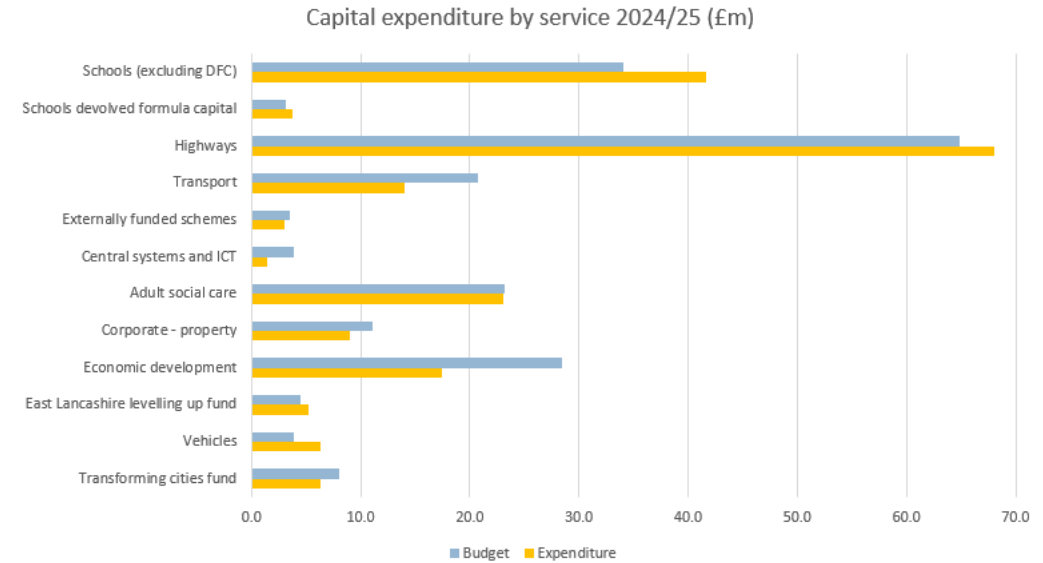
The outturn position is reconciled to the figures shown in the comprehensive income and expenditure statement in Note 4 - expenditure and funding analysis.

## Capital investment programme

In February 2024, the council approved an initial capital budget of £198.524 million for 2024/25. The final capital programme for the year following review and subsequent investment decisions totalled £209.371 million, and included:

- Enhancements and improvements to schools and buildings the council delivers services from including residential care homes;
- Upgrading of carriageways, street lighting and improvements to road junctions;
- Investment in the council's ICT infrastructure to support corporate priorities;
- Investment in improvements to transport networks;
- Delivery of the awarded transforming cities programme;
- Support for schemes to deliver economic growth in the county.

The total spend on capital works in 2024/25 was £199.152 million which represents 95.1% of the budgeted programme.



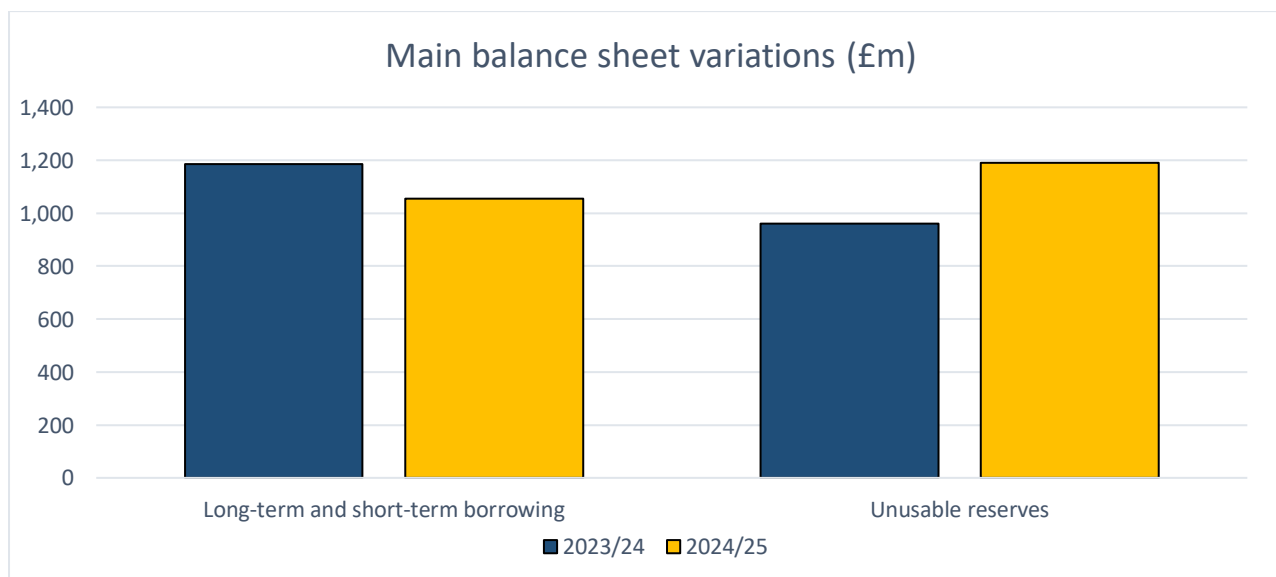
	Budget £m	Expenditure £m	Variation £m
Schools (excluding DFC*)	34.091	41.602	7.511
Schools *Devolved Formula Capital	3.160	3.789	0.629
Highways	64.862	68.051	3.189
Transport	20.737	13.991	(6.746)
Externally funded schemes	3.475	3.016	(0.459)
Central systems and ICT	3.858	1.457	(2.401)
Adult social care	23.137	23.073	(0.064)
Corporate – property	11.105	8.980	(2.125)
Economic development	28.459	17.435	(11.024)
Levelling Up Fund	4.490	5.162	0.672
Vehicles	3.921	6.328	2.407
Transforming Cities	8.076	6.268	(1.808)
<b>Total expenditure</b>	<b>209.371</b>	<b>199.152</b>	<b>(10.219)</b>



## Assets and liabilities

The balance sheet summarises the council's financial position at the year-end and reports the assets, liabilities and reserves of the council which show what the council owns and how much it owes. The net assets of the council have increased by £163.6 million from £1,668.9 million at 31 March 2024 to £1,832.5 million at 31 March 2025, with the main balance sheet variations shown in the following chart:

Summary financial position	31 March 2024	31 March 2025	Movement
	£m	£m	£m
What we own (assets)	3,569.4	3,504.2	(65.2)
What we owe (liabilities)	(1,900.5)	(1,671.6)	228.9
<b>Net financial position (assets less liabilities)</b>	<b>1,668.9</b>	<b>1,832.6</b>	<b>163.7</b>
<b>The net financial position is held in reserves as follows:</b>			
General reserves available to the council (usable)	(707.5)	(642.8)	64.7
Other reserves held for statutory or specific purposes (unusable)	(961.4)	(1,189.8)	(228.4)
<b>Total reserves</b>	<b>(1,668.9)</b>	<b>(1,832.6)</b>	<b>(163.7)</b>



The most significant movements on the balance sheet relates to reductions in the council's long and short-term borrowing positions.

This reduction in the council's liabilities is reflected by an increase in the unusable reserves.

## Pension fund asset/liability

The Council has adopted an accounting approach of capping the actuarial asset surplus for the local government pensions. However, there is a current year net liability of £100.6 million (£104.8 liability as at 31 March 2024) for the teachers' pensions and unfunded benefit obligations. The uncapped asset surplus for the local government pension scheme is £1,514.4 million (£1,049.6 million as at 31 March 2024) which has not been recognised in the Council's accounts and is in line with current consensus in interpreting International Accounting Standard (IAS) 19.

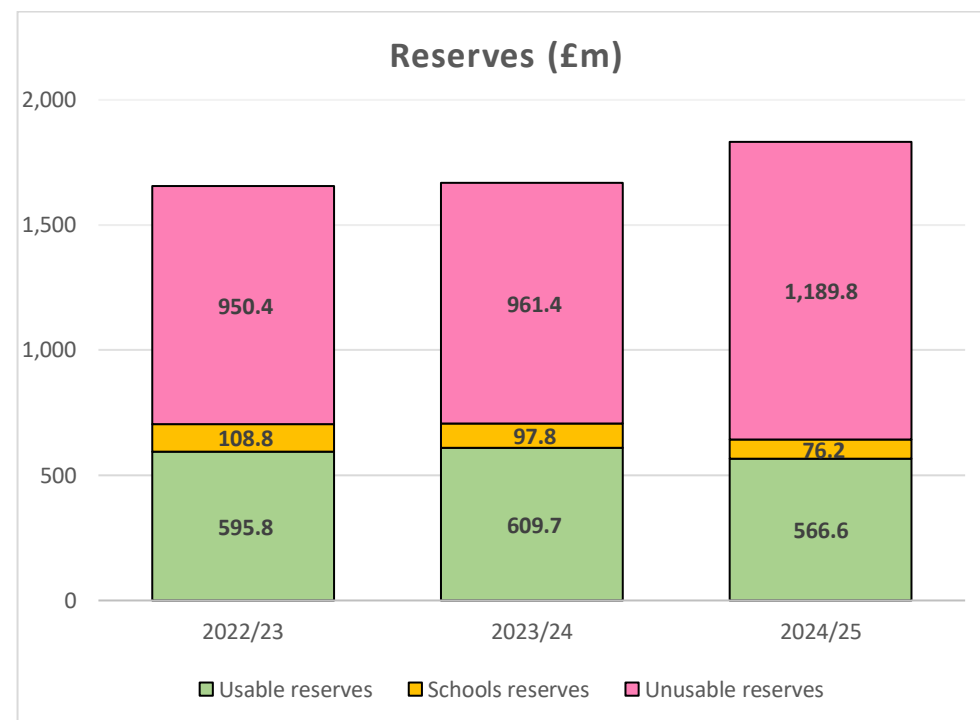
Actuarial valuations are carried out every three years. The last actuarial valuation of the Lancashire County Pension Fund was carried out as at 31 March 2022 by an independent firm of actuaries. The pension figures are revised annually based on updated assumptions.

Further details of the pension liability and assets are set out in the technical annex section of these financial statements.

## Reserves

The reserves on the balance sheet represent the council's net worth and are split into usable reserves and unusable reserves.

The following chart shows the balance of reserves over the last three years. Usable reserves are shown in green, unusable reserves are shown in red and reserves belonging to schools are shown in orange.



### Usable reserves

Usable reserves are those reserves that can be spent on future services and include general reserves as well as those earmarked for specific purposes.

### Unusable reserves

The council also holds a number of unusable reserves, which arise as a result of statutory or accounting adjustments and cannot be used for expenditure on services. These include unrealised gains and losses, particularly in

relation to the revaluation of property, and adjustment accounts, which absorb the timing difference between the outcome of applying accounting practice and the amounts required to be charged to the financial statements under statute. The adjustments are described in more detail in the following section - 'explanation of the accounting statements'.

The following accounts normally represent the most significant movements in unusable reserves and are explained further in Note 30:

- Revaluation reserve;
- Pensions reserve;
- Capital adjustment account.

The movement in unusable reserves is largely due to changes in the revaluations.

## Financial sustainability

The council has to plan for the long term to ensure that it can continue to deliver its services in future years and be able to deal with any unexpected events. As a result, it is important that our financial standing (or sustainability) is robust.

Lancashire County Council has a fully developed medium term financial strategy covering a period of three years, which includes looking at risks and future demands on services.

The biggest medium-term financial risks identified are:

- Population growth and age profile – this is likely to lead to increased service demand.
- Schools balances – we have funding pressures due to government education grants being less than expenditure.
- Safeguarding the financial position of the council – the council looks at ways to improve efficiency through delivering services in different ways. These plans should remain on track.

## Raising debt to finance council investment

The council has a borrowing requirement arising from current and past years' capital programmes. This is met by a mixture of long and short term borrowing, the balance of which can vary year on year depending upon maturities and market conditions. Decisions made on borrowing will also affect cash available for investments.

Councils can borrow to invest in property or other infrastructure that supports the delivery of services, but they must ensure that they can afford to pay for the borrowing that is undertaken.

The council sets out its approach to borrowing and investment in its annual treasury management strategy, and this is monitored throughout the year by the Audit, Risk and Governance Committee, with advice from external specialists as appropriate.



## Financial interests in other organisations

The group accounts show the full extent of the county council's economic activities by reflecting the county council's involvement with its group companies. Inclusion in the Lancashire County Council group is dependent upon the extent of the county council's interest and control over the entity. Where an entity is considered to be below materiality levels, it is not included in the group accounts.

Type	Number
Subsidiaries	5
Associates	2
Joint ventures	1

In 2024/25, the group accounts include the county council's interest in Lancashire County Developments Limited, which is an economic development agency for the county. Lancashire County Developments Limited is the holding company in the group structure, the subsidiary company is Lancashire County Developments (Property) Limited.

The financial position of the council is as follows with the inclusion of Lancashire County Developments Limited:

Summary financial position	31 March 2024	31 March 2025	Movement
	£m	£m	£m
What we own (assets)	3,653.5	3,590.5	(63.0)
What we owe (liabilities)	(1,910.0)	(1,680.0)	230.0
<b>Net financial position (assets less liabilities)</b>	<b>1,743.5</b>	<b>1,910.5</b>	<b>167.0</b>
<b>The net financial position is held in reserves as follows:</b>			
General reserves available to the council (usable)	(707.5)	(642.8)	64.7
Other reserves held for statutory or specific purposes (unusable)	(961.4)	(1,196.8)	(235.4)
Subsidiary reserves	(74.6)	(70.9)	3.7
<b>Total reserves</b>	<b>(1,743.5)</b>	<b>(1,910.5)</b>	<b>(167.0)</b>

## Explanation of the accounting statements

The statement of accounts has a key part to play in accountability to taxpayers and other stakeholders as to how public money is used. It provides information on:

- The cost of the council's services for the year;
- How the services were funded;
- The council's assets and liabilities at the year end.

Local authority accounts are complex due to the need to produce financial statements that address both an accounting framework and a legislative framework. International Financial Reporting Standards (IFRS) set out how items should be presented in the statement of accounts, however, these are mainly designed for the private sector so are adapted for local government.

In addition, the government makes statutory requirements, which are specific rules that local authorities must follow when they prepare their accounts, which limit the amounts that can be charged to council taxpayers.

## Comprehensive income and expenditure statement

The comprehensive income and expenditure statement reflects the cost of providing the council's services in line with accounting practices.

The comprehensive income and expenditure statement has two sections: The top section reflects the full cost of providing services under International Financial Reporting Standards and shows whether the council's operations resulted in a surplus or deficit.

The bottom section 'other comprehensive income and expenditure' includes details of the gains or losses in the measurement of the assets and liabilities of the council which arise as a result of changes in market valuations, interest rates or changes in measurement assumptions in relation to pension assets and liabilities.

## Movement in reserves statement

The movement in reserves statement shows the movement from the start to the end of the year on the different reserves held by the council, analysed into usable and unusable reserves. The usable reserves show the resources currently available to spend on services.

As local authorities are tax-raising bodies, they are subject to specific rules as to how tax rates are to be set in relation to the income and expenditure of the council. As outlined above, the comprehensive income and expenditure statement shows the cost of providing services in line with International Financial Reporting Standards; however, the amounts chargeable to council tax are limited by statutory requirements. The movement in reserves statement includes details of the income and expenditure that is recognised under accounting rules but then removed from the accounts by legislation to give the amount of expenditure that has been funded by the local taxpayer.

The statutory adjustments largely relate to arrangements for funding capital expenditure or the timing with which some items, for example pension costs, are charged to council tax. Further details of the adjustments are shown in Note 13 – adjustments between accounting basis and funding basis under regulations.

## Balance sheet

The balance sheet summarises the council's financial position at the year-end and shows the assets, liabilities and reserves of the council. The council's net assets, represents the value of assets the council would hold after settling all its liabilities, which is balanced by the various reserves of the council.

## Cash flow statement

The cash flow statement shows the reason for changes in the council's cash balances during the year, and whether that change is due to operating activities, financing activities or new investment.

## Notes to the financial statements

### Expenditure and funding analysis

The expenditure and funding analysis shown in Note 4 reconciles the outturn position reported to management with the movement in reserves statement and the comprehensive income and expenditure statement.

The other notes to the accounts provide further detail on material items within the core financial statements.

## Group accounts

The group accounts show the full extent of the council's economic activities by reflecting the council's involvement with its group companies.

## Pension fund accounts

The pension fund accounts provide a summary of pension fund performance over the year and the net assets of the pension fund at the end of the year.

## Annual governance statement

The annual governance statement sets out the governance structures of the council and its key internal controls.



This statement defines the responsibilities of the council and the Chief Financial Officer in respect of the council's financial affairs.

## The council's responsibilities

The council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs under Section 151 of the Local Government Act 1972. In this council, that officer is the Executive Director Resources;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the statement of accounts.

## The Section 151 Officer's responsibilities

The Section 151 Officer is responsible for the preparation of the council's statement of accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Section 151 Officer has:

- Selected suitable accounting policies and then applied them consistently;

- Made judgements and estimates that were reasonable and prudent;
- Complied with the local authority Code.

The Section 151 Officer has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

## Certification of accounts

These financial statements give a true and fair view of the financial position of the council at the reporting date and its income and expenditure for the year ended 31 March 2025. They were authorised for issue by the Section 151 Officer on 24 June 2025 and do not reflect any events occurring after this date.

*Mark Wynn*

Mark Wynn  
Section 151 Officer  
24 June 2025

# Financial statements



River Lune  
Photo: Jacqui White



# Comprehensive income and expenditure statement

2023/24				2024/25		
Gross expenditure restated <sup>1</sup>	Gross income restated <sup>1</sup>	Net expenditure restated <sup>1</sup>		Gross expenditure	Gross income	Net expenditure
£m	£m	£m		£m	£m	£m
724.2	(381.7)	342.5	Adult services and health and wellbeing <sup>1</sup>	838.2	(421.3)	416.9
303.2	(61.3)	241.9	Education and children's services <sup>1</sup>	319.9	(76.8)	243.1
396.2	(182.4)	213.8	Growth, environment and transport <sup>1</sup>	467.6	(193.9)	273.7
215.9	(68.1)	147.8	Resources and chief executive services <sup>1</sup>	147.4	(68.7)	78.7
1,160.8	(1,125.5)	35.3	Schools <sup>1</sup>	1,329.9	(1,202.5)	127.4
<b>2,800.3</b>	<b>(1,819.0)</b>	<b>981.3</b>	<b>Cost of services <sup>1</sup></b>	<b>3,103.0</b>	<b>(1,963.2)</b>	<b>1,139.8</b>
60.5	(8.3)	52.2	Other operating income and expenditure (Note 5) <sup>1</sup>	100.4	(3.1)	97.3
33.4	(32.9)	0.5	Financing and investment income and expenditure (Note 6)	83.5	(69.6)	13.9
0.0	(1,092.4)	(1,092.4)	Taxation and non-specific grant income and expenditure (Note 7)	0.0	(1,153.1)	(1,153.1)
<b>2,894.2</b>	<b>(2,952.6)</b>	<b>(58.4)</b>	<b>(Surplus)/deficit on provision of services <sup>1</sup></b>	<b>3,286.9</b>	<b>(3,189.0)</b>	<b>97.9</b>
		(106.8)	(Surplus)/deficit on revaluation of non-current assets (Note 30) <sup>1</sup>			(273.9)
		122.0	Re-measurement of the net defined benefit pension liability/(asset) (Note 30)			(24.3)
		29.4	(Surplus)/deficit on financial assets measured at fair value through other comprehensive income			36.6
		<b>44.6</b>	<b>Other comprehensive (income) and expenditure <sup>1</sup></b>			<b>(261.6)</b>
		<b>(13.8)</b>	<b>Total comprehensive (income) and expenditure <sup>1</sup></b>			<b>(163.7)</b>

<sup>1</sup> The 2023/24 figures have been restated to reflect the removal of the non-LCC owned school assets. The adjustments are shown in detail in Note 41 – Prior period adjustments.



# Movement in reserves statement

2024/25

	General fund / earmarked reserves	Capital receipts reserve	Capital grants unapplied	Total usable reserves (Note 30)	Unusable reserves (Note 30)	Total reserves
	£m	£m	£m	£m	£m	£m
<b>Balance at 1 April 2024</b>	<b>(486.0)</b>	<b>(24.3)</b>	<b>(197.2)</b>	<b>(707.5)</b>	<b>(961.4)</b>	<b>(1,668.9)</b>
<u>Movement in reserves during 2024/25</u>						
Total comprehensive income and expenditure (Note 4)	97.9	0.0	0.0	97.9	(261.6)	(163.7)
Adjustment between accounting basis and funding basis under regulations (Note 13)	(47.4)	6.0	8.2	(33.2)	33.2	0.0
<b>(Increase)/decrease in year</b>	<b>50.5</b>	<b>6.0</b>	<b>8.2</b>	<b>64.7</b>	<b>(228.4)</b>	<b>(163.7)</b>
<b>Balance at 31 March 2025</b>	<b>(435.5)</b>	<b>(18.3)</b>	<b>(189.0)</b>	<b>(642.8)</b>	<b>(1,189.8)</b>	<b>(1,832.6)</b>

2023/24

	General fund / earmarked reserves restated <sup>1</sup>	Capital receipts reserve	Capital grants unapplied	Total usable reserves (Note 30)	Unusable reserves (Note 30) restated <sup>1</sup>	Total reserves restated <sup>1</sup>
	£m	£m	£m	£m	£m	£m
<b>Balance at 1 April 2023</b>	<b>(518.2)</b>	<b>(21.1)</b>	<b>(165.3)</b>	<b>(704.6)</b>	<b>(950.4)</b>	<b>(1,655.0)</b>
<u>Movement in reserves during 2023/24</u>						
Total comprehensive income and expenditure (Note 4)	(58.6)	0.1	0.0	(58.5)	44.6	(13.9)
Adjustment between accounting basis and funding basis under regulations (Note 13)	90.8	(3.3)	(31.9)	55.6	(55.6)	0.0
<b>(Increase)/decrease in year</b>	<b>32.2</b>	<b>(3.2)</b>	<b>(31.9)</b>	<b>(2.9)</b>	<b>(11.0)</b>	<b>(13.9)</b>
<b>Balance at 31 March 2024</b>	<b>(486.0)</b>	<b>(24.3)</b>	<b>(197.2)</b>	<b>(707.5)</b>	<b>(961.4)</b>	<b>(1,668.9)</b>

<sup>1</sup> The 2023/24 figures have been restated to reflect the removal of the non-LCC owned school assets. The adjustments are shown in detail in Note 41 – Prior period adjustments.

31 March 2024 restated <sup>1</sup>		Note	31 March 2025
£m			£m
2,610.4	Property, plant and equipment <sup>1</sup>	17	2,821.8
28.7	Heritage assets	19	28.7
21.7	Intangible assets		14.0
277.9	Long term investments	25	194.9
35.9	Long term debtors	20	34.1
<b>2,974.6</b>	<b>Long term assets <sup>1</sup></b>		<b>3,093.5</b>
82.2	Short term investments	25	16.4
4.5	Inventories		4.6
398.3	Short term debtors	21	309.8
41.3	Payments in advance	21	28.7
68.5	Cash and cash equivalents	22	51.2
<b>594.8</b>	<b>Current assets</b>		<b>410.7</b>
(661.0)	Short term borrowing	25	(559.7)
(340.1)	Short term creditors	23	(254.6)
(13.0)	Other Receipts in advance	23	(14.0)
(79.2)	Government Grants Receipts in advance	23	(72.2)
(9.8)	Short term provisions	24	(8.4)
(8.2)	Other current liabilities	26	(10.0)
<b>(1,111.3)</b>	<b>Current liabilities</b>		<b>(918.9)</b>
(48.2)	Long term provisions	24	(40.5)
(524.6)	Long term borrowing	25	(496.3)
(1.3)	Long term creditors	25	(1.3)
(215.1)	Other long term liabilities	27	(214.6)
<b>(789.2)</b>	<b>Long term liabilities</b>		<b>(752.7)</b>
<b>1,668.9</b>	<b>Net assets <sup>1</sup></b>		<b>1,832.6</b>
(707.5)	Usable reserves	30	(642.8)
(961.4)	Unusable reserves <sup>1</sup>	30	(1,189.8)
<b>(1,668.9)</b>	<b>Total reserves <sup>1</sup></b>		<b>(1,832.6)</b>

<sup>1</sup> The 2023/24 figures have been restated to reflect the removal of the non-LCC owned school assets. The adjustments are shown in detail in Note 41 – Prior period adjustments.

## Cash flow statement

2023/24 restated <sup>1</sup>		Note	2024/25
£m			£m
58.3	Net surplus/(deficit) on the provision of services <sup>1</sup>		(97.9)
(157.1)	Adjustments to net surplus/deficit on the provision of services for non-cash movements <sup>1</sup>	31	247.2
(161.9)	Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities	31	(198.8)
<b>(260.7)</b>	<b>Net cash flows from operating activities</b>		<b>(49.5)</b>
214.1	Investing activities	32	133.4
(5.7)	Financing activities	33	(101.2)
<b>(52.3)</b>	<b>Net increase/(decrease) in cash or cash equivalents</b>		<b>(17.3)</b>
120.8	Cash and cash equivalents at the beginning of the reporting period		68.5
<b>68.5</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	22	<b>51.2</b>

<sup>1</sup> The 2023/24 figures have been restated to reflect the removal of the non-LCC owned school assets. The adjustments are shown in detail in Note 41 – Prior period adjustments.



# Explanatory notes to the financial statements



Ribble Valley and Pendle Hill  
Photo: Matt Turner



# General notes to the financial statements

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## Note 1 - Accounting standards issued, but not yet adopted

The council is required to disclose the impact of an accounting change required by a new accounting standard that has been issued on or before 1 January but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2025/26 Code will introduce the following amendments:

### IFRS 17 Insurance Contracts

IFRS 17 will replace IFRS 4 Insurance Contracts and introduces a consistent accounting model for insurance contracts. This standard requires entities to provide information that faithfully represents insurance contracts, enhancing comparability and transparency.

### IAS 21 The Effects of Changes in Foreign Exchange Rates

Amendments to IAS 21 address the lack of exchangeability. These amendments provide guidance on how to account for situations where a currency cannot be exchanged for another currency.

These amendments are not anticipated to have a significant impact on the council's accounts.

## Note 2 - Critical judgements in applying accounting policies

In applying the accounting policies, the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the statement of accounts are:

### Funding

There continues to be a high degree of uncertainty around future levels of funding for local government. The council's medium term financial strategy assesses the on-going pressures from reduced funding and increased demand for services, which are mitigated by further savings and use of reserves. The council is of the view that this uncertainty is not sufficient to provide an indication that the assets of the council might be impaired as a result of the need to dispose of assets at less than their current value.

### Private finance initiative (PFI)

The council is deemed to control the services provided under the private finance initiative (PFI) agreements and also to control the residual value of the properties at the end of the agreements. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the buildings have been recognised as right-of-use assets on the council's balance sheet. The buildings have been valued at £72.6 million as at 31 March 2025 (31 March 2024: £84.4 million).

## School assets

In assessing the most appropriate accounting treatment for balances and transactions in relation to schools, the council has reconsidered the circumstances of each of the categories of school and changed its policy to recognising only those schools where strict ownership and control lies with the Council. Further details are included in Note 18. Therefore, the Council has derecognised £879.6 million of schools' assets from the balance sheet.

## Interests in companies and other entities

The council conducts activities through a variety of undertakings, either through ultimate control of, or in partnership with, other organisations. An assessment of all of the council's interests has been carried out to determine whether a group relationship between the council and other entities exists on the grounds of control and significant influence.

The council's relationships with other entities can be found within the related parties note (Note 35).

Group accounts have been produced to reflect Lancashire County Council's relationship with Lancashire County Developments Limited. Other owned companies have been excluded from the group accounts on the basis that they are not considered material.

The omission of these companies from the group accounts is not considered to affect the ability of a user of the accounts to determine the financial position and performance of the council, or its exposure to risk.

In general, there is a low level of financial risk to the council from its involvement with group members: for example, many group members are companies limited by guarantee, where the council's liability is limited to £1. There is a very low level of involvement from group members in delivering the council's statutory or core services.

# General notes to the financial statements

## Note 3 - Assumptions made about the future and other major sources of estimation uncertainty

The statement of accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the council's balance sheet at 31 March 2025 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Consequence if actual results differ from assumptions
<b>Property, plant and equipment valuations</b>	<p>The council's internal valuers provide valuations as at 31 March based on a 5-year rolling programme of valuations. The valuations are undertaken by qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques.</p> <p>The value of the property, plant and equipment is dependent upon professional judgement based on information available at the time of valuation.</p>	<p>Valuations are compiled by an expert using recognised measurement techniques and based on professional guidance. The underlying data is considered to be reliable and the scope to use judgement and change assumptions limited.</p> <p>The balance of assets not revalued in year are reviewed by applying local movement in prices and appropriate cost indices to ensure that the value of the council's assets are not materially misstated at the balance sheet date.</p> <p>A variation of 10% in the value of the council's land and buildings would be approximately £129.8 million.</p> <p>A reduction in the estimated valuations would result in a reduction to the revaluation reserve and / or a loss charged to the comprehensive income and expenditure statement.</p> <p>An increase in estimated valuations would result in the reversal of any negative revaluations previously charged to the comprehensive income and expenditure statement and / or increases to the revaluation reserve and / or gains charged to the comprehensive income and expenditure statement.</p>

# General notes to the financial statements

Item	Uncertainties	Consequence if actual results differ from assumptions
<b>Fair value measurement</b>	<p>When the fair values of surplus assets and financial instruments cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using the following valuation techniques:</p> <ul style="list-style-type: none"> <li>• For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date;</li> <li>• For level 3 inputs, valuations based on most recent valuations adjusted to current valuation by the use of indexation and impairment review.</li> </ul> <p>Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value of the council's assets and liabilities.</p>	<p>The fair values of financial instruments are measured using Level 2 inputs, namely using quoted prices for similar assets or liabilities in active markets at the balance sheet date. Additional information is provided in the financial instruments disclosure notes section.</p> <p>The group investment properties are valued using level 3 inputs. Further information is provided in the group accounts section.</p> <p>All valuations are undertaken by expert valuers in accordance with the methodologies and bases for estimation set out in the professional standards.</p>
<b>Pensions liability/asset</b>	<p>The net liability/asset to pay pensions is calculated every three years with annual updates in the intervening years. A firm of consulting actuaries (Mercer) is engaged to provide the council with expert advice about the assumptions to be applied. Changes to these underlying assumptions can result in significant variances in the calculated liability/asset. The assumptions and complex judgements applied include the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p>	<p>The effects on the net pension amount of changes in individual assumptions can be measured. For instance,</p> <ul style="list-style-type: none"> <li>• a 0.5% increase in the discount rate assumption would reduce the value of the net pension amount by approximately £224.8 million;</li> <li>• a 0.25% increase in assumed earnings inflation would increase the value of the net pension amount by approximately £19.5 million;</li> <li>• an increase of one year in assumed life expectancy would increase the net pension amount by approximately £69.7 million.</li> </ul>



# Notes supporting the comprehensive income and expenditure statement

## Note 4 - Expenditure and funding analysis

The expenditure and funding analysis reconciles the cost of providing services in line with proper accounting practices included in the comprehensive income and expenditure statement with the statutorily defined amounts chargeable to council taxpayers as shown in the movement in reserves statement. Proper accounting practices measure the resources that have been generated and consumed in the year, including the use of property (depreciation) and the value of pension benefits earned by the employees. Statutory provisions determine how much of the council's expenditure needs to be met from council tax each year.

### Expenditure and funding analysis - 2024/25

	Outturn position as reported to management	Adjustments to arrive at the net amount chargeable to the general fund *	Net expenditure chargeable to the general fund	Adjustments between the funding and accounting basis *	Net expenditure comprehensive income and expenditure statement
	£m	£m	£m	£m	£m
Adult services, health and wellbeing	491.4	(87.0)	404.4	12.5	416.9
Education and children's services	256.0	(17.8)	238.2	4.9	243.1
Growth, environment and transport	196.7	(2.2)	194.5	79.2	273.7
Resources and chief executive services	178.2	(101.3)	76.9	1.8	78.7
Schools	43.9	(0.0)	43.9	83.5	127.4
<b>Net cost of services</b>	<b>1,166.2</b>	<b>(208.3)</b>	<b>957.9</b>	<b>181.9</b>	<b>1,139.8</b>
Other income and expenditure	(1,111.8)	204.4	(907.4)	(134.5)	(1,041.9)
<b>(Surplus)/deficit</b>	<b>54.4</b>	<b>(3.9)</b>	<b>50.5</b>	<b>47.4</b>	<b>97.9</b>
<b>Opening general fund balance at 1 April</b>			<b>(486.0)</b>		
(Surplus)/deficit			50.5		
<b>Closing general fund balance at 31 March</b>			<b>(435.5)</b>		

\* Further details on the adjustments are shown in the following tables.

# Notes supporting the comprehensive income and expenditure statement

## Expenditure and funding analysis - 2023/24 restated

	Outturn position as reported to management	Adjustments to arrive at the net amount chargeable to the general fund *	Net expenditure chargeable to the general fund	Adjustments between the funding and accounting basis *	Net expenditure comprehensive income and expenditure statement
	£m	£m	£m	£m	£m
Adult services, health and wellbeing	449.6	(110.1)	339.3	3.3	342.6
Education and children's services	254.4	(10.1)	244.3	(2.4)	241.9
Growth, environment and transport	180.6	(3.3)	177.3	36.5	213.8
Resources and chief executive services	159.8	(39.6)	120.2	27.5	147.8
Schools	11.1	(0.1)	11.0	24.2	35.2
<b>Net cost of services</b>	<b>1,055.4</b>	<b>(163.2)</b>	<b>892.1</b>	<b>89.1</b>	<b>981.3</b>
Other income and expenditure	(1,039.0)	179.4	(859.7)	(180.0)	(1,039.7)
<b>(Surplus)/deficit</b>	<b>16.4</b>	<b>16.1</b>	<b>32.5</b>	<b>(90.8)</b>	<b>(58.4)</b>
<b>Opening general fund balance at 1 April</b>			<b>(518.5)</b>		
(Surplus)/deficit			32.5		
<b>Closing general fund balance at 31 March</b>			<b>(486.0)</b>		

\* Further details on the adjustments are shown in the following tables.

# Notes supporting the comprehensive income and expenditure statement

## Adjustments to arrive at the net amount chargeable to the general fund

These adjustments relate to items that are included within departmental budgets but excluded from the cost of services in the comprehensive income and expenditure statement e.g. levies, reserve transactions, finance and investment income and expenditure.

2023/24				2024/25		
Adjustments relating to other income and expenditure restated	Adjustments relating to transfers to and from reserves restated	Total adjustments restated		Adjustments relating to other income and expenditure	Adjustments relating to transfers to and from reserves	Total adjustments
£m	£m	£m		£m	£m	£m
(75.9)	(34.1)	(110.0)	Adult services, health and wellbeing <sup>1</sup>	(118.5)	31.5	(87.0)
(19.3)	9.2	(10.1)	Education and children's services <sup>1</sup>	(24.4)	6.5	(17.9)
(2.0)	(1.4)	(3.4)	Growth, environment and transport	(1.8)	(0.5)	(2.3)
(36.4)	(3.3)	(39.7)	Resources and chief executive services	6.3	(107.5)	(101.2)
0.0	(0.1)	(0.1)	Schools	0.0	0.0	0.0
<b>(133.6)</b>	<b>(29.7)</b>	<b>(163.3)</b>	<b>Net cost of services</b>	<b>(138.4)</b>	<b>(70.0)</b>	<b>(208.4)</b>
133.6	45.6	179.2	Other income and expenditure <sup>1</sup>	138.4	66.1	204.5
<b>0.0</b>	<b>15.9</b>	<b>15.9</b>	<b>(Surplus)/deficit</b>	<b>0.0</b>	<b>(3.9)</b>	<b>(3.9)</b>

<sup>1</sup> The 2023/24 figures have been restated to reflect the removal of the non-LCC owned school assets. The adjustments are shown in detail in Note 41 – Prior period adjustments.

# Notes supporting the comprehensive income and expenditure statement

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## Notes to the expenditure and funding analysis

The adjustments between the funding and accounting basis shown are analysed further in the following tables.

### Adjustments for capital purposes

This column adds in depreciation, impairment and revaluation gains and losses in the services line, and for:

*Other operating expenditure* – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

*Financing and investment income and expenditure* – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

*Taxation and non-specific grant income and expenditure* – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### Net change for the pensions adjustments

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

*For services* - this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

*For financing and investment income and expenditure* – the net interest on the defined benefit liability is charged to the comprehensive income and expenditure statement.

### Other statutory adjustments

Other differences between amounts debited/credited to the comprehensive income and expenditure statement and amounts payable/receivable to be recognised under statute:

*For financing and investment income and expenditure* - the 'other differences' column recognises adjustments to the general fund for the timing differences for premiums and discounts.

*For services* - this represents the change in accrued employee benefits such as annual leave.

The charge under *taxation and non-specific grant income* represents the difference between what is chargeable under statutory regulations for council tax and non-domestic rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.



# Notes supporting the comprehensive income and expenditure statement

## Adjustments between the funding and accounting basis - 2024/25

	Adjustments for capital purposes	Net change for the pensions adjustments	Other statutory differences	Total statutory adjustments
	£m	£m	£m	£m
Adult services and health and wellbeing	11.3	1.4	(0.3)	12.4
Education and children's services	3.6	1.5	(0.2)	4.9
Growth, environment and transport	78.4	1.0	(0.1)	79.3
Resources and chief executive services	36.2	(34.4)	0.0	1.8
Schools	80.5	3.0	0.0	83.5
<b>Net cost of services</b>	<b>210.0</b>	<b>(27.5)</b>	<b>(0.6)</b>	<b>181.9</b>
Other income and expenditure from the expenditure and funding analysis	(109.4)	0.8	(25.9)	(134.5)
<b>Difference between general fund surplus or deficit and comprehensive income and expenditure statement surplus or deficit on the provision of services</b>	<b>100.6</b>	<b>(26.7)</b>	<b>(26.5)</b>	<b>47.4</b>

# Notes supporting the comprehensive income and expenditure statement

## Adjustments between the funding and accounting basis - 2023/24

	Adjustments for capital purposes restated	Net change for the pensions adjustments restated	Other statutory differences	Total statutory adjustments restated
	£m	£m	£m	£m
Adult services, health and wellbeing	1.1	1.4	0.7	3.2
Education and children's services	3.5	(5.7)	(0.1)	(2.3)
Growth, environment and transport	35.4	1.0	0.0	36.4
Resources and chief executive services	24.6	3.1	0.1	27.8
Schools	36.0	3.1	(14.8)	24.3
<b>Net cost of services</b>	<b>100.6</b>	<b>2.9</b>	<b>(14.1)</b>	<b>89.4</b>
Other income and expenditure from the expenditure and funding analysis	(142.4)	(37.3)	(0.4)	(180.1)
<b>Difference between general fund surplus or deficit and comprehensive income and expenditure statement surplus or deficit on the provision of services</b>	<b>(41.8)</b>	<b>(34.4)</b>	<b>(14.5)</b>	<b>(90.7)</b>

# Notes supporting the comprehensive income and expenditure statement

## Expenditure and income analysed by nature

The council's expenditure and income are analysed as follows:

<b>2023/24 restated</b>		<b>2024/25</b>
<b>£m</b>		<b>£m</b>
941.7	Employee expenses (excluding voluntary aided schools)	974.3
270.9	Employee expenses for voluntary aided schools	274.6
1,521.8	Other service expenses	1,691.6
65.6	Depreciation, amortisation and impairment	162.7
70.7	Interest payments	82.7
1.2	Precepts and levies	1.9
(37.3)	Net pension interest costs	0.8
59.3	Loss on disposal of non-current assets	98.6
<b>2,893.9</b>	<b>Total expenditure</b>	<b>3,287.1</b>
(402.8)	Fees, charges and other service income	(412.7)
(32.9)	Interest and investment income	(69.6)
(605.5)	Income from council tax precept	(647.5)
(32.6)	Income from business rates precept	(34.2)
(1,870.4)	Government grants and contributions	(2,021.9)
(8.3)	Gain on disposal of non-current assets	(3.1)
<b>(2,952.5)</b>	<b>Total income</b>	<b>(3,189.0)</b>
<b>(58.6)</b>	<b>(Surplus)/deficit on the provision of services</b>	<b>97.9</b>

# Notes supporting the comprehensive income and expenditure statement

## Note 5 - Other operating income and expenditure

2023/24		2024/25
£m		£m
1.2	Levies for flood defences and inshore fisheries and conservation authorities	1.9
(1.5)	(Gain) or loss on disposal of non-current assets	2.2
52.2	Loss on transfer of schools to academy status	93.2
<b>51.9</b>	<b>Total</b>	<b>97.3</b>

## Note 6 - Financing and investment income and expenditure

2023/24		2024/25
£m		£m
56.2	Interest payable and other similar charges	51.6
13.1	Interest payable on PFI unitary payments	11.7
1.4	Impairment of financial instruments	19.4
(37.3)	Net interest of the net defined benefit liability	0.8
(32.9)	Interest receivable and similar income	(27.1)
0.0	Discount early repayment of debt	(42.5)
<b>0.5</b>	<b>Total</b>	<b>13.9</b>



# Notes supporting the comprehensive income and expenditure statement

## Note 7 - Taxation and non-specific grant income

The council credited the following to the comprehensive income and expenditure statement.

2023/24		2024/25
£m		£m
(299.9)	Non-ringfenced Government grants	(315.6)
(154.3)	Capital grants and contributions	(155.8)
<b>(454.2)</b>	<b>Total non-specific grant income</b>	<b>(471.4)</b>
(605.5)	Council tax income	(647.5)
(32.6)	Non-domestic rates income	(34.2)
<b>(1,092.3)</b>	<b>Total</b>	<b>(1,153.1)</b>

### Non-ringfenced government grants

The non-ringfenced Government grants and capital grants are analysed further in the following tables.

2023/24		2024/25
£m		£m
(38.2)	Revenue support grant	(40.7)
(162.2)	Top-up grant (business rates retention scheme)	(169.5)
(40.8)	S31 grant	(48.4)
(47.1)	Improved better care	(47.1)
(1.5)	New homes bonus	(1.5)
(10.1)	Other	(8.4)
<b>(299.9)</b>	<b>Total</b>	<b>(315.6)</b>

# Notes supporting the comprehensive income and expenditure statement

## Capital grants and contributions

2023/24		2024/25
£m		£m
(52.5)	Department for education	(41.5)
(60.6)	Department for transport	(61.3)
(20.6)	Department for Levelling Up, Housing and Communities	(37.7)
(8.3)	Other government grants	(10.7)
(0.1)	Department of health and social care	0.0
(12.2)	Other grants	(4.6)
<b>(154.3)</b>	<b>Total</b>	<b>(155.8)</b>

## Note 8 - Grant income and contributions credited to cost of services

In addition to the non-ringfenced grants, a number of service specific or ringfenced grants were credited to the cost of services as detailed below.

2023/24		2024/25
£m		£m
(946.6)	Dedicated schools grant	(1,014.9)
(47.5)	Pupil premium grant	(46.7)
(176.5)	Other Government grants	(203.0)
(21.9)	PFI grant	(21.9)
(74.8)	Public health grant	(76.7)
(0.6)	Other grants	(0.8)
(0.1)	Teachers' pension employer contribution grant	(13.3)
(94.6)	Adults social care	(123.1)
(44.3)	Other contributions	(46.2)
(9.2)	Covid-19 grants	(4.0)
<b>(1,416.2)</b>	<b>Total</b>	<b>(1,550.6)</b>

# Notes supporting the comprehensive income and expenditure statement

## Covid-19 grants

The government has provided a number of financial support packages in response to the Covid-19 pandemic including additional funding to support the cost of services or offset income loss. As the council has some administrative control over the use or distribution of the grant funding, the transactions are reflected in the council's financial statements.

<b>2023/24</b>		<b>2024/25</b>
<b>£m</b>		<b>£m</b>
(7.7)	Recovery Premium funding	(4.0)
(1.5)	School-led tutoring grant	0.0
<b>(9.2)</b>	<b>Total</b>	<b>(4.0)</b>

# Notes supporting the comprehensive income and expenditure statement

## Note 9 - Dedicated schools grant

	Central expenditure	Individual schools' budget	Total
	£m	£m	£m
Final DSG for 2024/25 before academy recoupment			(1,337.1)
Academy figure recouped for 2024/25			322.2
<b>Total DSG after academy recoupment for 2024/25</b>			<b>(1,014.9)</b>
Brought forward from 2023/24			(18.4)
Carry forward to 2025/26 agreed in advance			18.4
<b>Agreed initial budgeted distribution for 2024/25</b>	<b>(166.7)</b>	<b>(848.3)</b>	<b>(1,014.9)</b>
In-year adjustments	0.0	(0.3)	(0.3)
<b>Final budget distribution for 2024/25</b>	<b>(166.7)</b>	<b>(848.6)</b>	<b>(1,015.2)</b>
Actual central expenditure relating to DSG	212.0	0.0	212.0
Actual ISB deployed to schools	0.0	844.7	844.7
Local authority contribution for 2024/25	0.0	(0.7)	(0.7)
<b>In-year carry forward to 2025/26</b>	<b>45.4</b>	<b>(4.5)</b>	<b>40.8</b>
Carry forward to 2025/26 agreed in advance			(18.4)
<b>Carry forward to 2025/26</b>			<b>22.4</b>

The council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2017. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

The table details how the DSG has been utilised.

The in year overspend on the dedicated schools grant of £40.8m has resulted in a net deficit position at year end of £22.4m.



# Notes supporting the comprehensive income and expenditure statement

## Note 10 - Officers' remuneration

The remuneration of senior employees, defined as those holding statutory posts or those reporting directly to the Head of Paid Service is set out below.

2024/25

Post holder	Notes	Salary, fees and allowances	Benefits in kind	Pension contributions	Total
		£	£	£	£
Chief Executive - M Wynn	1	161,507	-	25,971	187,478
Chief Executive - A Ridgwell	2	117,765	-	-	117,765
Executive Director of Adult Services and Health & Wellbeing - L Taylor	3 & 4	134,566	-	21,286	155,852
Executive Director of Education and Children's Services - J Old		177,628	-	28,089	205,717
Executive Director of Resources (S151) - M Wynn	5	57,519	-	8,866	66,385
Executive Director of Growth, Environment, Transport & Health - P Green		159,488	-	25,133	184,621
Director of Public Health, Wellbeing and Communities		143,218	-	19,550	162,768
Director of Law and Governance	6	123,511	-	19,268	142,779
Director of Investment - M Jensen		169,906	-	26,511	196,417

Notes

1 The postholder was Interim Chief Executive between 1 August 2024 and 17 October 2024 and Acting Chief Executive from 18 October 2024 until 25 February 2025. Appointment to Chief Executive was effective from 26 February 2025.

2 The postholder ceased to be Chief Executive from 25 September 2024. There are no pension contributions due to pension scheme opt out.

3 From December 2022, the post of Executive Director of Adult Services and Health & Wellbeing became shared director of both Lancashire and South Cumbria Integrated Care Board (LSC ICB) and Lancashire County Council's Adult Services and Health & Wellbeing. The LSC ICB paid 80% of the costs. The postholder left the council and the LSC ICB director post on 31 December 2024.

4 The post is currently being undertaken on an interim basis. Costs for services rendered are being paid to Penna and are included in the Related Party note.

5 The postholder ceased to be Executive Director of Resources on 31 July 2024. The role is currently vacant.

6 The salary includes an honorarium in respect of additional duties whilst the Executive Director of Resources post is vacant.

# Notes supporting the comprehensive income and expenditure statement

2023/24

Post holder	Notes	Salary, fees and allowances	Benefits in kind	Pension contributions	Total
		£	£	£	£
Chief Executive - A Ridgwell	1	236,637	-	-	236,637
Executive Director of Adult Services and Health & Wellbeing - L Taylor	2	174,798	-	27,628	202,426
Executive Director for Education and Children's Services - J Old		173,423	-	27,404	200,827
Executive Director of Resources (S151) - M Wynn		168,475	-	25,531	194,006
Executive Director of Growth, Environment and Transport		149,288	-	23,470	172,758
Director of Public Health		139,854	-	18,867	158,721
Director of Law and Governance		108,057	-	16,749	124,806
Director of Investment – M Jensen		166,542	-	26,282	192,824

## Notes

1 There are no pension contributions due to pension scheme opt out.

2 From December 2022, the post of Executive Director of Adult Services and Health & Wellbeing became shared director of both Lancashire and South Cumbria Integrated Care Board (LSC ICB) and Lancashire County Council's Adult Services and Health & Wellbeing. The LSC ICB are paying 80% of the costs.

# Notes supporting the comprehensive income and expenditure statement

The number of other employees whose remuneration, excluding pension contributions, exceeded £50,000 during the year is set out in the following table.

Remuneration Banding £	2024/25				2023/24			
	LCC non-schools staff <sup>1</sup>	Schools <sup>2</sup>	Total	Redundancies	LCC non-schools staff <sup>1</sup>	Schools <sup>2</sup>	Total	Redundancies
50,000 to 54,999	438	875	1,313	9	361	675	1,036	0
55,000 to 59,999	204	567	771	1	160	340	500	0
60,000 to 64,999	62	297	359	2	50	243	293	0
65,000 to 69,999	50	209	259	2	51	177	228	0
70,000 to 74,999	28	161	189	0	31	117	148	0
75,000 to 79,999	23	140	163	1	16	57	73	0
80,000 to 84,999	23	54	77	0	19	46	65	0
85,000 to 89,999	1	36	37	0	2	19	21	0
90,000 to 94,999	1	20	21	0	1	15	16	0
95,000 to 99,999	1	13	14	0	2	14	16	0
100,000 to 104,999	1	16	17	0	2	11	13	0
105,000 to 109,999	2	10	12	0	2	4	6	0
110,000 to 114,999	2	4	6	0	2	2	4	0
115,000 to 119,999	1	6	7	0	3	2	5	0
120,000 to 124,999	4	1	5	1	0	1	1	0
125,000 to 129,999	0	1	1	0	0	0	0	0
130,000 to 134,999	2	1	3	0	0	0	0	0
135,000 to 139,999	0	0	0	0	1	0	1	0
145,000 to 149,999	1	0	1	0	1	0	1	0
<b>Total</b>	<b>844</b>	<b>2,411</b>	<b>3,255</b>	<b>16</b>	<b>704</b>	<b>1,723</b>	<b>2,427</b>	<b>0</b>

<sup>1</sup> This table excludes staff in senior officer positions. If officers have held senior positions during the period, this element of their remuneration will be included in the Senior Officers note.

<sup>2</sup> School leadership salaries are regulated by the School Teachers Pay and Conditions document. As Governing Bodies of maintained schools are responsible for appointing leadership staff and for annual performance related pay increases information at an authority level is unavailable.

# Notes supporting the comprehensive income and expenditure statement

## Exit packages

Banding (£)	No. compulsory redundancies		No. other agreed departures		Total number		Total cost £000 *	
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
0 to 20,000	26	3	208	101	234	104	1,125	915
20,001 to 100,000	1	0	11	6	12	6	358	163
100,001 to 300,000	1	0	3	1	4	1	808	135
<b>Total</b>	<b>28</b>	<b>3</b>	<b>222</b>	<b>108</b>	<b>250</b>	<b>111</b>	<b>2,291</b>	<b>1,213</b>

\* In some cases, this reflects an estimate as at 31 March and may not be the actual amount paid.

When a council employee's contract is terminated, there are a number of costs that the council can incur. The total cost in this table includes;

- **Enhanced pension benefits**  
This is a payment to compensate the pension fund for both the employer and employee contributions that will not be received due to the early payment of benefits. It occurs where the employee is able to immediately receive any benefits they have built up on the pension fund. The payment is calculated by an independent actuary and is not made to the individual.
- **Redundancy payments**  
These are received by the employee and are calculated in line with the relevant policies agreed by the council.

During the year the council terminated the contracts of a number of employees, incurring liabilities of £2.3 million (2023/24: £1.2 million). Of the £2.3 million, £0.6 million is enhanced pension benefits and £1.7 million is payable to the employees. The table shows the number of exit packages and total cost to the council per band.



# Notes supporting the comprehensive income and expenditure statement

## Note 11 - Members' allowances

2023/24		2024/25
£000		£000
1,702.8	Allowances payable to Members	1,764.4
34.6	Expenses payable to Members	25.7
<b>1,737.4</b>	<b>Total</b>	<b>1,790.1</b>

## Note 12 - Fees payable to auditors

The council incurred the following fees relating to external audit.

2023/24		2024/25
£000		£000
331.5	Fees incurred with regard to external audit services provided by Grant Thornton	362.1
12.5	Fees incurred for certification work undertaken by Grant Thornton	15.0
10.0	Fees payable in respect of other services provided by Grant Thornton	0.8
184.9	Fees payable in respect of additional prior year statutory audit work	0.0
<b>538.9</b>	<b>Total</b>	<b>377.9</b>

# Notes supporting the movement in reserves statement

## Note 13 - Adjustments between accounting basis and funding basis under regulations

This note details the adjustments made to the comprehensive income and expenditure recognised by the council in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the council to meet future capital and revenue expenditure. Further information is provided in Note 30, which details the movements in reserves.

### Adjustments between accounting basis and funding basis under regulations - 2024/25

	Usable reserves				Unusable reserves
	General fund balance	Capital receipts reserve	Capital grants unapplied	Total	
	£m	£m	£m	£m	£m
<b>Adjustments to the revenue resources</b>					
<b>Amounts by which income and expenditure included in the comprehensive income and expenditure statement are different from revenue for the year calculated in</b>					
Pensions costs (transferred to or from the pensions reserve)	26.8			26.8	(26.8)
Financial instruments (transferred to the financial instruments adjustments account)	40.6			40.6	(40.6)
Council tax and NDR (transferred to or from the collection fund)	7.7			7.7	(7.7)
Holiday pay (transferred to the accumulated absences adjustment account)	0.6			0.6	(0.6)
Deficit relating to schools' budget transferred to Dedicated Schools' Grant Adjustment account	(22.4)			(22.4)	22.4
Reversal of entries included in the surplus or deficit on the provision of services in relation to capital	(202.5)		68.7	(133.8)	133.8
<b>Total adjustments to revenue resources</b>	<b>(149.2)</b>	<b>0.0</b>	<b>68.7</b>	<b>(80.5)</b>	<b>80.5</b>
<b>Adjustments between revenue and capital resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	3.1	(3.1)		0.0	0.0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	43.1			43.1	(43.1)
Use of the capital receipts reserve to finance new revenue expenditure	(5.0)	5.0		0.0	0.0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)		4.1		4.1	(4.1)
<b>Total adjustments between revenue and capital resources</b>	<b>41.3</b>	<b>6.0</b>	<b>0.0</b>	<b>47.3</b>	<b>(47.3)</b>
<b>Adjustments to capital resources</b>					
Capital grants received not used in year	60.5		(60.5)	0.0	0.0
<b>Total adjustments to capital resources</b>	<b>60.5</b>	<b>0.0</b>	<b>(60.5)</b>	<b>0.0</b>	<b>0.0</b>
<b>Total adjustments</b>	<b>(47.4)</b>	<b>6.0</b>	<b>8.2</b>	<b>(33.2)</b>	<b>33.2</b>

# Notes supporting the movement in reserves statement

## Adjustments between accounting basis and funding basis under regulations - 2023/24

	Usable reserves				Unusable reserves
	General fund balance restated	Capital receipts reserve	Capital grants unapplied	Total restated	restated
	£m	£m	£m	£m	£m
<b>Adjustments to the revenue resources</b>					
<b>Amounts by which income and expenditure included in the comprehensive income and expenditure statement are different from revenue for the year calculated in accordance with statutory requirements:</b>					
Pensions costs (transferred to or from the pensions reserve)	34.4			34.4	(34.4)
Financial instruments (transferred to the financial instruments adjustments account)	2.8			2.8	(2.8)
Council tax and NDR (transferred to or from the collection fund)	(2.5)			(2.5)	2.5
Holiday pay (transferred to the accumulated absences adjustment account)	14.2			14.2	(14.2)
Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (charged to the capital adjustment account)	(78.8)		46.2	(32.6)	32.6
<b>Total adjustments to revenue resources</b>	<b>(29.9)</b>	<b>0.0</b>	<b>46.2</b>	<b>16.3</b>	<b>(16.3)</b>
<b>Adjustments between revenue and capital resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	8.3	(8.3)		0.0	0.0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	39.3			39.3	(39.3)
Use of the capital receipts reserve to finance new revenue expenditure	(5.0)	5.0		0.0	0.0
<b>Total adjustments between revenue and capital resources</b>	<b>42.6</b>	<b>(3.3)</b>	<b>0.0</b>	<b>39.3</b>	<b>(39.3)</b>
<b>Adjustments to capital resources</b>					
Application of capital grants to finance capital expenditure	78.1		(78.1)	0.0	0.0
<b>Total adjustments to capital resources</b>	<b>78.1</b>	<b>0.0</b>	<b>(78.1)</b>	<b>0.0</b>	<b>0.0</b>
<b>Total adjustments</b>	<b>90.8</b>	<b>(3.3)</b>	<b>(31.9)</b>	<b>55.6</b>	<b>(55.6)</b>

# Notes supporting the movement in reserves statement

## Note 14 - Transfers to and from earmarked reserves

	Balance at 31 March 2023	Transfers out 2023/24	Transfers in 2023/24	Balance at 31 March 2024	Transfers out 2024/25	Transfers in 2024/25	Balance at 31 March 2025
	£m	£m	£m	£m	£m	£m	£m
General fund	(23.4)	0.0	0.0	(23.4)	0.0	(32.6)	(56.0)
<b>Reserves held to deliver corporate priorities</b>							
Strategic investment reserve	(0.5)	0.1	0.0	(0.4)	4.0	(32.4)	(28.8)
Lancashire Economic Growth & Development Investment Fund (LEGDIF)	(3.3)	0.4	0.0	(2.9)	0.0	(9.9)	(12.8)
Treasury management reserve	(36.3)	15.7	0.0	(20.6)	0.0	(15.1)	(35.7)
Business rates volatility	(5.0)	0.0	0.0	(5.0)	0.0	0.0	(5.0)
Statutory override reserves	0.0	0.0	0.0	0.0	0.0	(10.0)	(10.0)
Directorate Grants & Partnerships Reserve	(157.6)	47.3	(30.1)	(140.4)	108.0	(43.7)	(76.1)
Election reserve	(1.7)	0.1	(0.4)	(2.0)	0.0	(0.4)	(2.4)
<b>Reserves held to deliver organisational change</b>							
Downsizing reserve	(5.4)	1.4	0.0	(4.0)	0.3	(0.3)	(4.0)
Transitional reserve	(166.7)	23.8	(38.2)	(181.1)	66.4	(7.2)	(121.9)
<b>School reserves</b>							
Individual school reserves	(76.2)	16.0	(9.6)	(69.8)	13.7	(10.8)	(66.9)
Other school reserves	(32.6)	10.3	(5.7)	(28.0)	19.3	(0.6)	(9.3)
Centrally managed schools maintenance reserve	(9.5)	9.5	(8.4)	(8.4)	8.4	(6.5)	(6.5)
<b>Total earmarked reserves</b>	<b>(518.2)</b>	<b>124.6</b>	<b>(92.4)</b>	<b>(486.0)</b>	<b>220.1</b>	<b>(169.5)</b>	<b>(435.4)</b>



# Notes supporting the movement in reserves statement

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## Reserves held to deliver corporate priorities

### Strategic investment reserve

This reserve is held to support investment in areas such as economic development and also supports delivery of priorities within the corporate strategy.

### Lancashire Economic Growth & Development Investment Fund

This reserve is held to support a strategic initiative led by Lancashire County Council aimed at fostering economic growth and development within Lancashire

### Treasury management reserve

This is reserve is held to support the management of volatility in the value of the council's investments

### Directorate Grants & Partnerships Reserve

These reserves are held in relation to grants and partner funds relevant to specific schemes for which monies may need to be returned if not used for the intended purpose.

## Reserves held to deliver organisational change

### Downsizing reserve

This reserve is set aside to support the council as it continues to deliver its agreed savings and develops its strategy to reduce costs over the next four years.

### Transitional reserve

This reserve is primarily in place to support forecast funding shortfalls in future year budgets as outlined in the medium term financial strategy. The reserve also contains funding to support service transformation as agreed by Cabinet.

## Schools' reserves

Under the Education Reform Act, schools are given most of their budgets to control. If a school does not spend its entire budget, the council holds it as a reserve for them to use in the future. This reserve cannot be used for any other purpose.

## Note 15 - Capital expenditure and capital financing

2023/24		2024/25
£m		£m
<b>1,154.0</b>	<b>Opening capital financing requirement</b>	<b>1,141.0</b>
0.0	Adoption of IFRS 16	14.2
	<b>Capital investment</b>	
117.6	Property, plant and equipment	150.9
0.0	Capitalisation of borrowing interest	12.5
1.5	Intangible assets	0.7
34.8	Revenue expenditure funded from capital under statute	47.5
<b>153.9</b>	<b>Total capital investment</b>	<b>211.6</b>
	<b>Sources of finance</b>	
0.0	Capital receipts	(4.1)
(122.7)	Government grants and other contributions	(155.6)
	<b>Sums set aside from revenue:</b>	
(4.7)	Direct revenue contributions	(6.6)
(7.6)	Write down of PFI liability	(8.9)
(31.7)	Minimum revenue provision (MRP) for debt repayment	(34.2)
<b>1,141.2</b>	<b>Closing capital financing requirement</b>	<b>1,157.4</b>
	<b>Explanation of movement in year</b>	
(5.3)	Increase in underlying need to borrow (unsupported by Government financial assistance)	25.3
(7.6)	Write down of PFI liability	(8.9)
<b>(12.9)</b>	<b>Total movement</b>	<b>16.4</b>

The total amount of capital expenditure incurred in the year is shown together with the resources that have been used to finance it.

This statement incorporates details of the movements in the capital financing requirement. This is a measure of the capital expenditure historically incurred by the council to be financed in future years by charges to revenue.

## Note 16 - Capital contractual commitments

At 31 March 2025 the council had not entered into any contracts for the construction or enhancement of property, plant and equipment in 2024/25 or future years. (2023/24: £nil)

## Note 17 - Property, plant and equipment

Movements in the property, plant and equipment valuations are detailed in the following tables:

	Land and buildings	Vehicles, plant, furniture and equipment	Assets under construction	Surplus assets	Total
	£m	£m	£m	£m	£m
<b>Carried at historical cost</b>	<b>0.7</b>	<b>84.2</b>	<b>16.1</b>	<b>0.0</b>	<b>101.0</b>
<b>Valued at current value as at:</b>					
31 March 2025	625.5	0.0	0.0	18.0	<b>643.5</b>
31 March 2024	291.3	0.0	0.0	1.9	<b>293.2</b>
31 March 2023	355.0	0.0	0.0	0.0	<b>355.0</b>
31 March 2022	18.0	0.0	0.0	0.0	<b>18.0</b>
31 March 2021	7.7	0.0	0.0	0.0	<b>7.7</b>
<b>Total cost or valuation</b>	<b>1,298.2</b>	<b>84.2</b>	<b>16.1</b>	<b>19.9</b>	<b>1,418.4</b>

# Notes supporting the balance sheet

## Property, plant and equipment - movements in 2024/25

	Land and buildings restated <sup>1</sup>	Right of use assets (including PFI) <sup>2</sup>	Vehicles, plant, furniture, equipment	Assets under construction	Surplus assets	Total restated	PFI assets included in Right of use assets restated <sup>1</sup>
	£m	£m	£m	£m	£m	£m	£m
<b>Cost or valuation</b>							
<b>At 1 April 2024 <sup>1</sup></b>	<b>1,381.9</b>	<b>0.0</b>	<b>73.8</b>	<b>1.4</b>	<b>25.4</b>	<b>1,482.5</b>	<b>84.4</b>
Adoption of IFRS16 – reclassification to right of use assets	(91.3)	91.3	0.0	0.0	0.0	<b>0.0</b>	0.0
<b>Revised balance at 1 April 2024</b>	<b>1,290.6</b>	<b>91.3</b>	<b>73.8</b>	<b>1.4</b>	<b>25.4</b>	<b>1,482.5</b>	<b>84.4</b>
Additions	31.4	0.6	10.4	12.2	(1.7)	<b>52.9</b>	0.3
De-recognition – disposals	(95.9)	(3.6)	0.0	0.0	(0.1)	<b>(99.6)</b>	(3.6)
Revaluation increases/(decreases) recognised in the revaluation reserve	9.4	(4.7)	0.0	0.0	0.1	<b>4.8</b>	(9.3)
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(18.7)	(29.1)	0.0	0.0	(3.8)	<b>(51.6)</b>	(26.1)
Assets reclassified	0.0	0.0	0.0	2.5	0.0	<b>2.5</b>	0.0
IFRS16 transitional adjustments	0.0	26.9	0.0	0.0	0.0	<b>26.9</b>	26.9
<b>At 31 March 2025</b>	<b>1,216.8</b>	<b>81.4</b>	<b>84.2</b>	<b>16.1</b>	<b>19.9</b>	<b>1,418.4</b>	<b>72.6</b>
<b>At 1 April 2024 <sup>1</sup></b>	<b>(5.0)</b>	<b>(2.1)</b>	<b>(50.6)</b>	<b>0.0</b>	<b>(0.2)</b>	<b>(57.9)</b>	<b>(1.9)</b>
Depreciation charge	(27.0)	(4.9)	(5.8)	0.0	0.0	<b>(37.7)</b>	(2.3)
Depreciation written out to revaluation reserve	22.5	2.0	0.0	0.0	0.2	<b>24.7</b>	1.0
Depreciation written out to the surplus/deficit on provision of services	0.6	3.1	0.0	0.0	0.0	<b>3.7</b>	1.4
De-recognition	1.1	0.0	0.0	0.0	0.0	<b>1.1</b>	0.0
<b>At 31 March 2025</b>	<b>(7.8)</b>	<b>(1.9)</b>	<b>(56.4)</b>	<b>0.0</b>	<b>0.0</b>	<b>(66.1)</b>	<b>(1.8)</b>
<b>Net book value at 1 April 2024 <sup>1</sup></b>	<b>1,285.6</b>	<b>89.2</b>	<b>23.2</b>	<b>1.4</b>	<b>25.2</b>	<b>1,424.6</b>	<b>82.5</b>
<b>Net book value at 31 March 2025</b>	<b>1,209.0</b>	<b>79.5</b>	<b>27.8</b>	<b>16.1</b>	<b>19.9</b>	<b>1,352.3</b>	<b>70.8</b>

<sup>1</sup> The opening balance for land and buildings and PFI assets have been restated to reflect the removal of the non-LCC owned schools' assets.

<sup>2</sup> Right of use assets have been separated from the Land and buildings figures in line with IFRS16 adoption.



# Notes supporting the balance sheet

## Property, plant and equipment - movements in 2023/24

	Land and buildings restated <sup>1</sup>	Vehicles, plant, furniture, equipment	Assets under construction	Surplus assets	Total restated <sup>1</sup>	PFI assets included in property restated <sup>1</sup>
	£m	£m	£m	£m	£m	£m
<b>Cost or valuation</b>						
<b>At 1 April 2023</b>	<b>1,334.9</b>	<b>71.0</b>	<b>13.1</b>	<b>23.9</b>	<b>1,442.9</b>	<b>94.8</b>
Additions	27.4	2.7	5.6	3.5	39.3	0.2
De-recognition – disposals	(59.6)	0.0	0.0	(1.6)	(61.2)	0.0
Revaluation increases/(decreases) recognised in the revaluation reserve	61.5	0.0	0.0	1.3	62.8	(12.7)
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(0.8)	0.0	0.0	(0.5)	(1.3)	2.1
Assets reclassified	18.5	0.0	(17.3)	(1.2)	0.0	0.0
<b>At 31 March 2024</b>	<b>1,381.9</b>	<b>73.8</b>	<b>1.4</b>	<b>25.4</b>	<b>1,482.5</b>	<b>84.4</b>
<b>At 1 April 2023</b>	<b>(27.2)</b>	<b>(45.4)</b>	<b>0.0</b>	<b>(0.2)</b>	<b>(72.8)</b>	<b>(1.8)</b>
Depreciation charge	(28.8)	(5.2)	0.0	(0.1)	(34.1)	(2.5)
Depreciation written out to revaluation reserve	43.8	0.0	0.0	0.2	44.0	1.8
Depreciation written out to the surplus/deficit on provision of services	3.1	0.0	0.0	0.0	3.1	0.6
De-recognition	2.0	0.0	0.0	0.0	2.0	0.0
Reclassification	0.0	0.0	0.0	0.0	0.0	0.0
<b>At 31 March 2024</b>	<b>(7.1)</b>	<b>(50.6)</b>	<b>0.0</b>	<b>(0.2)</b>	<b>(57.8)</b>	<b>(1.9)</b>
<b>Net book value at 1 April 2023</b>	<b>1,307.7</b>	<b>25.6</b>	<b>13.1</b>	<b>23.7</b>	<b>1,370.1</b>	<b>93.0</b>
<b>Net book value at 31 March 2024</b>	<b>1,374.8</b>	<b>23.2</b>	<b>1.4</b>	<b>25.3</b>	<b>1,424.7</b>	<b>82.5</b>

<sup>1</sup> The balance for land and buildings and PFI assets have been restated to reflect the removal of the non-LCC owned schools assets.

## Reconciliation of property, plant and equipment

31 March 2024 restated <sup>1</sup>		31 March 2025
£m		£m
1,185.8	Infrastructure assets	1,469.5
1,424.4	Other property, plant and equipment assets <sup>1</sup>	1,352.3
<b>2,610.2</b>	<b>Total property, plant and equipment assets <sup>1</sup></b>	<b>2,821.8</b>

<sup>1</sup> The opening balance for land and buildings have been restated to reflect the removal of the non-LCC owned schools assets.

## Infrastructure assets movements on balances

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

31 March 2024		31 March 2025
£m		£m
<b>1,136.7</b>	<b>Net book value at 1 April</b>	<b>1,185.8</b>
78.2	Additions	106.9
0.0	Revaluations	244.5
(29.1)	Depreciation	(67.7)
<b>1,185.8</b>	<b>Net book value at 31 March</b>	<b>1,469.5</b>

## Note 18 - School assets

### Schools included on the council's balance sheet

31 March 2024 restated <sup>1</sup>			31 March 2025	
Number of school assets	Value of land and buildings		Number of school assets	Value of land and buildings
	£m			£m
234	863.8	Community schools	227	830.8
4	45.2	Foundation schools <sup>1</sup>	3	9.9
170	60.6	Voluntary aided schools <sup>1</sup>	160	21.0
33	28.8	Voluntary controlled schools <sup>1</sup>	31	3.8
<b>441</b>	<b>998.4</b>	<b>Total <sup>1</sup></b>	<b>421</b>	<b>865.5</b>
8	82.5	Schools subject to PFI contracts <sup>1</sup>	8	70.8

<sup>1</sup> The 23/24 balances for school assets have been restated to reflect the removal of the non-LCC owned schools assets.

The table shows the number and values associated with each type of school included within the council's balance sheet.

During the year 18 schools chose to take up academy status. These are detailed in Note 38.

The council has 8 school assets subject to PFI contracts, which are shown on the council's balance sheet together with the related liability.

## Note 19 - Heritage assets

	Paintings and furniture	Other museum artefacts	Manuscripts and books	Total
	£m	£m	£m	£m
<b>Cost or valuation</b>				
<b>At 31 March 2025</b>	<b>3.0</b>	<b>11.1</b>	<b>14.6</b>	<b>28.7</b>
<b>At 31 March 2024</b>	<b>3.0</b>	<b>11.1</b>	<b>14.6</b>	<b>28.7</b>

Heritage assets are those non-current assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held principally for their contribution to knowledge or culture.

### Paintings, furniture and other artefacts

The museum service contains around 140,000 items, which cover a variety of artefacts relevant to Lancashire's heritage including pictures, furniture, toys, medals and archaeological objects.

### Manuscripts and books

Lancashire also holds a libraries special collection that consists of publications held for their historical and cultural importance.

Collections and their records can be accessed in a number of ways from virtual access to physical examination of items on display in exhibitions. For any items held in store, a mutually convenient appointment is needed to view them.

## Note 20 - Long term debtors

31 March 2024		31 March 2025
£m		£m
11.4	Transferred Debt <sup>1</sup>	10.9
24.5	Finance Lease Debtor <sup>2</sup>	23.2
<b>35.9</b>	<b>Total</b>	<b>34.1</b>

<sup>1</sup> Transferred debt is managed for other authorities as a result of various local government reorganisations, which is being repaid over time.

<sup>2</sup> Finance lease debtor is a long term debtor due to the council from Blackpool Council in respect of the new borrowing raised to pay off the PFI liability with Lancashire County Council as the lessor (Note 29).

## Note 21 - Short term debtors and payments in advance

31 March 2024		31 March 2025
£m		£m
39.7	Council tax	36.8
0.7	Non-domestic rates	0.8
33.7	Other receivables	39.5
335.2	Trade receivables	262.9
(11.0)	Less impairment allowance	(30.2)
<b>398.3</b>	<b>Total</b>	<b>309.8</b>

31 March 2024		31 March 2025
£m		£m
41.3	Payments in advance	28.7
<b>41.3</b>	<b>Total</b>	<b>28.7</b>



## Note 22 - Cash and cash equivalents

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

31 March 2024		31 March 2025
£m		£m
0.4	Cash held by the council	0.4
43.0	Bank current accounts	23.8
25.1	Short term deposits under 3 months	27.0
<b>68.5</b>	<b>Total</b>	<b>51.2</b>

## Note 23 - Short term creditors and receipts in advance

31 March 2024		31 March 2025
£m		£m
(246.7)	Trade payables	(178.2)
(44.7)	Council tax	(33.0)
(0.3)	Non-domestic rates	(1.0)
(48.4)	Other payables	(42.4)
<b>(340.1)</b>	<b>Total</b>	<b>(254.6)</b>

31 March 2024		31 March 2025
£m		£m
(13.0)	Other receipts in advance	(14.0)
(3.8)	Government grants receipts in advance (revenue)	(5.4)
(75.4)	Government grants receipts in advance (capital)	(66.8)
<b>(92.2)</b>	<b>Total</b>	<b>(86.2)</b>

## Note 24 – Provisions

Funds are set aside to provide for specific expenses for which the exact cost and timing are still uncertain.

	Balance at 1 April 2024	Additional provision made	Spending met from the provision	Unused amounts reversed	Balance at 31 March 2025
	£m	£m	£m	£m	£m
Insurance provision	(42.7)	(8.3)	4.7	11.7	(34.7)
MMI provision	(2.8)	0.0	0.0	0.0	(2.8)
Other long term provisions	(2.6)	(0.5)	0.0	0.0	(3.1)
<b>Total long term provisions</b>	<b>(48.1)</b>	<b>(8.9)</b>	<b>4.7</b>	<b>11.7</b>	<b>(40.6)</b>
Business rates appeals	(4.4)	(4.0)	0.0	4.4	(4.0)
Early retirement	(0.7)	0.0	0.7	0.0	0.0
Other short term provisions	(4.8)	0.0	0.4	0.0	(4.4)
<b>Total short term provisions</b>	<b>(9.9)</b>	<b>(4.0)</b>	<b>1.1</b>	<b>4.4</b>	<b>(8.4)</b>
<b>Total provisions</b>	<b>(58.0)</b>	<b>(12.9)</b>	<b>5.8</b>	<b>16.1</b>	<b>(49.0)</b>

### Insurance provision

Funds are set aside to cover liability claims in respect of employer's liability, public liability or buildings insurance, which are below the insurance excess and the self-insured limits.

### Municipal Mutual Insurance (MMI)

Provision in respect of MMI for costs due to be paid under the Scheme of Arrangement for managing the outstanding liabilities resulting from claims being made.

### Business rates appeals

This provision accounts for the 9% share of the business rates appeals impact estimated by the 12 Lancashire Districts.

### Early retirement provision

This provision is for future voluntary redundancy costs.

### Other provisions

All other provisions are individually insignificant.

## Note 25 - Financial instruments

*A financial instrument is a contract, which creates a financial asset for one party and a financial liability for another party. Non-exchange transactions such as those relating to taxes and government grants do not give rise to financial instruments. The term covers both financial assets such as bank deposits, investments and loans by the council and amounts receivable and financial liabilities including amounts borrowed by the council and amounts payable. Financial instruments are classified based on the council's business model for holding the instrument and their cash flow characteristics.*

Full disclosure notes in respect of financial instruments are provided in the technical annex.

The disclosures include:

- Gains and losses on financial instruments;
- Fair value of assets and liabilities;
- The nature and extent of risks arising from financial instruments.

### Financial assets

Financial assets should be classified and measured at fair value, with changes in fair value recognised in the profit and loss as they arise (FVPL), unless specific criteria are met for classifying and measuring the asset at either amortised cost or fair value through other comprehensive income (FVOCI).

The financial assets at fair value through profit and loss relate to LOBO (lender, option, borrower, option) loan investments with other local authorities. Further information is included in the forward contract agreement section of the technical annex.

Amortised cost (where cash flows are solely payments of principal and interest, and the council's business model is to collect those cash flows) comprising:

- Cash in hand;
- Bank current account;
- Loans to other local authorities;
- Loans to companies;
- Lease receivables, and
- Trade receivables for goods and services provided.

## Notes supporting the balance sheet

Fair value through other comprehensive income (where cash flows are solely payments of principal and interest, and the council's business model is to both collect those cash flows and sell the instrument; and equity investments that the council has elected into this category). These assets are measured and carried at fair value with gains and losses due to changes in fair value charged to the financial instruments revaluation reserve until the asset is disposed of and the gain or loss is charged to the comprehensive income and expenditure statement.

These assets comprise bonds issued by banks, building societies and the UK government.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the council.

31 March 2024			Category	31 March 2025		
Long term	Short term	Total		Long term	Short term	Total
£m	£m	£m		£m	£m	£m
9.2	10.2	19.4	Amortised cost	9.2	5.2	14.3
268.7	0.0	268.7	Financial assets at fair value through other comprehensive income	185.7	0.0	185.7
0.0	72.0	72.0	Financial assets at fair value through profit and loss	0.0	11.2	11.2
277.9	82.2	360.1	<b>Total investments</b>	194.9	16.4	211.2
0.0	68.5	68.5	Cash and cash equivalents	0.0	51.2	51.2
24.5	314.4	338.9	Debtors <sup>#</sup>	23.2	232.8	256.0
302.4	465.1	767.5	<b>Total financial assets</b>	218.1	300.4	518.4
<i><sup>#</sup> The debtors figure stated is lower than the debtors shown on the balance sheet because it excludes the following amounts which do not meet the definition of a financial asset – payments in advance and non-exchange transactions</i>						
11.4	83.9	95.3	Debtors which do not meet the definition of a financial instrument	10.9	77.0	87.9
35.9	398.3	434.2	Balance sheet total	34.1	309.8	343.9

## Financial liabilities

The majority of the council's financial liabilities held during the year are measured at amortised cost and comprise:

- Short term loans from other local authorities;
- Long term loans from the Public Works Loan Board and other local authorities;
- Private finance initiative contracts;
- Trade payables for goods and services received.

The financial liabilities at fair value through profit and loss relate to the UK government bonds that the council is committed to purchase at a future date. Further information is included in the forward contract agreement section of the technical annex.

The financial liabilities disclosed in the balance sheet are analysed across the following categories:

31 March 2024			Category	31 March 2025		
Long term	Short term	Total		Long term	Short term	Total
£m	£m	£m		£m	£m	£m
(524.6)	(661.0)	<b>(1,185.6)</b>	Financial liabilities at amortised cost	(496.3)	(559.7)	<b>(1,056.0)</b>
0.0	0.0	<b>0.0</b>	Financial liabilities at fair value through profit and loss	0.0	0.0	<b>0.0</b>
(1.3)	(272.0)	<b>(273.3)</b>	Creditors <sup>#</sup>	(1.3)	(190.3)	<b>(191.6)</b>
(110.3)	(8.2)	<b>(118.5)</b>	Other financial liabilities (PFI) at amortised cost	(113.8)	(10.0)	<b>(123.8)</b>
<b>(636.2)</b>	<b>(941.2)</b>	<b>(1,577.4)</b>	<b>Total financial liabilities</b>	<b>(611.4)</b>	<b>(760.0)</b>	<b>(1,371.4)</b>
<sup>#</sup> The creditors figure stated is lower than the creditors shown on the balance sheet because it excludes the following amounts which do not meet the definition of a financial liability – receipts in advance and non-exchange transactions						
0.0	(68.1)	(68.1)	Creditors which do not meet the definition of a financial instrument	0.0	(64.3)	(64.3)
(1.3)	(340.1)	(341.4)	Balance sheet total	(1.3)	(254.6)	(255.9)



### Note 26 – Other current liabilities

31 March 2024		31 March 2025
£m		£m
(8.2)	PFI Liability	(10.0)
<b>(8.2)</b>	<b>Total</b>	<b>(10.0)</b>

### Note 27 – Other long term liabilities

31 March 2024		31 March 2025
£m		£m
(104.8)	Pension liability	(100.7)
(110.3)	PFI liability	(113.8)
<b>(215.1)</b>	<b>Total</b>	<b>(214.5)</b>

## Note 28 - Private finance initiative (PFI)

The council has the following PFI contracts:

### Fleetwood High School

The council signed a PFI contract with Fleetwood PPP Limited in 2001 to build and service a new single site school. The arrangement runs from September 2002 to August 2027.

### Building schools for the future (BSF)

As part of wave 1 of the BSF scheme, secondary schools in Burnley and part of Pendle have been rebuilt in four separate phases under contract with Catalyst Education (Lancashire) Limited. Each delivers a school building (or a number of school buildings) and the provision of on-going services including grounds maintenance, caretaking and building maintenance.

The contractor took on the obligations to construct the schools and to maintain them in a minimum acceptable condition. At the end of the contract period, the buildings will revert to the council for nil consideration. The significant risks that the council is exposed to under these PFI schemes are changes in inflation and changes in demand for the services. There is provision within the agreements for the termination of the contracts, under certain conditions, either by the council or by the contractor. This may be in the form of voluntary termination by the council, termination by the contractor on council default, or termination by the council on contractor default.

Compensation payments are payable upon termination and the calculation of these is determined in the contracts.

For each contract, the council makes an agreed payment each year, which is increased by inflation and can be reduced if the contractor fails to meet the agreed availability and performance standards in any year but is otherwise fixed. An estimate of 2.50% is made for future inflation within the model.

Each school is made available for use in the following priority order:

- (i) provision of education services;
- (ii) community use, and
- (iii) third party use.

The contractor may enter into arrangements for third party use, subject to satisfying criteria laid out in the contract, and may be entitled to charge for such use. An income sharing arrangement is in place regarding any income received for third party use.

The assets used to provide services at the schools are recognised on the council's balance sheet. Movements in their value over the year are detailed in the analysis of the movement on the property, plant and equipment balance in Note 17.

# Notes supporting the balance sheet

## Fleetwood High School

	Payment for services	Repayment of liability	Interest charges	Total payments due
	£m	£m	£m	£m
Payment in 2025/26	0.7	0.9	0.7	2.3
Payment within 2 to 5 years	0.5	2.0	1.0	3.5
<b>Total</b>	<b>1.2</b>	<b>2.9</b>	<b>1.7</b>	<b>5.8</b>

The tables show payments due to be made under the PFI contracts. The payments can be reduced if the contractor fails to meet availability or performance standards.

The payments made to the contractor are described as unitary payments; they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred, and interest payable whilst the capital expenditure remains to be reimbursed.

## Building schools for the future (BSF)

	Payment for services	Repayment of liability	Interest charges	Total payments due
	£m	£m	£m	£m
Payment in 2025/26	13.8	9.1	13.1	35.9
Payment within 2 to 5 years	67.8	38.8	39.8	146.5
Payment within 6 to 10 years	69.7	71.3	36.3	177.3
Payment within 11 to 15 years	1.1	1.7	0.6	3.4
<b>Total</b>	<b>152.5</b>	<b>120.9</b>	<b>89.8</b>	<b>363.2</b>

## Outstanding PFI liability

31 March 2024		31 March 2025
£m		£m
<b>(126.2)</b>	<b>Balance outstanding at start of year</b>	<b>(118.5)</b>
7.7	Payments during the year	8.9
0.0	IFRS 16 transition adjustment	(14.2)
<b>(118.5)</b>	<b>Balance outstanding at year end</b>	<b>(123.8)</b>

## Note 29 – IFRS16 Leases

### Council as lessor – finance leases

#### Finance lease debtor

31 March 2024		31 March 2025
£m		£m
1.2	Current	1.3
24.5	Non-current	23.2
9.1	Unearned finance income	8.1
<b>34.9</b>	<b>Gross investment in the finance lease</b>	<b>32.6</b>

Lancashire County Council has recognised a finance lease debtor for the borrowing raised on behalf of Blackpool Council to settle the PFI liability in respect of the waste PFI scheme. The assets underpinning the finance lease are the land and buildings comprising the waste plants.

31 March 2024			31 March 2025	
Gross investment	Minimum lease payments		Gross investment	Minimum lease payments
£m	£m		£m	£m
2.2	1.2	Not later than one year	2.2	1.3
9.0	5.5	Later than one year and not later than 5 years	8.9	5.7
23.7	19.0	Later than 5 years	21.5	17.5
<b>34.9</b>	<b>25.7</b>	<b>Total</b>	<b>32.6</b>	<b>24.5</b>

The council has a gross investment in the lease, made up of minimum lease payments expected to be received over the remaining term. The minimum lease payments comprise settlement of the long term debtor for the interest in the property acquired by the lessee, and finance income earned by the council whilst the debtor remains outstanding.

There have been no material adjustments to these leases by implementing IFRS 16.

# Notes supporting the balance sheet

## Council as lessee

### Transition adjustment

Peppercorn Assets	£m
Revaluation Reserve 1 April 2024	8.4
Transfer to CAA 1 April 2024	(8.4)

Transition adjustments, for the adoption of IFRS16 as at 1 April 2024, have been made for four peppercorn property leases and the council's PFI arrangements. The transition adjustment for PFI is detailed in Note 28.

### Amounts recognised in Statement of Comprehensive Net Expenditure

31 March 2024		31 March 2025
£m		£m
0.0	Depreciation expense on right-of-use assets	0.9
0.0	Interest expense on lease liabilities	23.1
0.0	Expense relating to low value, short-term leases	18.6
0.0	<b>Total</b>	<b>42.6</b>



## Note 30 - Reserves

### Usable reserves

31 March 2024		31 March 2025
£m		£m
(23.4)	General fund	(56.0)
(364.8)	Earmarked reserves	(303.2)
(97.8)	School reserves	(76.2)
<b>(486.0)</b>	<b>Total earmarked reserves</b>	<b>(435.4)</b>
(197.2)	Capital grants unapplied reserve	(189.0)
(24.3)	Capital receipts reserve	(18.3)
<b>(707.5)</b>	<b>Total usable reserves</b>	<b>(642.7)</b>

### Unusable reserves

31 March 2024 restated <sup>1</sup>		31 March 2025
£m		£m
35.3	Financial instruments adjustment account	(5.3)
313.3	Financial instruments revaluation reserve	349.9
(666.4)	Revaluation reserve <sup>1</sup>	(860.4)
(852.6)	Capital adjustment account <sup>1</sup>	(846.0)
197.6	Pensions reserve	146.5
1.1	Collection fund adjustment account	(6.0)
10.3	Accumulated absences adjustment account	9.7
0.0	Business rates collection fund adjustment account	(0.6)
0.0	Dedicated Schools Grant adjustment account	22.4
<b>(961.4)</b>	<b>Total <sup>1</sup></b>	<b>(1,189.7)</b>

<sup>1</sup> The 2023/24 figures have been restated to reflect the removal of the non-LCC owned school assets.

## Financial instruments adjustment account

2023/24		2024/25
£m		£m
38.2	Balance at 1 April	35.3
(2.9)	Proportion of premiums incurred in previous financial years to be charged against general fund balance	(40.6)
35.3	Balance at 31 March	(5.3)

The financial instruments adjustment account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

## Financial instruments revaluation reserve

2023/24		2024/25
£m		£m
283.9	Balance at 1 April	313.3
(1.1)	Amounts recycled to the surplus/deficit on the provision of services	(0.6)
30.5	Downward revaluation of investments not charged to the surplus/deficit on the provision of services	37.2
313.3	Balance at 31 March	349.9

The financial instruments revaluation reserve contains the gains or losses arising from changes in the value of investments that are measured at fair value through other comprehensive income.

## Revaluation reserve

2023/24 restated <sup>1</sup>		2024/25
£m		£m
<b>(607.2)</b>	<b>Balance at 1 April <sup>1</sup></b>	<b>(666.4)</b>
(136.5)	Upward revaluation of assets <sup>1</sup>	(537.7)
29.6	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services <sup>1</sup>	263.8
<b>(106.9)</b>	<b>(Surplus) or deficit on the revaluation of non-current assets not posted to the surplus or deficit on the provision of services <sup>1</sup></b>	<b>(273.9)</b>
12.9	Difference between fair value depreciation and historical cost depreciation <sup>1</sup>	15.5
34.8	Accumulated gains on assets sold or scrapped	56.1
0.0	IFRS 16 peppercorn lease transition adjustment	8.4
<b>47.7</b>	<b>Amount written off to the capital adjustment account <sup>1</sup></b>	<b>80.0</b>
<b>(666.4)</b>	<b>Balance at 31 March <sup>1</sup></b>	<b>(860.4)</b>

<sup>1</sup> The 2023/24 figures have been restated to reflect the removal of the non-LCC owned school assets. The adjustments are shown in detail in Note 41 – Prior period adjustments.

The revaluation reserve contains the gains made by the council arising from increases in the value of its property, plant and equipment and intangible assets. The balance is reduced when assets with accumulated gains are:

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

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

# Notes supporting the balance sheet

## Capital adjustment account

2023/24 restated <sup>1</sup>		2024/25
£m		£m
(798.3)	Balance at 1 April <sup>1</sup>	(852.6)
	<b>Reversal of items relating to capital expenditure charged to the comprehensive income and expenditure statement</b>	
64.0	Charges for depreciation and impairment of non-current assets <sup>1</sup>	107.9
(2.6)	Revaluation losses/(gains) on property, plant and equipment including assets held for sale <sup>1</sup>	47.8
4.2	Amortisation of intangible assets	6.9
34.8	Revenue expenditure funded from capital under statute	47.5
59.2	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement	98.6
(7.7)	Write down of PFI liability	(8.9)
0.0	IFRS 16 transition adjustments	(21.0)
(47.7)	Adjusting amount written out of the revaluation reserve <sup>1</sup>	(71.6)
(694.1)	<b>Net written out amount of the cost of non-current assets consumed in the year <sup>1</sup></b>	<b>(645.4)</b>
	<b>Capital financing applied in the year</b>	
(90.2)	Capital grants and contributions credited to the comprehensive income and expenditure statement <sup>1</sup>	(163.8)
(31.9)	Application of capital grants to capital financing from the capital grants unapplied account	8.2
0.0	Application of capital receipts to capital financing from the capital receipts reserve	(4.1)
(31.7)	Statutory provision for the financing of capital investment charged against the general fund	(34.2)
(4.7)	Capital expenditure charged against the general fund	(6.7)
(158.5)		(200.6)
(852.6)	Balance at 31 March <sup>1</sup>	(846.0)

<sup>1</sup> The 2023/24 figures have been restated to reflect the removal of the non-LCC owned school assets. The adjustments are shown in detail in Note 41 – Prior period adjustments.

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the comprehensive income and expenditure statement (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction or enhancement.

The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.

# Notes supporting the balance sheet

## Pensions reserve

2023/24		2024/25
£m		£m
110.0	<b>Balance at 1 April</b>	<b>197.6</b>
122.0	Re-measurement of the net defined benefit liability/(asset)	(24.3)
59.2	Reversal of items relating to retirement benefits debited or credited to the surplus on the provision of services in the comprehensive income and expenditure statement	59.0
(93.6)	Employer's pension contributions and direct payments to pensioners payable in the year	(85.8)
<b>197.6</b>	<b>Balance at 31 March</b>	<b>146.5</b>

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post-employment benefits in the comprehensive income and expenditure statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed, as the council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible.

The debit balance on the pensions reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.



## Notes supporting the balance sheet

### Accumulated absences adjustment account

2023/24		2024/25
£m		£m
24.4	<b>Balance at 1 April</b>	10.3
(24.4)	Settlement or cancellation of accrual made at the end of the preceding year	(10.3)
10.3	Amounts accrued at the end of the current year	9.7
(14.1)	<b>Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements</b>	(0.6)
10.3	<b>Balance at 31 March</b>	9.7

The accumulated absences adjustment account absorbs the differences that would otherwise arise on the general fund balance from accruing for annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.

### Dedicated Schools Grant adjustment account

2023/24		2024/25
£m		£m
0.0	<b>Balance at 1 April</b>	0.0
0.0	In year Schools' budget deficit debited to the Comprehensive Income and Expenditure Statement and transferred to the DSG Adjustment Account in accordance with statutory requirements	22.4
0.0	<b>Balance at 31 March</b>	22.4

The dedicated schools grant adjustment account holds the accumulated deficits relating to the authority's education budgets. In line with amendments to the Local Authorities (Capital Finance and Accounting) Regulations, any deficits on school budgets during the period 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2026 must be transferred into the dedicated schools grant adjustment account and may not be charged to the revenue account.

# Notes supporting the cash flow statement

## Note 31 - Cash flows from operating activities

The net surplus or deficit on the provision of services in the comprehensive income and expenditure statement has been subject to the following adjustments in order to arrive at the net cash flows from operating activities:

The cash flows for operating activities include the following items:

2023/24		2024/25
£m		£m
(29.6)	Interest received	(24.3)
55.6	Interest paid	63.5

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

2023/24 restated <sup>1</sup>		2024/25
£m		£m
63.3	Depreciation <sup>1</sup>	105.2
(1.7)	Impairment and downward/(upward) valuations <sup>1</sup>	47.8
4.2	Amortisation of intangible assets	9.5
(9.5)	Increase/(decrease) in impairment for bad debts	(27.2)
27.4	Increase/(decrease) in creditors	(120.3)
(127.6)	(Increase)/decrease in debtors	128.7
(0.6)	(Increase)/decrease in inventories	(0.1)
(176.0)	Movement in pension liability	20.1
59.3	Carrying amount of non-current assets sold	98.7
4.1	Other non-cash items charged to the surplus or deficit on the provision of services	(15.2)
(157.1)	<b>Total</b>	<b>247.2</b>

## Notes supporting the cash flow statement

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2023/24		2024/25
£m		£m
0.4	Proceeds from short term (not considered to be cash equivalents) and long term investments (includes investments in associates, joint ventures and subsidiaries)	(2.4)
(8.3)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1.9
0.0	Premiums or (Discounts) on the repayment of financial liabilities	(42.5)
(154.0)	Capital grants credited to the surplus on the provision of services	(155.8)
<b>(161.9)</b>	<b>Total</b>	<b>(198.8)</b>

### Note 32 - Cash flows from investing activities

2023/24		2024/25
£m		£m
(119.1)	Purchase of property, plant and equipment, investment property and intangible assets	(139.1)
(171.9)	Purchase of short term and long term investments	(522.0)
8.3	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1.9)
326.8	Proceeds from the sale of short term and long term investments	638.8
170.0	Other capital grants and receipts from investing activities	157.6
<b>214.1</b>	<b>Net cash flows from investing activities</b>	<b>133.4</b>

# Notes supporting the cash flow statement

## Note 33 - Cash flows from financing activities

2023/24		2024/25
£m		£m
1,144.9	Cash receipts from short term and long term borrowing	1,287.1
2.5	Appropriate to/from Collection Fund Adjustment Account	(7.7)
(1,146.6)	Repayment of short term and long term borrowing	(1,372.4)
1.2	Other payments for financing activities	0.0
(7.7)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(8.2)
<b>(5.7)</b>	<b>Net cash flows from financing activities</b>	<b>(101.2)</b>

## Note 34 - Reconciliation of liabilities arising from financing activities

	1 April 2024	Financing cash flows		Non-cash changes	31 March 2025
		Acquisitions	Repayments		
	£m	£m	£m	£m	£m
Long term borrowing	524.6	200.0	(57.5)	(170.8)	496.3
Short term borrowing *	660.9	1,087.1	(1,314.8)	126.5	559.7
PFI liabilities *	118.5	0.0	(8.2)	13.5	123.8
<b>Total</b>	<b>1,304.0</b>	<b>1,287.1</b>	<b>(1,380.5)</b>	<b>(30.8)</b>	<b>1,179.8</b>

	1 April 2023	Financing cash flows		Non-cash changes	31 March 2024
		Acquisitions	Repayments		
	£m	£m	£m	£m	£m
Long term borrowing	870.8	340.5	(325.2)	(361.5)	524.6
Short term borrowing *	310.4	804.4	(821.4)	367.5	660.9
PFI liabilities *	126.2	0.0	(7.7)	0.0	118.5
<b>Total</b>	<b>1,307.4</b>	<b>1,144.9</b>	<b>(1,154.3)</b>	<b>6.00</b>	<b>1,304.0</b>

\* The short term element of PFI liabilities is shown within PFI liabilities rather than short term borrowing.

# Other notes to the financial statements

## Note 35 - Related party transactions

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

### Central government

Central government has effective control over the general operations of the council, as it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax). Grant income from government departments is shown in Note 8.

### Other public bodies (subject to common control by central government)

The council's material transactions with other public bodies relate primarily to precepts received from other local councils, the summary of which is shown in Note 7 - Taxation and Non Specific Grants.

The council is the host to pooled budget arrangements with several Clinical Commissioning Groups, for the Better Care Fund and for Learning Disabilities. Transactions and balances for both funds are detailed in Note 36.

### Chief officers

Officers are appointed by the council to boards or committees of various organisations to act on behalf of the council in their official capacities. All officers are required to declare any relevant interests and those of their family members.

For 2024/25 there were related party transactions totalling (£659,295,422) with the Lancashire & South Cumbria NHS Integrated Care Board (LSCICB), in which chief officers have declared an interest.

### Members

Members of the council have direct control over the council's financial and operating policies. Members are also appointed by the council to boards or committees of various organisations to act on behalf of the council in their official capacities. The total of Members' allowances paid is shown in Note 11. Details of Members' interests are recorded in a formal Register of Interest, which is open to public inspection.

For 2024/25 there were related party transactions totalling £697,856 to 20 organisations, in which Members have declared interests. Whilst these transactions are not material in amount for the county council, they are potentially material for the related parties.

Nature of relationship	Number of companies/entities	£
Member of management	1	328,318
Other	2	259,639
Chair/Vice Chair/Trustee	12	83,428
Director	4	26,086
President	1	385



### Lancashire County Pension Fund

2023/24		2024/25
£m		£m
0.9	Payments made during the year to Lancashire County Pension Fund	4.9
(1.1)	Income received during the year from Lancashire County Pension Fund	(1.3)
1.0	Amounts owed at the year end from Lancashire County Pension Fund	1.1
0.0	Amounts owed at the year end to Lancashire County Pension Fund	0.0

The Lancashire County Pension Fund is administered by Lancashire County Council.

The council incurred costs of £1.3 million in relation to the administration of the fund. This includes a proportion of relevant officers' salaries in respect of time allocated to pension and investment issues. The council was subsequently reimbursed by the fund for these expenses.

The council is also the single largest employer of the pension fund members and contributed £73.9 million to the fund in 2024/25.

Part of the pension fund cash holdings are invested on the money markets by the treasury management operations of Lancashire County Council.

The council's Chief Executive is responsible for the preparation and sign off of the Lancashire County Pension Fund accounts. For this service, the pension fund is recharged an element (2%) of the Chief Executive's salary.

## Other notes to the financial statements

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### Penna plc

2023/24		2024/25
£m		£m
0.7	Payments made during the year to Penna PLC	0.7

The council paid Penna plc for the provision of key management personnel.

## Other notes to the financial statements

### Interests in companies and other entities

Lancashire County Council conducts activities through a variety of undertakings, either through ultimate control of or in partnership with other organisations. The interests are detailed in the table below:

Company	Interest	Relationship
Lancashire County Developments Limited	100%	Subsidiary
Lancashire Renewables Limited	87.5%	Subsidiary
Active Lancashire Limited	100%	Subsidiary
Local Pensions Partnership Limited	50%	Joint venture
Lancashire Partnership Against Crime Limited	25%	Associate
Lancashire Environmental Fund Limited	25%	Associate
Lancashire UDF Limited	100%	Subsidiary
Lancashire UDF - SPV2 Limited	100%	Subsidiary

Inclusion in the Lancashire County Council Group is dependent upon the extent of the council's interest and control, joint control or significant influence over the entity. Where the value of the interest is considered immaterial, the company is not consolidated in the group accounts.

The transactions of Lancashire County Developments Limited are included within the council's group accounts.

Details of transactions with the companies are shown in the following tables.

# Other notes to the financial statements

## Lancashire Renewables Limited

Lancashire Renewables Limited is a subsidiary of Lancashire County Council and manages the two strategic waste management facilities at Leyland and Thornton.

2023/24		2024/25
£m		£m
36.6	Payments made during the year to Lancashire Renewables Limited	37.1
(4.7)	Income received during the year from Lancashire Renewables Limited	(3.6)
(1.3)	Amounts owed at the year end from Lancashire Renewables Limited	(0.2)
1.1	Amounts owed at the year end to Lancashire Renewables Limited	0.4

## Marketing Lancashire Limited

Marketing Lancashire Limited is a destination management organisation for Lancashire. Its aims include growing the visitor economy and developing the destination as a place to visit, work and invest in.

2023/24		2024/25
£m		£m
0.7	Payments made during the year to Marketing Lancashire Limited	0.0

## Active Lancashire Limited

Active Lancashire Limited is a county sport partnership and charity operating in the Lancashire and South Cumbria public health regions.

2023/24		2024/25
£m		£m
0.1	Payments made during the year to Active Lancashire Limited	0.1

## Other notes to the financial statements

### Lancashire Environmental Fund Limited

Lancashire Environmental Fund Limited is a partnership between SUEZ Recycling and Recovery UK Ltd, Lancashire County Council, The Wildlife Trust for Lancashire, Manchester and North Merseyside and Community Futures. The Fund distributes grants support to community and environmental projects in Lancashire.

2023/24		2024/25
£m		£m
0.1	Payments made during the year to Lancashire Environmental Fund Limited	0.1

### Local Pensions Partnership Limited

Lancashire County Council entered into a joint venture with the London Pensions Fund Authority for the pooling of the executive functions of the two organisations together with the investment assets of the two funds. Lancashire Pensions Partnership operates the two pension funds under legal agreements with the administering authorities in line with the strategies and policies agreed by the relevant governing bodies. In the case of the Lancashire County Pension Fund, the Pension Fund Committee.

2023/24		2024/25
£m		£m
0.2	Payments made during the year to Local Pensions Partnership Limited	0.2

## Other notes to the financial statements

### Lancashire County Developments Limited

Lancashire County Developments Limited (LCDL) is an economic development agency for the County. It is classed as a subsidiary of the county council.

2023/24		2024/25
£m		£m
0.7	Payments made during the year to LCDL	0.9
(4.3)	Income received during the year from LCDL	(4.4)
0.3	Amounts owed at the year end from LCDL	0.1
(0.1)	Amounts owed at the year end to LCDL	(0.4)



## Note 36 - Pooled budgets

### Better care fund

2023/24		2024/25
£m	Funding provided to the pooled budget	£m
(18.2)	Lancashire County Council (Disabled facilities grant)	(20.7)
(117.7)	NHS Integrated Care Board	(123.8)
<b>(135.9)</b>	<b>Total</b>	<b>(144.5)</b>
	<b>Expenditure met from the pooled budget</b>	
44.1	Lancashire County Council (Social care)	46.0
73.6	NHS Integrated Care Board	77.8
18.2	Lancashire County Council (Disabled facilities grant)	20.7
<b>135.9</b>	<b>Total</b>	<b>144.5</b>
<b>0.0</b>	<b>Net surplus/(deficit) arising on the pooled budget during the year</b>	<b>0.0</b>

Highlighted as a key element of public service reform, the better care fund (BCF) has a primary aim to drive closer integration and improve outcomes for patients, service users and carers. The fund is a partnership arrangement whereby integrated care system and the council contribute an agreed level of resource into a single pooled budget that is then used to commission or deliver health and social care services.

The BCF plan sets out the council and its partners' vision to deliver an integrated health and social care system to reduce the demand on acute hospital and care home provision in favour of sustainable integrated neighbourhood health and social care. The regulations require that one of the partners is nominated as the host of the pooled budget and this body is then responsible for the budget's overall accounts and audit. It has been agreed that Lancashire County Council will act as the host for the BCF agreement in Lancashire.

## Other notes to the financial statements

### Pooled budget for learning disabilities

2023/24		2024/25
£m	Funding provided to the pooled budget	£m
(113.7)	Lancashire County Council	(113.7)
(9.3)	NHS Lancashire & South Cumbria Integrated Care Board	(9.3)
(0.3)	Other	(0.3)
<b>(123.3)</b>	<b>Total</b>	<b>(123.3)</b>
	<b>Expenditure met from the pooled budget</b>	
167.1	Lancashire County Council	184.9
13.7	NHS Lancashire & South Cumbria Integrated Care Board	15.2
<b>180.8</b>	<b>Total</b>	<b>200.1</b>
<b>57.5</b>	<b>Net (surplus)/deficit arising on the pooled budget during the year</b>	<b>76.8</b>
<b>53.1</b>	<b>Council share of the net (surplus)/deficit</b>	<b>70.9</b>

The council is the host partner of the pooled funds in respect of learning disability services and the better care fund. The arrangements are made in accordance with Section 75 of the National Health Service Act 2006 and allows budgets to be pooled between authorities and health and social care organisations.

The council has a pooled budget arrangement with the Lancashire integrated care system for the provision of support for people with learning disabilities. Any surplus or deficit is shared between the partners to the pool. The pooled budget is hosted by Lancashire County Council on behalf of the partners in line with the agreement.

ICs are partnerships of organisations that come together to plan and pay for health and care services to improve the lives of people who live and work in their area.

Each integrated care system has two statutory elements, an Integrated Care Partnership (ICP) and Integrated Care Board (ICB).

## Note 37 – Agency services

### Lancashire Local Enterprise Partnership

The council acts as accountable body for the Lancashire Local Enterprise Partnership (LEP) and processes transactions through its financial ledger using the council's procedures and processes as set out in the LEP assurance framework. The LEP is a collaboration of leaders from local businesses, universities and local councils, who direct economic growth and drive job creation. The council has no entitlement to retain any funds or interest generated from funds or to direct the use of these funds.

Where the council is merely an agent for the expenditure, these transactions are not reflected within the council's accounts. However, where the council is the project sponsor for a scheme then expenditure incurred will be recognised within the council's financial statements.

### Income

2023/24		2024/25
£m		£m
(28.4)	City deal *	(12.7)
0.0	Getting building fund	0.0
(0.4)	LEP core activity funding	(0.8)
(2.7)	LEP skills projects	(4.7)
(0.3)	Growth hub	0.0
<b>(31.8)</b>	<b>Total income</b>	<b>(18.2)</b>

\* The City deal total includes contributions of £2.0 million from Lancashire County Council in 2024/25. (2023/24: £3.8 million)

### Expenditure

2023/24		2024/25
£m		£m
2.2	Growth deal	0.0
28.4	City deal	11.0
6.6	Get building fund	0.0
1.5	LEP core activity funding	0.8
3.2	LEP additional projects	4.4
0.3	Growth hub	0.0
<b>42.2</b>	<b>Total expenditure</b>	<b>16.2</b>

In 2024/25, expenditure totalling £10.9 million was spent on LCC schemes. (2023/24: £24.3 million)

### Growing places

2023/24		2024/25
£m		£m
2.7	Payments out	3.2
(1.3)	Repayments	(1.8)
(0.2)	Loan interest	(0.2)
<b>1.2</b>	<b>Total</b>	<b>1.2</b>

### Reserves

2023/24		2024/25
£m		£m
<b>(30.4)</b>	<b>Balance at 1 April</b>	<b>(17.1)</b>
(31.8)	Income	(18.2)
42.2	Expenditure	16.2
1.2	Growing places	1.2
0.0	Employment liabilities	0.0
1.7	Transfer of reserves	0.0
<b>(17.1)</b>	<b>Balance at 31 March</b>	<b>(17.8)</b>

## Other notes to the financial statements

### Note 38 – Significant items of income and expense

#### Transfers to academy status

When a maintained school converts to academy status, the school's buildings held on the council's balance sheet are treated as a disposal. The carrying value of the asset is written off to financing and investment income and expenditure in the comprehensive income and expenditure statement. Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account.

During the year, eighteen schools transferred to academy status. The value of the disposals totalled £93.2 million.

School	Value
	£m
Lytham St Annes Technology and Performing Arts College	34.9
Carr Hill High School and Sixth Form Centre	13.1
Walton-Le-Dale Arts College and High School	10.9
Balshaw Lane Community Primary School	5.1
Brindle Gregson Primary School	3.1
St Mary's Catholic Primary School, Fleetwood	2.9
The Willows Catholic Primary School, Kirkham	2.9
Highfield Primary School	2.6
Leyland Methodist Junior School	2.6
Accrington Benjamin Hargreaves Church of England Primary School	2.4
Alston Lane Catholic Primary School, Longridge	2.4
Leyland Methodist Infant School	2.4
Holy Family Catholic Primary School, Warton	1.8
Wheatley Lane Methodist Primary School	1.6
St Williams Catholic Primary School, Pilling	1.4
Ashton-On-Ribble Sacred Heart Primary School	1.3
Our Lady of Lourdes Catholic Primary School, Carnforth	0.9
St Joseph's Catholic Primary School, Medlar-with-Wesham	0.9
<b>Total</b>	<b>93.2</b>

### Note 39 – Events after the reporting period

The statement of accounts was authorised for issue by the Chief Executive on 31 May 2025. Events taking place after this date are not reflected in the financial statements or notes.

#### Transfers to academy status

Freckleton Strike Lane Primary School converted to academy status on 1 April 2025. Their values included in the balance sheet at 31 March 2025 are shown below. These are not reflected in the council's accounts.

School	Value
	£m
Freckleton Strike Lane Primary School	2.3
<b>Total</b>	<b>2.3</b>

#### County Council elections

The County Council elections took place on the 2 May 2025, this resulted in a change of overall control from the Conservative party to the Reform party, the make-up of the council is now:

Political party	Councillors
Reform	53
Progressive Lancashire	11
Conservative	8
Labour	5
Liberal Democrats	5
Our West Lancashire	2
<b>Total</b>	<b>84</b>

## Note 40 – Statement of Accounting Policies

This Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 2015, which require the Council to prepare its accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and are supported by International Financial Reporting Standards (IFRS) as adopted by the United Kingdom.

### Basis of preparation

The accounts are prepared on a going concern basis, under the assumption that the Council will continue in operational existence for the foreseeable future. The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### Accruals of Income and Expenditure

Activity is accounted for in the year it takes place, not simply when cash payments are made or received. This includes the accrual of income and expenditure where goods or services have been provided or received but not yet invoiced.

### Highways Network Infrastructure

Highways network infrastructure assets include carriageways, footways, bridges, street lighting, and traffic management systems. Expenditure on the acquisition or replacement of components is capitalized, and assets are measured at depreciated historical cost. The council uses a modified historical cost approach for these assets.

### Property, Plant and Equipment

Assets are initially measured at cost and subsequently revalued where appropriate. Depreciation is charged on a straight-line basis over the asset's useful life. Revaluations and impairments are conducted in accordance with IAS 16 and IAS 36.

From 2024/25 the valuation of properties encompasses the concept of materiality and will be carried out as follows:

- Annual Cycle: These are high value assets with a previous fixed asset valuation of over £5 million.
- 3-year Cycle: This applies to assets with a previous fixed asset value of under £5 million and over £500,000.
- 5-year Cycle: Assets with a previous fixed asset valuation of over £250,000 and under £500,000.
- No valuation for non-material assets: Assets with a previous fixed asset valuation of under £250,000 will not be valued.
- Assets under construction: An asset will not be valued for fixed asset purposes whilst it is fully or partially under construction.



## Other notes to the financial statements

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### Capitalisation of Borrowing Costs

From 2024/25, Lancashire County Council capitalises borrowing costs that are directly attributable to the acquisition, construction, or production of qualifying assets. Interest is added to the cost of the asset during the period in which activities are undertaken to prepare the asset for its intended use. This policy aligns with IAS 23 and ensures that the full cost of bringing assets into operational use is reflected in their carrying value.

### Financial Instruments

Financial assets and liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of the instrument. They are measured initially at fair value and subsequently at amortised cost or fair value through profit or loss, depending on the classification.

### Events After the Reporting Period

Events after the balance sheet date are considered up to the date the accounts are authorised for issue. Adjustments are made for events that provide evidence of conditions that existed at the balance sheet date. Non-adjusting events are disclosed where material.

### Group Accounts

Where the Council has a material interest in subsidiaries or other entities, group accounts are prepared in accordance with IFRS 10. Consolidation is performed on a line-by-line basis, eliminating intra-group transactions.

### Pooled Budgets

The Council participates in a pooled budget arrangements under Section 75 of the NHS Act 2006. These are accounted for as joint operations, with the Council's share of assets, liabilities, income, and expenditure recognised in the accounts.

### Changes in Accounting Policies and Estimates

Changes in accounting policies are applied retrospectively unless otherwise stated, with prior period figures restated. Changes in accounting estimates are applied prospectively.

### Pension Schemes

Employees of the county council are members of three separate pension schemes:

- Teachers' pension scheme, administered by Capita Teachers' pensions on behalf of the Department for Education (DfE);
- Local government pension scheme administered by Lancashire County Council and the Local Pensions Partnership; Other notes to the financial statements Lancashire County Council – Statement of accounts 2023/24 101
- NHS pension scheme administered by NHS Business Services Authority on behalf of the Secretary of State for Health.

Each scheme provides defined benefits to members e.g. retirement lump sums and pensions, earned whilst employees are working for the county council. The cost of post-employment benefits is recognized in the cost of services when they are earned, although these benefits will not be payable

## Other notes to the financial statements

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until employees retire. The council accounts for its share of the scheme's assets and liabilities based on actuarial valuations.

### Private Finance Initiative (PFI)

The Council has entered into PFI contracts to provide infrastructure and services. Assets under PFI contracts are recognized on the council's balance sheet, and the associated liabilities reflect the obligation to make future payments to the PFI operator. Payments are split into service charges, interest costs, and principal repayments.

### IFRS 16 - Leases

The Council applies IFRS 16 Leases to reflect lease obligations and rights-of-use assets in its financial statements. The Council has adopted the Standard using the modified retrospective approach, applying IFRS 16 to new leases, without reassessing historical contracts.

#### As Lessee

The Council recognises lease liabilities and corresponding right-of-use assets for all material lease arrangements identified under IFRS 16. Lease liabilities are measured at the present value of lease payments, discounted using the Council's incremental borrowing rate. Right-of-use assets are measured based on the value of lease liabilities, adjusted for any prepayments, lease incentives, or restoration obligations. Right-of-use property assets are measured at cost or revaluation.

The Council has elected to exempt certain leases from this recognition, specifically short-term leases with terms of 12 months or less, and leases of low-value assets such as small office equipment. Payments for these leases are instead expensed on a straight-line basis over the lease term.

Right-of-use assets are depreciated over the shorter of the asset's useful life or the lease term. Lease liabilities are subsequently measured at amortized cost, with interest expenses recognized over the term of the lease.

#### As Lessor

The Council classifies material leases as either finance leases or operating leases, depending on whether substantially all the risks and rewards of ownership are transferred to the lessee.

### Schools

The Council includes the assets, liabilities, and transactions of all community-maintained schools in its financial statements. When a school converts to academy status, its assets and liabilities are removed from the council's accounts. From 2024/25, the Council has adopted the policy not to recognize voluntary aided, voluntary controlled, and foundation schools in its financial statements. School buildings and land are now only recognized on the balance sheet where strict ownership lies with the Council.

## Other notes to the financial statements

### Note 41 – Prior period adjustments

The 2023/24 comparator figures have been adjusted for the new policy in 2024/25 of derecognising non-LCC owned school assets and the CIES report has been restated for minor organisational adjustments between services.

#### Adjustments to the comprehensive income and expenditure statement

	Gross expenditure original 2023/24	Balance adjustment	Gross expenditure restated 2023/24	Gross income original 2023/24	Balance adjustment	Gross income restated 2023/24	Net expenditure original 2023/24	Balance adjustment	Net expenditure restated 2023/24
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Adult services and health and wellbeing	723.5	0.7	724.2	(381.7)	0.0	(381.7)	341.8	0.7	342.5
Education and children's services	309.7	(6.5)	303.2	(61.3)	0.0	(61.3)	248.4	(6.5)	241.9
Growth, environment and transport	390.5	5.7	396.2	(182.6)	0.2	(182.4)	207.9	5.9	213.8
Resources and chief executive services	218.1	(2.2)	215.9	(67.9)	(0.2)	(68.1)	150.2	(2.4)	147.8
Schools	1,169.2	(8.4)	1,160.8	(1,125.5)	0.0	(1,125.5)	43.7	(8.4)	35.3
<b>Cost of services</b>	<b>2,811.0</b>	<b>(10.7)</b>	<b>2,800.3</b>	<b>(1,819.0)</b>	<b>0.0</b>	<b>(1,819.0)</b>	<b>992.0</b>	<b>(10.7)</b>	<b>981.3</b>
Other operating income and expenditure (Note 5)	60.2	0.3	60.5	(8.3)	0.0	(8.3)	51.9	0.3	52.2
Financing and investment income and expenditure (Note 6)	33.4	0.0	33.4	(32.9)	0.0	(32.9)	0.5	0.0	0.6
Taxation and non-specific grant income and expenditure (Note 7)	0.0	0.0	0.0	(1,092.3)	(0.1)	(1,092.4)	(1,092.3)	(0.1)	(1,092.4)
<b>(Surplus)/deficit on provision of services</b>	<b>2,904.6</b>	<b>(10.4)</b>	<b>2,894.2</b>	<b>(2,952.5)</b>	<b>(0.1)</b>	<b>(2,952.6)</b>	<b>(47.9)</b>	<b>(10.5)</b>	<b>(58.3)</b>
(Surplus)/deficit on revaluation of non-current assets (Note 30)							(214.6)	107.8	(106.8)
Re-measurement of the net defined benefit pension liability/(asset) (Note 30)							122.0	0.0	122.0
(Surplus)/deficit on financial assets measured at fair value through other comprehensive income							29.4	0.0	29.4
<b>Other comprehensive (income) and expenditure</b>							<b>(63.2)</b>	<b>107.8</b>	<b>44.5</b>
<b>Total comprehensive (income) and expenditure</b>							<b>(111.1)</b>	<b>97.3</b>	<b>(13.7)</b>

## Other notes to the financial statements

### Adjustments to the movement in reserves statement

	General fund/ earmarked reserves original 2023/24	Balance adjustment	General fund/ earmarked reserves restated 2023/24	Unusable reserves original 2023/24	Balance adjustment	Unusable reserves restated 2023/24
	£m	£m	£m	£m	£m	£m
<b>Balance at 1 April 2023</b>	<b>(518.2)</b>	<b>0.0</b>	<b>(518.2)</b>	<b>(1,732.8)</b>	<b>782.4</b>	<b>(950.4)</b>
<u>Movement in reserves during 2023/24</u>						
Total comprehensive income and expenditure (Note 4)	(48.0)	10.9	(37.1)	(63.2)	86.3	23.1
Adjustment between accounting basis and funding basis under regulations (Note 13)	80.2	(10.9)	69.3	(45.0)	10.9	(34.1)
<b>(Increase)/decrease in year</b>	<b>32.2</b>	<b>0.0</b>	<b>32.2</b>	<b>(108.2)</b>	<b>97.2</b>	<b>(11.0)</b>
<b>Balance at 31 March 2024</b>	<b>(486.0)</b>	<b>0.0</b>	<b>(486.0)</b>	<b>(1,841.0)</b>	<b>879.6</b>	<b>(961.4)</b>

### Adjustments to the balance sheet

	Balance original 2023/24	Balance adjustment	Balance restated 2023/24
	£m	£m	£m
Property, plant and equipment	3,490.0	(879.6)	2,610.4
<b>Long term assets</b>	<b>3,854.2</b>	<b>(879.6)</b>	<b>2,974.6</b>
<b>Net assets</b>	<b>2,548.5</b>	<b>(879.6)</b>	<b>1,668.9</b>
Unusable reserves	(1,841.0)	879.6	(961.4)
<b>Total reserves</b>	<b>(2,548.5)</b>	<b>879.6</b>	<b>(1,668.9)</b>

## Other notes to the financial statements

### Adjustments to the cash flow statement

	Balance original 2023/24	Balance adjustment	Balance restated 2023/24
	£m	£m	£m
Net surplus/(deficit) on the provision of services	47.9	10.4	58.3
Adjustments to net surplus/deficit on the provision of services for non-cash movements	(146.7)	(10.4)	(157.1)
Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities	(161.9)	0.0	(161.9)
<b>Net cash flows from operating activities</b>	<b>(260.7)</b>	<b>0.0</b>	<b>(260.7)</b>
Investing activities	214.1	0.0	214.1
Financing activities	(5.7)	0.0	(5.7)
<b>Net increase/(decrease) in cash or cash equivalents</b>	<b>(52.3)</b>	<b>0.0</b>	<b>(52.3)</b>
Cash and cash equivalents at the beginning of the reporting period	120.8	0.0	120.8
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>68.5</b>	<b>0.0</b>	<b>68.5</b>

The following explanatory notes to the accounts have been restated as a result of the prior period adjustments:

- Note 4 - Expenditure and funding analysis
- Note 13 - Adjustments between accounting basis and funding basis under regulations (restated?)
- Note 17 - Property, plant and equipment
- Note 18 - School assets
- Note 30 – Reserves
- Note 31 - Cash flows from operating activities
- Group comprehensive income and expenditure statement
- Group movement in reserves statement
- Group balance sheet
- Group cash flow statement





# Technical annex

Bowland heather moorland  
Photo: Graham Cooper



# Financial instruments disclosure notes

## Note 42 - Income, expense, gains and losses on financial instruments

2024/25

The gains and losses on financial instruments recognised in the comprehensive income and expenditure statement are shown in the following table:

	Financial liabilities		Financial assets			Total
	Amortised cost	Fair value through profit and loss	Amortised cost	Fair value through other comprehensive income	Fair value through profit and loss	
	£m	£m	£m	£m	£m	
Interest expense	62.6	0.0	0.0	0.0	0.0	62.6
Loss on de-recognition	0.0	0.0	0.0	0.2	0.0	0.2
Impairment losses	0.0	0.0	19.4	0.0	0.0	19.4
Fees paid	0.7	0.0	0.0	0.0	0.0	0.7
<b>Interest payable and similar charges</b>	<b>63.3</b>	<b>0.0</b>	<b>19.4</b>	<b>0.2</b>	<b>0.0</b>	<b>82.9</b>
Interest income	0.0	0.0	(48.7)	(16.3)	(0.8)	(65.8)
(Increases)/decreases in fair value	0.0	0.0	0.0	0.0	0.8	0.8
Gain on de-recognition	0.0	0.0	0.0	(2.6)	(2.2)	(4.8)
<b>Interest and investment income</b>	<b>0.0</b>	<b>0.0</b>	<b>(48.7)</b>	<b>(18.9)</b>	<b>(2.2)</b>	<b>(69.8)</b>
<b>Net impact on the surplus or deficit on provision of services</b>	<b>63.3</b>	<b>0.0</b>	<b>(29.3)</b>	<b>(18.7)</b>	<b>(2.2)</b>	<b>13.1</b>
Amounts recycled to the surplus/deficit on the provision of services	0.0	0.0	0.0	(0.6)	0.0	(0.6)
Loss on revaluation	0.0	0.0	0.0	37.3	0.0	37.3
<b>Impact on other comprehensive income</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>36.7</b>	<b>0.0</b>	<b>36.7</b>
<b>Net (gain)/loss for the year</b>	<b>63.3</b>	<b>0.0</b>	<b>(29.3)</b>	<b>18.0</b>	<b>(2.2)</b>	<b>49.8</b>



# Financial instruments disclosure notes

2023/24

The gains and losses on financial instruments recognised in the comprehensive income and expenditure statement are shown in the following table:

	Financial liabilities		Financial assets			Total
	Amortised cost	Fair value through profit and loss	Amortised cost	Fair value through other comprehensive income	Fair value through profit and loss	
	£m	£m	£m	£m	£m	
Interest expense	66.7	0.0	0.0	0.0	0.0	66.7
Loss on de-recognition	0.0	0.0	0.0	2.1	0.0	2.1
Impairment losses	0.0	0.0	1.4	0.0	0.0	1.4
Fees paid	0.5	0.0	0.0	0.0	0.0	0.5
<b>Interest payable and similar charges</b>	<b>67.2</b>	<b>0.0</b>	<b>1.4</b>	<b>2.1</b>	<b>0.0</b>	<b>70.7</b>
Interest income	0.0	0.0	(6.2)	(19.3)	(0.8)	(26.3)
(Increases)/decreases in fair value	0.0	0.0	0.0	0.0	(0.9)	(0.9)
Gain on de-recognition	0.0	(1.1)	0.0	(4.5)	0.0	(5.6)
<b>Interest and investment income</b>	<b>0.0</b>	<b>(1.1)</b>	<b>(6.2)</b>	<b>(23.8)</b>	<b>(1.7)</b>	<b>(32.8)</b>
<b>Net impact on the surplus or deficit on provision of services</b>	<b>67.2</b>	<b>(1.1)</b>	<b>(4.8)</b>	<b>(21.7)</b>	<b>(1.7)</b>	<b>37.9</b>
Amounts recycled to the surplus/deficit on the provision of services	0.0	0.0	0.0	(1.1)	0.0	(1.1)
Loss on revaluation	0.0	0.0	0.0	30.5	0.0	30.5
<b>Impact on other comprehensive income</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>29.4</b>	<b>0.0</b>	<b>29.4</b>
<b>Net (gain)/loss for the year</b>	<b>67.2</b>	<b>(1.1)</b>	<b>(4.8)</b>	<b>7.7</b>	<b>(1.7)</b>	<b>67.3</b>

## Note 43 - Fair value of financial assets and liabilities

Financial instruments, except those classified at amortised cost, are carried in the balance sheet at fair value. For most assets, the fair value is taken from the market price. The fair values of other instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March, using the following methods and assumptions:

- Loans borrowed by the council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- The fair value of short term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

Fair values are shown in the following table, split by their level in the fair value hierarchy.

Level 1	Fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
Level 2	Fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
Level 3	Fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

Allowances for impairment have been calculated for assets held at amortised cost by applying a forward looking 'expected loss' impairment model that focuses on the risk that a loan will default rather than whether a loss has been incurred.

# Financial instruments disclosure notes

## Fair value of financial assets

31 March 2024				31 March 2025		
Balance sheet value	Fair value	Fair value level		Fair value level	Balance sheet value	Fair value
£m	£m				£m	£m
			<b>Financial assets held at fair value through other comprehensive income</b>			
268.6	268.6	1	Corporate, covered and government bonds	1	185.6	185.6
54.8	54.8	1	Corporate bonds	1	0.0	0.0
17.2	17.2	2	LOBO loan investment	2	16.4	16.4
<b>72.0</b>	<b>72.0</b>		<b>Total</b>		<b>16.4</b>	<b>16.4</b>
2.1	2.1	2	Local authority bonds	2	2.1	2.0
24.5	22.7	2	Lease receivables	2	23.2	20.5
7.1	6.9	2	Long term loans to companies	2	7.1	6.7
<b>33.7</b>	<b>31.6</b>		<b>Subtotal</b>		<b>32.4</b>	<b>29.2</b>
<b>374.4</b>	<b>372.2</b>		<b>Total</b>		<b>234.4</b>	<b>231.2</b>
393.1			Assets for which fair value is not disclosed #		284.0	
<b>767.5</b>			<b>Total financial assets</b>		<b>518.4</b>	
24.5			Long term debtors		23.2	
277.9			Long term investments		194.9	
314.4			Short term debtors		232.8	
82.2			Short term investments		16.3	
68.5			Cash and cash equivalents		51.2	
<b>767.5</b>			<b>Total financial assets</b>		<b>518.4</b>	

The fair value of short term financial assets including trade receivables is assumed to approximate to the carrying amount.

The fair value of financial assets held at amortised cost is lower than their balance sheet carrying amount because the interest rate on similar investments is now higher than that obtained when the investment was originally made.

This shows a notional future loss (based on economic conditions at the end of the financial year) attributable to the commitment to receive interest below current market rates.

# Financial instruments disclosure notes

## Fair value of financial liabilities

31 March 2024				31 March 2025		
Balance sheet value	Fair value	Fair value level		Fair value level	Balance sheet value	Fair value
£m	£m				£m	£m
			<b>Financial liabilities held at amortised cost</b>			
(259.6)	(205.2)	2	Long term PWLB loans	2	(249.6)	(238.7)
(1.3)	(1.0)	2	Long term creditors	2	(1.3)	(1.1)
(241.6)	(112.7)	2	Long term loans	2	(241.8)	(92.5)
(23.5)	(23.2)	2	Other long term loans	2	(5.0)	(5.0)
(110.3)	(129.0)	2	PFI liabilities	2	0.0	0.0
<b>(636.3)</b>	<b>(471.1)</b>		<b>Total financial liabilities held at amortised cost</b>		<b>(497.7)</b>	<b>(337.3)</b>
(941.1)			Liabilities for which fair value is not disclosed		(873.7)	
<b>(1,577.4)</b>	<b>(471.1)</b>		<b>Total financial liabilities</b>		<b>(1,371.4)</b>	
(272.0)			Short term creditors		(190.3)	
(661.0)			Short term borrowings		(559.7)	
(8.2)			Other current liabilities		(10.0)	
(1.3)			Long term creditors		(1.3)	
(524.6)			Long term borrowing		(496.3)	
(110.3)			Other long term liabilities		(113.8)	
<b>(1,577.4)</b>			<b>Total financial liabilities</b>		<b>(1,371.4)</b>	

\*The fair value of short term financial liabilities including trade payables is assumed to approximate to the carrying amount

The fair value of financial liabilities held at amortised cost is lower than their balance sheet carrying amount because the council's portfolio of loans includes a number of loans where the interest rate payable is lower than the current rates available for similar loans as at the balance sheet date. This shows a notional future gain (based on economic conditions at the end of the financial year) arising from a commitment to pay interest to lenders below current market rates.

## Note 44 - Nature and extent of risks arising from financial instruments

The council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and has set treasury management indicators to control key financial instrument risks.

The council's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central finance team, under policies approved by the council in the annual Treasury Management Strategy.

The strategy also imposes a maximum sum and duration that the council can invest in an institution. This is dependent upon the quality of credit rating and in 2024/25 the investment portfolio has maintained a very high AA credit rating.

A main principle of the credit risk strategy was to invest mainly in UK government bonds along with corporate bonds with a high credit rating.

### Credit risk

*Credit risk is the possibility that other parties might fail to pay amounts due to the council.*

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with an institution unless it meets identified minimum credit criteria, as laid down by the three main credit rating agencies.

# Financial instruments disclosure notes

## Credit risk – treasury investments

The table below summarises the credit risk exposures of the council's treasury investment portfolio by credit rating:

31 March 2024		Credit rating	31 March 2025	
Long term	Short term		Long term	Short term
£m	£m		£m	£m
104.3	30.0	AAA	4.7	0.0
103.1	24.8	AA	113.9	16.3
2.1	27.2	A	13.5	0.0
61.2	0.0	BAA1	55.7	0.0
<b>270.7</b>	<b>82.0</b>	<b>Total</b>	<b>187.8</b>	<b>16.3</b>
7.1	0.0	Credit rating not applicable	7.1	0.0
<b>277.8</b>	<b>82.0</b>	<b>Total investments</b>	<b>194.9</b>	<b>16.3</b>
0.0	0.2	Accrued interest excluded	0.0	0.0
<b>277.8</b>	<b>82.2</b>	<b>Total investments</b>	<b>194.9</b>	<b>16.3</b>

The maximum single commercial exposure is to UKTI 0 ½ 03/22/2073 at £79 million, which is lower than individual counterparty limit of £500 million for cash deposits. Overall the portfolio is diversified by the use of 11 counterparties.

In the context of credit risk, non-statutory debtors are treated as financial instruments. The council manages aged debt within the agreed policy. Loss allowances on treasury investments have been calculated on the 12 month expected credit loss model by reference to historic default data published by credit rating agencies, multiplied by 86% to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. For local government and central government investments these have been excluded for this loss allowance calculation. There are minimal non-material credit losses of less than £0.1 million due as at 31 March 2025. Most of the investments held were not below Moody's AA level except for the EDF bonds showing as BAA1.

In 2024/25 there are no treasury investments that have suffered a significant increase in credit risk since initial recognition.



# Financial instruments disclosure notes

## Credit risk: trade receivables

The impairment allowance on trade debtors has been calculated using the lifetime credit losses basis. The impairment allowance loss on other financial assets has been calculated based on the expected 12-month credit loss, however, there have been minimal losses at 31 March.

	Trade debtors	Total
	£m	£m
<b>Balance at 1 April 2024</b>	<b>(10.9)</b>	<b>(10.9)</b>
Impairment allowance for trade debtors	<b>(19.3)</b>	<b>(19.3)</b>
<b>Balance at 31 March 2025</b>	<b>(30.2)</b>	<b>(30.2)</b>

# Financial instruments disclosure notes

## Liquidity risk

*Liquidity risk is the danger that the council will have insufficient funds in its bank account to make the payments necessary to meet its financial obligations.*

The council has a comprehensive cash flow management system, which seeks to ensure that cash is available as needed. If unexpected movements happen, the council has ready access to borrowings from the money markets and the Public Works Loans Board and access to the investment portfolio, which is also considered to be liquid. There is no significant risk that the council will be unable to raise finance to meet its commitments under financial instruments.

The discounted values reflect the current financial liabilities and liquid assets as at 31 March. These include both interest accrued and principal outstanding at the year end. Financial liabilities exclude any statutory creditors. The liquid financial assets represent treasury investments that can be sold at short notice.

## Discounted values – 2024/25

	Under 1 year	Maturing in 1-2 years	Maturing in 3-5 years	Maturing in 6-10 years	Maturing in more than 10 years	Total
	£m	£m	£m	£m	£m	£m
Borrowings	(559.7)	(110.0)	(29.6)	(55.0)	(301.8)	(1,056.1)
PFI liabilities	(10.0)	(13.2)	(27.7)	(71.2)	(1.7)	(123.8)
Creditors and other liabilities	(190.3)	0.0	(1.3)	0.0	0.0	(191.6)
<b>Total financial liabilities</b>	<b>(760.0)</b>	<b>(123.2)</b>	<b>(58.6)</b>	<b>(126.2)</b>	<b>(303.5)</b>	<b>(1,371.5)</b>
Liquidity financial assets	0.0	0.0	0.0	2.1	202.0	204.1
<b>Net liquidity risk</b>	<b>(760.0)</b>	<b>(123.2)</b>	<b>(58.6)</b>	<b>(124.1)</b>	<b>(101.5)</b>	<b>(1,167.4)</b>

# Financial instruments disclosure notes

## Discounted values – 2023/24

	Under 1 year	Maturing in 1-2 years	Maturing in 3-5 years	Maturing in 6-10 years	Maturing in more than 10 years	Total
	£m	£m	£m	£m	£m	£m
Borrowings	(661.0)	(28.8)	(28.0)	(66.2)	(401.6)	(1,185.6)
PFI liabilities	(8.2)	(8.5)	(28.9)	(62.0)	(10.9)	(118.5)
Creditors and other liabilities	(272.0)	0.0	0.0	(1.3)	0.0	(273.3)
Short-term liabilities for short investments	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total financial liabilities</b>	<b>(941.2)</b>	<b>(37.3)</b>	<b>(56.9)</b>	<b>(129.5)</b>	<b>(412.5)</b>	<b>(1,577.4)</b>
Liquidity financial assets	35.3	70.6	88.2	2.1	181.9	378.1
<b>Net liquidity risk</b>	<b>(905.9)</b>	<b>33.3</b>	<b>31.3</b>	<b>(127.4)</b>	<b>(230.6)</b>	<b>(1,199.3)</b>

The undiscounted values reflect the financial liabilities and liquid assets as at 31 March. These include all interest and principal repayments until maturity.

## Undiscounted values – 2024/25

	Under 1 year	Maturing in 1-2 years	Maturing in 3-5 years	Maturing in 6-10 years	Maturing in more than 10 years	Total
	£m	£m	£m	£m	£m	£m
Borrowings	(579.2)	(123.3)	(59.3)	(96.0)	(453.0)	(1,310.8)
PFI liabilities	(20.4)	(15.0)	(51.8)	(62.1)	0.0	(149.3)
Creditors and other liabilities	(190.3)	0.0	(1.3)	0.0	0.0	(191.6)
<b>Total financial liabilities</b>	<b>(789.9)</b>	<b>(138.3)</b>	<b>(112.4)</b>	<b>(158.1)</b>	<b>(453.0)</b>	<b>(1,651.7)</b>
Liquidity financial assets	34.0	7.1	21.2	35.3	717.2	814.8
<b>Net liquidity risk</b>	<b>(755.9)</b>	<b>(131.2)</b>	<b>(91.2)</b>	<b>(122.8)</b>	<b>264.2</b>	<b>(836.9)</b>

# Financial instruments disclosure notes

## Undiscounted values – 2023/24

	Under 1 year	Maturing in 1-2 years	Maturing in 3-5 years	Maturing in 6-10 years	Maturing in more than 10 years	Total
	£m	£m	£m	£m	£m	£m
Borrowings	(691.9)	(35.4)	(65.5)	(119.7)	(626.8)	(1,539.3)
PFI liabilities	(18.6)	(18.3)	(53.2)	(84.1)	(12.0)	(186.2)
Creditors and other liabilities	(272.0)	0.0	0.0	(1.3)	0.0	(273.3)
Short-term liabilities for short investments	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total financial liabilities</b>	<b>(982.5)</b>	<b>(53.7)</b>	<b>(118.7)</b>	<b>(205.1)</b>	<b>(638.8)</b>	<b>(1,998.8)</b>
Liquidity financial assets	38.0	82.2	111.5	24.1	632.3	888.1
<b>Net liquidity risk</b>	<b>(944.5)</b>	<b>28.5</b>	<b>(7.2)</b>	<b>(181.0)</b>	<b>(6.5)</b>	<b>(1,110.7)</b>

## Market risk

*Market risk is the possibility that financial loss might arise as a result of changes in interest rates and stock movements.*

The council is exposed to interest rate movements on its borrowings and investments. Movement in interest rates have a complex impact on the council. For instance, a rise in interest rates would have the following effects:

Borrowing at variable rates	The interest expense charged to the surplus or deficit on the provision of services will rise
Borrowing at fixed rates	The fair value of the liabilities will fall
Investments at variable rates	The interest income credited to surplus or deficit on the provision of services will rise
Investments at fixed rates	The fair value of the investments will fall

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the comprehensive income and expenditure statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the provision of services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in other comprehensive income or the surplus or deficit on the provision of services as appropriate.

There is a significant level of short term borrowing which needs to be regularly refinanced as part of the strategy to benefit from low short term interest rates. This gives rise to some interest rate risk, although this is mitigated by the ability of the council to switch from short term to long term borrowing should the UK enter a period of rising interest rates, as the expectation is that this would be a protracted period rather than a single event.

As part of a balanced portfolio, the interest rate risk is further mitigated by two factors:

- Fair value through other comprehensive investments, which could be used to pay down debt, should it become cost effective to do so.
- Long term loans of over £350 million with both the Public Works Loans Board and UK bond issuance, with maturity dates beyond 31 March 2030 with guaranteed interest rates.

The council's strategy takes advantage of market conditions whilst managing interest rate risk. The treasury management team proactively reviews interest rate exposure and the results feed into the annual budget cycle allowing any adverse changes to be accommodated.

# Financial instruments disclosure notes

## The effect if interest rates were 1% higher with all other variables held constant

The following table attempts to quantify the interest rate risk. The impact of a 1% fall in interest rates would be the same but with movements reversed.

The table illustrates the sensitivity inherent in the current portfolio to an interest rate rise.

	2024/25
	£m
Increase in interest payable on variable rate borrowings	3.1
Increase in interest receivable on variable rate investments	(0.3)
Decrease in fair value of traded investments	2.4
Decrease in fair value of borrowings held for trading	0.0
<b>Impact on surplus on the provision of services</b>	<b>5.2</b>
Decrease in fair value of fixed rate other comprehensive income investment assets	39.0
<b>Impact on other comprehensive income and expenditure</b>	<b>44.2</b>
Decrease in fair value of fixed rate loans and investments	1.8
Decrease in fair value of fixed rate borrowings	(32.9)



# Financial instruments disclosure notes

Information on the overall borrowing amounts held on the balance sheet along with the interest rates and maturity information is as follows:

	Borrowing at 31 March 2025	Contractual rates 2024/25	Average rate paid 2024/25	Years to maturity at 31 March 2025
	£m	%	%	
<b>Long term borrowing</b>				
<b>Fixed rate funding:</b>				
Public works loan board	(249.6)	4.250 to 4.830	4.586	Over 1 year to 45 years
Long term bonds	(241.7)	1.625	1.625	36 years
Other long term loans	(5.0)	3.800	3.800	7 years
<b>Total fixed rate funding</b>	<b>(496.3)</b>			<b>3.0</b>
Salix funding	0.00	0.00	0.00	0.00
<b>Total long-term borrowing</b>	<b>(496.33)</b>			
<b>Fixed rate Funding:</b>				
Public works loan board	(110.0)	4.500 to 4.840	4.809	Less than 1 year
Other market loans	(368.0)	4.050 to 5.800	5.021	Less than 1 year
Accrued interest	(12.2)			
<b>Total fixed rate funding</b>	<b>(490.2)</b>			
<b>Variable rate funding:</b>				
Shared investment scheme	(17.2)	4.250	4.175	Less than 1 year
Salix funding	(1.4)	0.000	0.000	Less than 1 year
Other variable funding	(50.9)	4.250 to 4.850	4.711	Less than 1 year
<b>Total variable funding</b>	<b>(69.5)</b>			
<b>Total short term borrowing</b>	<b>(559.7)</b>			
<b>Total borrowing</b>	<b>(1,056.0)</b>			

## Note 45 - Forward contract agreement

In 2019/20 the council entered into a forward contract agreement in which it agreed to purchase £90 million of UK government bonds at a future time for a sale price of £150.2 million, to mitigate market risk relating to local authority loans made to other local authorities. During 2021/22 the council sold five out of these six local authority loans and also purchased £50 million of the UK government bonds to offset these sales. In 2022/23 a further £20 million of UK government bonds was purchased to rebalance this hedge arrangement. In April 2023, the remaining £20 million of UK government bonds was purchased therefore just leaving one local authority loan made to other local authorities.

At 31 March 2025 the fair value represented in the comprehensive income and expenditure statement recognised an overall loss of £0.8 million. This related to a LOBO loan investment with another local authority and were valued at 31 March 2025, using the Bermudian SWAP basis, in accordance with industry standards. This methodology resulted in a decrease on the balance sheet values for this asset.

	Financial liabilities at fair value through profit and loss	Financial assets at fair value through profit and loss	Impact on comprehensive income and expenditure statement
	£m	£m	£m
Fair value adjustment	0.0	0.8	0.8

# Post-employment benefit disclosure notes

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## Defined benefit pension schemes

As part of the terms and conditions of employment of its employees, the council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The council's principal pension arrangement for its employees is the Lancashire County Pension Fund, which is part of the Local Government Pension Scheme (LGPS). The LGPS is a funded defined benefit pension arrangement for local authorities and related employers and is governed by statute (principally now the Local Government Pension Scheme Regulations 2013 as amended).

The Lancashire County Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees. Each employer's contributions to the fund are calculated in accordance with the LGPS regulations. The regulations require an actuarial valuation to be carried out every three years and require the contributions to be set with a view to targeting the fund's solvency. The detailed provisions are set out in the fund's funding strategy statement.

The council also participates in some other defined benefit pension arrangements, governed under statute, but these other schemes are unfunded.

These other arrangements relate to:

### Teachers

The council's costs in relation to this arrangement are set by central government as a percentage of contributing members' pay. The related funding risks are borne by central government. The council is, however, responsible for paying some additional pensions to retired teachers that were awarded at the point of retirement.

### Health workers

The council's costs in relation to this scheme are set by central government as a percentage of contributing members' pay. The related funding risks are borne by central government.

### NEST pension scheme

The council's costs in relation to this scheme are set by central government as a percentage of contributing members' pay. The related funding risks are borne by central government.

## Governance and risk management

The liability associated with the council's pension arrangements is material to the council. The details in relation to each arrangement, including the relevant provisions for governance and risk management, are set out below.

### Lancashire County Pension Fund

The fund is overseen by the Lancashire Pension Fund Committee, which reports directly to Full Council. The Head of Fund is designated as the officer responsible for the management of the Fund. The Pension Fund Committee

# Post-employment benefit disclosure notes

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comprises twelve county councillors and seven voting co-optees representing the further and higher education sectors, the Lancashire borough, district and city councils, Blackburn with Darwen Borough Council, Blackpool Council and trade unions. The Investment Panel provides professional expert advice and makes recommendations to the Committee in relation to investment strategy. The Panel comprises the Head of Fund as Chair and two independent advisers.

Full details of the responsibilities of the panel and committee are published in the Investment Strategy Statement.

## Risks and investment strategy

The fund's primary long term risk is that the fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to balance the minimisation of the risk of an overall reduction in the value of the fund with maximising the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and keep credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the forecast cash flow.

### Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The objective of the fund's risk management strategy is to identify, manage and keep market risk exposure within acceptable parameters, whilst optimising the return on risk.

### Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk). The fund's investment managers mitigate this price risk through diversification. The selection of securities and other financial instruments is monitored by the fund to ensure it is within limits specified in the fund investment strategy.

### Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risks that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rates. The fund's interest rate risk is routinely monitored by the investment panel and its investment advisors.

### Currency risk

Currency risk represents the risk that the fair value cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund's currency risk is routinely monitored by its investment advisors in accordance with the risk management strategy.

### Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur financial loss. The selection of high quality counterparties, brokers and financial institutions minimise the credit risk that may occur through the

# Post-employment benefit disclosure notes

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failure to settle a transaction in a timely manner. Deposits are not made with banks and financial institutions unless they meet the fund's credit criteria. The fund has also set limits as to the maximum percentage of the deposits placed with any class of financial institution.

## Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The fund therefore takes steps to ensure that there are adequate cash resources to meet its commitments, and the fund has immediate access to its cash holdings.

## Other risks

Actions taken by the government, or changes to legislation, could result in stronger local pension funding standards, which could materially affect the council's cash flow.

## Amendments, curtailments and settlements

The provisions of the fund were amended with effect from 1 April 2014. For service up to 31 March 2014, benefits were based on salaries when members leave the scheme, whereas for service after that date benefits are based on career average salary.

Curtailments shown in the accounting figures relate to the cost of providing retirement benefits for members who retire early, to the extent that provision has not already been made for the relevant defined benefit obligations.

Settlements shown in the accounting figures relate to the admission of new employers into the fund, and who take on part of the council's assets and liabilities as a result of employing members who have accrued benefits with the council.

## Schemes for teachers and transferred NHS staff

### Governance

These arrangements are managed centrally by government departments/agencies, and there is no material involvement for the council.

### Funding the liabilities

Contributions to the arrangements are set by the government for teachers and NHS staff pension schemes, having taken advice from the government actuary, no liability is reflected in the council's balance sheet. The exception to this is the additional pensions to retired teachers which were awarded at the point of retirement, and for which the council is responsible. Only this additional pension to retired teachers' part of the liability, which directly falls to the council, is recognised within the council's balance sheet and these liabilities are shown under teachers' pension scheme figures within the following tables. The weighted average duration of these particular liabilities is 9 years, measured on the actuarial assumptions used for IAS19 purposes.

# Post-employment benefit disclosure notes

## Investment risk

There are no investment risks in relation to these arrangements, given their unfunded nature. The greatest single risk is that the government could change the funding standards relating to them, which could increase the council's contributions to them.

## Note 46 - Transactions relating to retirement benefits

The council recognises the costs of post-employment/retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out of the general fund via the movement in reserves statement.

The following transactions have been made in the comprehensive income and expenditure statement and the movement in reserves statement during the year:

- In 2024/25 (April-February) £93.6 million was paid to the Department for Education for teachers' pension costs. This represents 30.7% of teachers' pensionable pay (2023/24 £83.7 million and 25.5%).
- In 2024/25, the council paid £0.1 million to the NHS Pension Scheme in respect of former NHS staff retirement benefits representing 16% of pensionable pay (2023/24: £0.1 million and 16%).

- The council is also responsible for all discretionary pension payments awarded to teachers, together with related increases. In 2024/25, these amounted to £9.1 million, representing 2.7% of pensionable pay (2023/24: £7.5 million and 2.3%).

In addition to the recognised gains and losses included in the comprehensive income and expenditure statement, a re-measurement of the net defined liability gain of £74.2 million (2023/24: £122.0 million loss) was included. The cumulative amount of actuarial gains and losses recognised in the comprehensive income and expenditure statement is a £1,936.7 million gain.



# Post-employment benefit disclosure notes

## Transactions relating to retirement benefits

	Local Government Pension Scheme		Teachers' Pension Scheme	
	2024/25	2023/24	2024/25	2023/24
	£m	£m	£m	£m
<b>Comprehensive income and expenditure statement</b>				
<b>Cost of services</b>				
Current service cost	94.0	93.2	0.0	0.0
Past service cost	0.0	0.0	0.0	0.0
(Gain)/loss from settlements and curtailments	7.8	0.1	0.0	0.0
Administration expenses	3.3	3.1	0.0	0.0
<b>Financing and investment income and expenditure</b>				
Interest on asset ceiling	53.0	0.0	0.0	0.0
Net Interest expense	(52.2)	(40.8)	3.3	3.5
<b>Total post-employment benefit charged to the surplus or deficit on the provision of services</b>	<b>105.9</b>	<b>55.7</b>	<b>3.3</b>	<b>3.5</b>
<b>Re-measurement of the net defined benefit liability:</b>				
Return on plan assets (excluding the amounts included in net interest expense)	74.1	(158.7)	0.0	0.0
Experience (gains)/losses on liabilities	(4.4)	31.1	(0.1)	3.7
Actuarial (gains)/losses arising on changes in financial assumptions	(536.6)	(59.4)	(3.1)	0.0
Actuarial (gains)/losses arising on changes in demographic assumptions	(11.4)	(50.0)	(0.3)	(1.2)
Impact of asset ceiling	407.7	356.5	0.0	0.0
<b>Total re-measurement recognised in other comprehensive income</b>	<b>(70.7)</b>	<b>119.5</b>	<b>(3.5)</b>	<b>2.5</b>
<b>Total post-employment benefit charged to the comprehensive income and expenditure statement</b>	<b>35.3</b>	<b>175.2</b>	<b>(0.2)</b>	<b>6.0</b>
<b>Movement in reserves statement</b>				
Reversal of net charges made to the (surplus)/deficit on the provision of services for post-employment benefits in accordance with the Code	105.9	55.7	3.3	3.5
<b>Actual amount charged against the general fund balance for pensions in the year</b>				
<b>Employers' contributions payable to the scheme (excluding early payments)</b>	<b>39.4</b>	<b>84.7</b>	<b>9.1</b>	<b>8.9</b>

# Post-employment benefit disclosure notes

## Note 47 - Assets and liabilities in relation to retirement benefits

The amount included in the balance sheet arising from the council's obligation in respect of its defined benefit plans is as follows:

2023/24			2024/25	
Local government pension scheme restated	Teachers' pension scheme		Local government pension scheme	Teachers' pension scheme
£m	£m		£m	£m
4,875.7	0.0	Fair value of plan assets	4,916.9	0.0
(3,826.1)	(72.2)	Present value of the defined benefit obligation	(3,402.5)	(62.9)
(1,082.2)	0.0	Impact of asset ceiling	(1,542.8)	0.0
<b>(32.6)</b>	<b>(72.2)</b>	<b>Net asset/(liability) arising from defined benefit obligation</b>	<b>(28.4)</b>	<b>(62.9)</b>

## Reconciliation of the movements in fair value of the scheme assets

2023/24		2024/25
£m		£m
<b>4,429.2</b>	<b>Opening balance as at 1 April</b>	<b>4,875.7</b>
158.7	Re-measurement (assets)	(74.1)
217.7	Interest on plan assets	236.1
(3.1)	Admin expenses	(3.3)
0.0	Settlements	(20.9)
177.4	Employer contributions (including early payments)	39.4
31.7	Contributions from scheme participants	33.6
(135.9)	Benefits/transfers paid	(169.6)
<b>4,875.7</b>	<b>Closing balance as at 31 March</b>	<b>4,916.9</b>

# Post-employment benefit disclosure notes

## Reconciliation of present value of the scheme liabilities

2023/24			2024/25	
Funded liabilities	Unfunded liabilities <sup>1</sup>		Funded liabilities	Unfunded liabilities <sup>1</sup>
£m	£m		£m	£m
<b>3,703.4</b>	<b>110.0</b>	<b>Opening balance as at 1 April</b>	<b>3,793.5</b>	<b>104.8</b>
93.3	0.0	Current service cost	94.0	0.0
175.3	5.1	Interest on pension liabilities	182.3	4.8
31.7	0.0	Contributions from scheme participants	33.6	0.0
(132.4)	(12.4)	Benefits/transfers paid	(166.0)	(12.7)
0.0	0.0	Curtailments/settlements cost	(13.0)	0.0
30.8	4.0	Experience gains/(losses) on liabilities	(4.4)	(0.2)
(59.2)	(0.2)	Actuarial gains/(losses) arising from changes in financial assumptions	(534.7)	(5.0)
(49.4)	(1.7)	Actuarial gains/(losses) arising from changes in demographic assumptions	(11.3)	(0.4)
<b>3,793.5</b>	<b>104.8</b>	<b>Closing balance as at 31 March</b>	<b>3,374.1</b>	<b>91.3</b>

<sup>1</sup> The Unfunded Liabilities include benefits relating to both the LGPS and Teachers' Pension Scheme

# Post-employment benefit disclosure notes

## Local Government Pension Scheme assets comprised:

31 March 2024	Asset category	Quoted in active markets (Y/N)	31 March 2025
£m			£m
	<b>Equities:</b>		
5.4	Financials	Y	4.9
	<b>Bonds:</b>		
0.0	UK corporate	Y	0.0
3.9	Overseas corporate	N	4.9
	<b>Property:</b>		
0.9	Offices	N	0.0
25.4	Industrial/warehouse	N	29.5
16.3	Shops	N	9.8
20.0	Multi let commercial building	N	19.7
	<b>Alternatives:</b>		
79.0	UK private equity	N	0.0
288.2	Overseas private equity	N	302.2
737.4	Infrastructure	N	653.4
721.1	Credit funds	N	789.9
188.3	Pooled fixed income	N	265.3
387.7	Indirect property funds	N	335.9
14.8	UK pooled equity	N	0.1
2,297.1	Overseas pooled equity funds	N	2,428.4
	<b>Cash:</b>		
90.2	Cash accounts	N	62.6
0.0	Net current assets/(liabilities)	N	10.3
<b>4,875.7</b>	<b>Total assets</b>		<b>4,916.9</b>

# Post-employment benefit disclosure notes

## Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates and salary levels. Both the Teachers' Pension Scheme and County Council Fund liabilities have been assessed by Mercer, an independent firm of actuaries. The estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2022.

The principal assumptions used by the actuary are shown in the following table.

2023/24		2024/25
<b>Mortality assumptions</b>		
<b>Longevity at 65 for current pensioners</b>		
22.4 years	Male	22.3 years
25.3 years	Female	25.4 years
<b>Longevity at 65 for future pensioners</b>		
21.1 years	Male	21.1 years
23.5 years	Female	23.6 years
<b>Financial assumptions</b>		
2.7%	Rate of CPI inflation	2.6%
4.2%	Rate of increase in salaries	4.1%
2.8%	Rate of increase in pensions	2.7%
4.9%	Rate for discounting scheme liabilities	5.8%

# Post-employment benefit disclosure notes

## Sensitivity analysis

There is a risk that changes in the assumptions (e.g. life expectancy, price inflation and discount rate) could increase the defined benefit obligation and/or the liabilities for actuarial valuation purposes. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material. The sensitivity analysis indicates the change in the defined benefit obligation for changes in the key assumptions.

	Increase/(decrease) on the net defined benefit liability	Projected service cost for next year	Projected net interest cost for next year
	£m	£m	£m
Rate for discounting scheme liabilities (increase by 0.5%)	(224.8)	(10.1)	(21.8)
Rate of inflation (increase by 0.25%)	118.3	5.5	7.0
Rate of increase in pay growth (increase by 0.25%)	19.5	0.0	1.2
1 year increase in life expectancy	69.7	1.7	4.1
Change in investment returns (increase by 1%)	(48.7)	0.0	(2.8)
Change in investment returns (decrease by 1%)	48.7	0.0	2.8

## Note 48 - Impact on the council's cash flows

Actuarial valuations are required to be carried out every three years. The last actuarial valuation of the Lancashire County Pension Fund was carried out as at 31 March 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026.

On 21 April 2023, the Council took advantage of the option provided by the pension fund to make a one off upfront payment to cover its future service and deficit recovery payments for the three years 2023/24 to 2025/26. The value of the payment totalled £140.7 million and has the purpose of generating a cash saving to the council.

The total contributions expected to be made to the Lancashire County Pension Fund in the year to 31 March 2025 are £73.9 million.



# Group accounts and explanatory notes



Bell sykes meadow, Slaidburn  
Photo: Graham Cooper



## Introduction

Lancashire County Council has chosen to conduct activities through a variety of undertakings, either through ultimate control of or in partnership with other organisations. These are classified into the categories of subsidiaries, joint ventures and associates.

The CIPFA Code of Practice requires that where an authority has material financial interests and a significant level of control over one or more entities, it should prepare group accounts. The aim of these statements is to give an overall picture of the council's financial activities and the resources employed in carrying out those activities.

Inclusion in the Lancashire County Council Group is dependent upon the extent of the council's interest and control over the entity. Where an entity is considered immaterial, it is not included in the group accounts. Details of the council's relationships with other entities are detailed in the notes supporting the group accounts.

# Group comprehensive income and expenditure statement

2023/24				2024/25		
Gross expenditure restated <sup>1</sup>	Gross income restated <sup>1</sup>	Net expenditure restated <sup>1</sup>		Gross expenditure	Gross income	Net expenditure
£m	£m	£m		£m	£m	£m
724.2	(381.7)	342.5	Adult services and health and wellbeing <sup>1</sup>	838.2	(421.3)	416.9
303.2	(61.3)	241.9	Education and children's services <sup>1</sup>	319.9	(76.8)	243.1
398.8	(185.6)	213.3	Growth, environment and transport <sup>1</sup>	471.4	(197.7)	273.7
215.9	(68.1)	147.8	Resources and chief executive services <sup>1</sup>	147.4	(68.7)	78.7
1,160.8	(1,125.5)	35.3	Schools <sup>1</sup>	1,329.9	(1,202.5)	127.4
<b>2,802.9</b>	<b>(1,822.2)</b>	<b>980.8</b>	<b>Cost of services</b>	<b>3,106.8</b>	<b>(1,967.0)</b>	<b>1,139.8</b>
60.5	(8.3)	52.2	Other operating income and expenditure <sup>1</sup>	100.4	(3.1)	97.3
33.2	(33.4)	(0.3)	Financing and investment income and expenditure <sup>1</sup>	83.3	(72.7)	10.6
0.0	(1,092.4)	(1,092.4)	Taxation and non-specific grant income	0.0	(1,153.1)	(1,153.1)
<b>2,896.6</b>	<b>(2,956.3)</b>	<b>(59.7)</b>	<b>(Surplus)/deficit on provision of services</b>	<b>3,290.5</b>	<b>(3,195.9)</b>	<b>94.6</b>
0.3	0.0	0.3	Taxation on profit on ordinary activities (Note 6)	0.0	0.0	0.0
<b>2,896.9</b>	<b>(2,956.3)</b>	<b>(59.3)</b>	<b>Group (surplus)/deficit <sup>1</sup></b>	<b>3,290.5</b>	<b>(3,195.9)</b>	<b>94.6</b>
		(106.8)	(Surplus)/deficit on revaluation of non-current assets <sup>1</sup>			(273.9)
		122.0	Remeasurement of the net defined benefit pension liability/(asset)			(24.3)
		29.4	(Surplus)/deficit on financial assets measured at fair value through other comprehensive income			36.6
		<b>44.6</b>	<b>Other comprehensive income and expenditure <sup>1</sup></b>			<b>(261.6)</b>
		<b>(14.7)</b>	<b>Total comprehensive income and expenditure <sup>1</sup></b>			<b>(167.0)</b>

<sup>1</sup> The 2023/24 figures have been restated to reflect the removal of the non-LCC owned school assets. The adjustments are shown in detail in Note 41 – Prior period adjustments.

# Group movement in reserves statement

2024/25

	General fund / earmarked reserves	Capital receipts reserve	Capital grants unapplied	Total usable reserves	Unusable reserves	Total reserves of the council	Reserves of subsidiaries	Total reserves
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 1 April 2024</b>	<b>(486.0)</b>	<b>(24.3)</b>	<b>(197.2)</b>	<b>(707.5)</b>	<b>(961.4)</b>	<b>(1,668.9)</b>	<b>(74.6)</b>	<b>(1,743.5)</b>
<u>Movement in reserves during 2024/25</u>								
Total comprehensive income and expenditure	97.9	0.0	0.0	97.9	(261.6)	(163.7)	(3.3)	(167.0)
Adjustment between accounting basis and funding basis under regulations	(47.4)	6.0	8.2	(33.2)	33.2	0.0	0.0	0.0
Adjustments between the group accounts and the authority accounts	0.0	0.0	0.0	0.0	(7.0)	(7.0)	7.0	0.0
<b>(Increase)/decrease in year</b>	<b>50.5</b>	<b>6.0</b>	<b>8.2</b>	<b>64.7</b>	<b>(235.4)</b>	<b>(170.7)</b>	<b>3.7</b>	<b>(167.0)</b>
<b>Balance at 31 March 2025</b>	<b>(435.5)</b>	<b>(18.3)</b>	<b>(189.0)</b>	<b>(642.8)</b>	<b>(1,196.8)</b>	<b>(1,839.6)</b>	<b>(70.9)</b>	<b>(1,910.5)</b>

**2023/24** <sup>1</sup> The 2023/24 figures have been restated to reflect the removal of the non-LCC owned school assets. The adjustments are shown in detail in Note 41 – Prior period adjustments.

	General fund / earmarked reserves restated <sup>1</sup>	Capital receipts reserve restated <sup>1</sup>	Capital grants unapplied	Total usable reserves restated <sup>1</sup>	Unusable reserves restated <sup>1</sup>	Total reserves of the council restated <sup>1</sup>	Reserves of subsidiaries	Total reserves restated <sup>1</sup>
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 1 April 2023 <sup>1</sup></b>	<b>(518.2)</b>	<b>(21.1)</b>	<b>(165.3)</b>	<b>(704.6)</b>	<b>(950.4)</b>	<b>(1,655.0)</b>	<b>(73.6)</b>	<b>(1,728.6)</b>
<u>Movement in reserves during 2023/24</u>								
Total comprehensive income and expenditure <sup>1</sup>	(58.6)	0.1	0.0	(58.5)	44.6	(13.9)	(0.9)	(14.8)
Adjustment between accounting basis and funding basis under regulations <sup>1</sup>	90.8	(3.3)	(31.9)	55.6	(55.6)	0.0	0.0	0.0
Adjustments between the group accounts and the authority accounts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>(Increase)/decrease in year</b>	<b>32.2</b>	<b>(3.2)</b>	<b>(31.9)</b>	<b>(2.9)</b>	<b>(11.0)</b>	<b>(13.9)</b>	<b>(0.9)</b>	<b>(14.8)</b>
<b>Balance at 31 March 2024</b>	<b>(486.0)</b>	<b>(24.3)</b>	<b>(197.2)</b>	<b>(707.5)</b>	<b>(961.4)</b>	<b>(1,668.9)</b>	<b>(74.6)</b>	<b>(1,743.5)</b>

31 March 2024 restated <sup>1</sup>		Note	31 March 2025
£m			£m
2,610.4	Property, plant and equipment <sup>1</sup>		2,821.8
28.7	Heritage assets		28.7
84.7	Investment properties	8	88.2
21.7	Intangible assets		14.0
274.2	Long term investments		189.9
35.9	Long term debtors		34.1
<b>3,055.6</b>	<b>Long term assets <sup>1</sup></b>		<b>3,176.7</b>
83.5	Short term investments		17.6
4.5	Inventories		4.6
399.5	Short term debtors		311.2
41.8	Payments in advance		29.1
68.5	Cash and cash equivalents		51.3
<b>597.9</b>	<b>Current assets</b>		<b>413.8</b>
(658.8)	Short term borrowing		(556.9)
(340.3)	Short term creditors		(254.9)
(15.4)	Other receipts in advance		(15.8)
(10.4)	Short term provisions		(72.2)
(79.2)	Government grants receipts in advance		(9.2)
(8.2)	Other current liabilities		(10.0)
<b>(1,112.2)</b>	<b>Current liabilities</b>		<b>(919.0)</b>
(48.2)	Long term provisions		(40.5)
(8.6)	Deferred tax liability	9	(8.6)
(524.6)	Long term borrowing		(496.0)
(1.3)	Other long term creditors		(1.3)
(215.1)	Other long term liabilities		(214.6)
<b>(797.8)</b>	<b>Long term liabilities</b>		<b>(761.0)</b>
<b>1,743.5</b>	<b>Net assets <sup>1</sup></b>		<b>1,910.5</b>
(707.5)	Usable reserves	10	(642.8)
(961.4)	Unusable reserves <sup>1</sup>	10	(1,196.8)
(74.6)	Subsidiary reserves	10	(70.9)
<b>(1,743.5)</b>	<b>Total reserves <sup>1</sup></b>		<b>(1,910.5)</b>

<sup>1</sup> The 2023/24 figures have been restated to reflect the removal of the non-LCC owned school assets. The adjustments are shown in detail in Note 41 – Prior period adjustments.

## Group cash flow statement

2023/24 restated <sup>1</sup>		Note	2024/25
£m			£m
59.2	Net surplus/(deficit) on the provision of services <sup>1</sup>		(94.6)
(156.2)	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements <sup>1</sup>	11	243.8
(161.9)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	11	(198.8)
<b>(258.8)</b>	<b>Net cash flows from operating activities</b>		<b>(49.6)</b>
212.5	Investing activities	12	134.1
(6.1)	Financing activities	13	(101.7)
<b>(52.4)</b>	<b>Net increase/(decrease) in cash or cash equivalents</b>		<b>(17.2)</b>
120.9	Cash and cash equivalents at the beginning of the reporting period		68.5
<b>68.5</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>51.3</b>

<sup>1</sup> The 2023/24 figures have been restated to reflect the removal of the non-LCC owned school assets. The adjustments are shown in detail in Note 41 – Prior period adjustments.

## Note 1 - General notes to the financial statements

Where figures in the group accounts differ materially from the council's accounts, the relevant explanatory notes have been prepared on a consolidated basis.

## Note 2 - Group accounting policies

The accounting policies of the council's subsidiary company have been aligned with the council's accounting policies.

The subsidiary of Lancashire County Developments (Property) Limited is consolidated into the group accounts of Lancashire County Developments Limited.

Lancashire County Developments Limited has been consolidated using the acquisition accounting basis. This is a full, line-by-line consolidation of the financial transactions and balances of the council and Lancashire County Developments Limited. 100% of all balances and transactions are consolidated, with the minority

interest recognised as an unusable reserve in the group balance sheet. To avoid overstating the figures within the group financial statements, all inter-group transactions and balances between the council and Lancashire County Developments Limited have been eliminated.

Lancashire County Developments Limited has the same reporting date as the council. Year-end accounts to 31 March 2025 have been used for consolidation.

## Note 3 - Entities not consolidated

Details of the council's relationships with other entities are outlined below:

An entity could be material but still not consolidated (if all of its business is with the council and eliminated on consolidation) – i.e. the consolidation would mean that the group accounts are not materially different to the single entity accounts.

Company	Interest	Relationship
Lancashire Renewables Limited	87.5%	Subsidiary
Active Lancashire Limited	100%	Subsidiary
Local Pensions Partnership Limited	50%	Joint venture
Lancashire Partnership Against Crime Limited	25%	Associate
Lancashire Environmental Fund Limited	25%	Associate
Lancashire UDF Limited	100%	Subsidiary
Lancashire UDF - SPV2 Limited	100%	Subsidiary



## Note 4 - Entities consolidated

Lancashire County Developments Limited has been consolidated into the council's group accounts.

### Lancashire County Developments Limited

Company registration number: 01624144

Lancashire County Developments Limited is a company under the control of Lancashire County Council within the meaning of Part V of the Local Government and Housing Act 1989.

Lancashire County Developments Limited (LCDL) is an economic development agency for the County. It is a company limited by guarantee and has no issued share capital. The liability of members is limited to £1. The council controls 80% of the members' voting rights, with the other two members of the company (Blackburn with Darwen Borough Council and Blackpool Council) having 10% of voting rights each. It is classed as a subsidiary of the county council.

County Councillors have been appointed as directors on the board. The council's interest in LCDL is based on its contributions to the company's capital funding reserve, loans to the company and rights to appoint members of the company. As a limited company, LCDL must use its profits and income to further its business objectives.

Lancashire County Developments Limited is the holding company in the group structure, the subsidiary company is Lancashire County Developments

(Property) Limited which owns and manages two commercial estates in Lancashire.

## Note 5 - Group fees payable to auditors

2023/24		2024/25
£000		£000
	<b>Fees in respect of Lancashire County Council</b>	
331.5	Fees incurred with regard to external audit services provided by Grant Thornton	362.1
12.5	Fees incurred for certification work undertaken by Grant Thornton	15.0
10.0	Fees payable in respect of other services provided by Grant Thornton	0.8
184.9	Fees payable in respect of additional prior year statutory audit work	0.0
<b>538.9</b>	<b>Total fees for Lancashire County Council</b>	<b>377.9</b>
	<b>Fees in respect of Lancashire County Developments Limited</b>	
29.3	Fees incurred with regard to external audit services provided by Beever and Struthers	29.5
25.2	Fees payable in respect of other services provided by Beever and Struthers during the year	7.3
<b>54.5</b>	<b>Total fees for Lancashire County Developments Limited</b>	<b>36.8</b>
<b>593.4</b>	<b>Total</b>	<b>414.7</b>

## Note 6 - Group taxation

Taxation expenses are only applicable to subsidiary companies of Lancashire County Council.

2023/24		2024/25
£m		£m
0.1	Deferred tax: origination and reversal of timing differences	*
0.2	Capital gains	*
<b>0.3</b>	<b>Total deferred tax</b>	<b>*</b>
<b>0.3</b>	<b>Taxation on profit on ordinary activities</b>	<b>*</b>

\* Taxation figures for 2024/25 are not yet available

## Note 7 - Group transfers to and from earmarked reserves

	Balance at 31 March 2023	Transfers out 2023/24	Transfers in 2023/24	Balance at 31 March 2024	Transfers out 2024/25	Transfers in 2024/25	Balance at 31 March 2025
	£m	£m	£m	£m	£m	£m	£m
<b>Total earmarked reserves of the council</b>	<b>(518.2)</b>	<b>124.6</b>	<b>(92.4)</b>	<b>(486.0)</b>	<b>220.1</b>	<b>(169.5)</b>	<b>(435.4)</b>
Capital funding reserve	(15.5)	0.0	0.0	(15.5)	7.0	0.0	(8.6)
Profit and loss account	(21.4)	(0.9)	0.0	(22.3)	0.2	0.0	(21.7)
<b>Total revenue and capital reserves of the subsidiary</b>	<b>(36.9)</b>	<b>(0.9)</b>	<b>0.0</b>	<b>(37.8)</b>	<b>7.2</b>	<b>0.0</b>	<b>(30.3)</b>
<b>Total reserves</b>	<b>(555.1)</b>	<b>123.7</b>	<b>(92.4)</b>	<b>(523.8)</b>	<b>227.3</b>	<b>(169.5)</b>	<b>(465.7)</b>

## Note 8 – Group investment properties

2023/24		2024/25
£m		£m
(5.6)	Rental Income from investment property	(6.0)
2.1	Direct operating expenses arising from investment property	2.5
<b>(3.5)</b>	<b>Total</b>	<b>(3.5)</b>

The items of income and expense shown in the table have been accounted for in the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

2023/24		2024/25
£m		£m
<b>83.9</b>	<b>Balance as at 1 April</b>	<b>84.7</b>
0.0	Additions	0.0
0.0	Disposals	0.0
0.8	Net gains/(losses) from fair value adjustments	3.5
<b>84.7</b>	<b>Balance as at 31 March</b>	<b>88.2</b>

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

The table summarises the movement in the value of investment properties over the year.

# Notes supporting the group accounts

## Valuation process for investment properties

The fair value of the investment property is revalued annually as at 31 March.

The 2024/25 commercial unit valuations have been undertaken in accordance with the appropriate sections of the current edition of the RICS Valuation — Global Standards, which incorporate the International Valuation Standards and the RICS UK national supplement (RICS Red Book).

## Basis of valuation

The fair value of the properties has been primarily derived using comparable recent market transactions on arm's length terms.

Where the market approach is used, properties are valued by reference to market-based evidence using observed prices for recent market transactions for comparable properties. Where appropriate, adjustments are made to market price information to reflect differences in the legal, economic or physical characteristics of the property being valued. These include significant unobservable adjustments to reflect differences in the nature, condition and location of the property, tenure and encumbrances.

Where an income approach, or market approach with significant unobservable adjustment has been used, valuations are predominately based on unobservable inputs and accordingly are categorised as level 3 within the fair value hierarchy.

## Fair value hierarchy

Details of the council's investment properties and information about the fair value hierarchy are as follows.

31 March 2024			Property type	31 March 2025		
Balance sheet value	Fair value	Fair value level		Fair value level	Balance sheet value	Fair value
£m	£m				£m	£m
84.7	84.7	3	Commercial units	3	88.2	88.2
<b>84.7</b>	<b>84.7</b>		<b>Total</b>		<b>88.2</b>	<b>88.2</b>

# Notes supporting the group accounts

## Fair value measurement of investment properties using significant unobservable inputs – level 3

Details of the valuation techniques and significant unobservable inputs used in determining the fair value measurement of investment property classified within level 3 are set out in the following table together with a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs.

Site	Fair value at 31 March 2025 £m	Valuation technique	Unobservable inputs	%
Lancashire business park	74.6	Market rent	Net initial yield Reversionary yield Nominal equivalent yield True equivalent yield	5.4 9.1 7.9 8.3
White Cross business park	13.6	Market rent	Net initial yield Reversionary yield Nominal equivalent yield True equivalent yield	7.7 12.0 10.5 11.1

Significant changes in rental income and rent growth; vacancy levels or discount rate would result in a significantly lower or higher fair value. All other factors being equal, a higher equivalent yield or discount rate would lead to a decrease in the valuation of an asset while an increase in the current or estimated future rental stream would have the effect of increasing the capital value and vice versa.



## Note 9 - Deferred taxation

2023/24		2024/25
£m		£m
<b>(8.3)</b>	<b>Balance as at 1 April</b>	<b>(8.6)</b>
(0.3)	Charge for the year	*
<b>(8.6)</b>	<b>Balance as at 31 March</b>	<b>*</b>

\* Taxation figures for 2024/25 are not yet available

Taxation expenses are only applicable to subsidiary company of Lancashire County Council. The deferred taxation balance consists of accelerated capital allowances.

## Note 10 - Group reserves

The total usable reserves are shown in the table below:

31 March 2024		31 March 2025
£m		£m
(23.4)	General fund	(56.0)
(364.8)	Earmarked reserves	(303.2)
(97.8)	School reserves	(76.2)
<b>(486.0)</b>	<b>Total earmarked reserves of the council</b>	<b>(435.4)</b>
(197.2)	Capital grants unapplied reserve	(189.0)
(24.3)	Usable capital receipts	(18.3)
<b>(707.5)</b>	<b>Total usable reserves of the council</b>	<b>(642.7)</b>
(37.5)	Reserves of the subsidiary	(30.2)
<b>(745.0)</b>	<b>Total usable reserves of the group</b>	<b>(672.9)</b>

## Note 11 - Group cash flows from operating activities

The cash flows for operating activities include the following items:

2023/24		2024/25
£m		£m
(29.3)	Interest received	(23.8)
55.3	Interest paid	63.3

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

2023/24 restated <sup>1</sup>		2024/25
£m		£m
63.3	Depreciation <sup>1</sup>	105.2
(1.7)	Impairment and downward/(upward) valuations <sup>1</sup>	47.8
4.2	Amortisation of intangible assets	9.5
(9.3)	Increase/(decrease) in provision for bad debts	(26.4)
24.8	Increase/(decrease) in creditors	(120.8)
(127.8)	(Increase)/decrease in debtors	128.8
(0.6)	(Increase)/decrease in inventories	(0.1)
(176.0)	Movement in pension liability	20.1
59.3	Carrying amount of non-current assets sold	98.7
7.6	Other non-cash items charged to the surplus or deficit on the provision of services	(18.9)
<b>(156.2)</b>	<b>Total <sup>1</sup></b>	<b>243.9</b>

<sup>1</sup> The 2023/24 figures have been restated to reflect the removal of the non-LCC owned school assets. The adjustments are shown in detail in Note 41 – Prior period adjustments.

## Notes supporting the group accounts

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2023/24		2024/25
£m		£m
0.4	Proceeds from short term (not considered to be cash equivalents) and long term investments (includes investments in associates, joint ventures and subsidiaries)	(2.4)
(8.3)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1.9
0.0	Premiums or (Discounts) on the repayment of financial liabilities	(42.5)
(154.0)	Capital grants credited to the (surplus)/deficit on the provision of services	(155.8)
<b>(161.9)</b>	<b>Total</b>	<b>(198.8)</b>

### Note 12 - Group cash flows from investing activities

2023/24		2024/25
£m		£m
(119.1)	Purchase of property, plant and equipment, investment property and intangible assets	(139.1)
(175.0)	Purchase of short term and long term investments	(523.0)
9.5	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1.9)
326.8	Proceeds from the sale of short term and long term investments	640.1
170.3	Other capital grants and receipts from investing activities	158.0
<b>212.5</b>	<b>Net cash flows from investing activities</b>	<b>134.1</b>

## Note 13 - Group cash flows from financing activities

2023/24		2024/25
£m		£m
1,144.6	Cash receipts from short term and long term borrowing	1,287.6
2.5	Appropriate to/from collection fund adjustment account	(7.7)
(1,146.6)	Repayment of short term and long term borrowing	(1,373.4)
1.2	Other receipts from financing activities	0.0
(7.8)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(8.2)
<b>(6.1)</b>	<b>Net cash flows from financing activities</b>	<b>(101.7)</b>





# Pension fund accounts and explanatory notes

Miller Park, Preston  
Photo: George Green



# Pension fund accounts and explanatory notes

## Lancashire County Pension Fund

Fund account for year ended 31 March 2024

2023/24		Note	2024/25
£m	Dealing with members, employers and others directly involved in the Fund		£m
412.0	Contributions	6	248.2
25.4	Transfers in from other pension funds	7	27.3
<b>437.4</b>	<b>Additions from dealings with members</b>		<b>275.5</b>
(361.3)	Benefits	8	(411.4)
(22.3)	Payments to and on account of leavers	9	(28.1)
<b>(383.6)</b>	<b>Withdrawals from dealing with members</b>		<b>(439.5)</b>
<b>53.8</b>	<b>Net contributions (withdrawals) from dealings with members</b>		<b>(164.0)</b>
(117.9)	Management expenses	10	(98.3)
<b>(64.1)</b>	<b>Net withdrawals including fund management expenses</b>		<b>(262.3)</b>
	<b>Returns on investments</b>		
193.1	Investment income	11	234.8
770.5	Profit and losses on disposal of investments and changes in the value of investments	13	255.0
<b>963.6</b>	<b>Net return on investments</b>		<b>489.8</b>
<b>899.5</b>	<b>Net increase in the net assets available for benefits during the year</b>		<b>227.5</b>
<b>10,847.2</b>	<b>Opening net assets of the scheme</b>		<b>11,746.7</b>
<b>11,746.7</b>	<b>Closing net assets of the scheme</b>		<b>11,974.2</b>

# Pension fund accounts and explanatory notes

## Net assets statement as at 31 March 2024

31 March 2024		Note	31 March 2025
£m			£m
11,659.1	Investment assets	13	11,694.1
70.3	Cash deposits & Cash Equivalents	13	261.5
<b>11,729.4</b>	<b>Total net investments</b>		<b>11,955.6</b>
23.0	Current assets	19	26.9
(5.7)	Current liabilities	20	(8.3)
<b>11,746.7</b>	<b>Net assets of the fund available to fund benefits at the end of the reporting period</b>		<b>11,974.2</b>

**Note:** The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at note 24.

This statement of accounts is that upon which the auditor should enter his certificate and opinion. It presents fairly the position of the Lancashire County Pension Fund as at 31 March 2025 and its income and expenditure for the year then ended.



## Notes to the financial statements

### Note 1 - Pension Fund operations and membership

The Lancashire County Pension Fund is part of the Local Government Pension Scheme and is administered by Lancashire County Council. The County Council is the reporting entity for this Pension Fund.

The following description of the Fund is a summary only. For more detail, reference should be made to the Lancashire County Pension Fund Annual Report 2024/25 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

#### General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 as amended
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by Lancashire County Council to provide pensions and other benefits for pensionable employees, whether active, deferred or retired members, of Lancashire County Council, the unitary and district councils in Lancashire

and a range of other scheduled and admitted bodies within the geographic county of Lancashire. Teachers, police officers and fire-fighters are not included within the Fund as they come within other national pension schemes.

The Fund is overseen by the Lancashire Pension Fund Committee, which reports directly to Full Council. The Head of Fund is designated as the officer responsible for the management of the Fund.

The Pension Fund Committee comprises twelve County Councillors and seven voting co-optees representing the further and higher education sectors, the Lancashire borough, district and city councils, Blackburn with Darwen Borough Council, Blackpool Council and trade unions.

The Committee meets at least quarterly, or otherwise as necessary, with the Investment Panel in attendance and is responsible for fulfilling the role of Scheme Manager (which includes the administration of benefits and strategic management of Fund investments and liabilities), the establishment of policies for investment management, the monitoring and review of investment activity and Fund performance and the presentation of an annual report to Full Council on the state of the Fund and investment activities for the year.

The Investment Panel provides professional expert advice and makes recommendations to the Committee in relation to investment strategy. The Panel comprises the Head of Fund as Chair and two independent advisers.

Full details of the responsibilities of the Panel and Committee are published in the Investment Strategy Statement which is available from the Fund website at [lancashirecountypensionfund.org.uk](http://lancashirecountypensionfund.org.uk).

# Pension fund accounts and explanatory notes

The investments of the Fund are managed by the Local Pensions Partnership Investments Ltd (LPPI) and the administration functions by Local Pensions Partnership Administration Ltd (LPPA), which are wholly owned subsidiaries of Local Pensions Partnership (LPP), a joint venture owned, in equal shares, by Lancashire County Council and the London Pension Fund Authority (LPFA).

The Lancashire Local Pension Board assists Lancashire County Council in its role as scheme manager and provides a scrutiny role to ensure effective and efficient governance and administration of the Fund. The Board comprises an independent chair together with representatives acting on behalf of employers and members. All members of the Board must be able to demonstrate the knowledge and skills set out in the terms of reference of the Board which are available to view on the Fund website at [lancashirecountypensionfund.org.uk](http://lancashirecountypensionfund.org.uk).

## Membership

Membership of the LGPS is automatic although employees are free to opt out of the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Employees are re-enrolled every 3 years under the government's auto-enrolment regulations.

Organisations participating in the Lancashire County Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted

bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership of the Fund, as at 31 March 2025 is detailed in the following table:

31 March 2024	Lancashire County Pension Fund	31 March 2025
336	Number of employers with active members <sup>1</sup>	370
173	Number of ceased employers (no active members but some outstanding liabilities)	191
	<b>Number of active scheme members<sup>2</sup></b>	
29,405	County Council	29,939
34,729	Other employers	34,291
<b>64,134</b>	<b>Total</b>	<b>64,230</b>
	<b>Number of pensioners</b>	
29,182	County Council	30,417
29,745	Other employers	31,130
<b>58,927</b>	<b>Total</b>	<b>61,567</b>
	<b>Number of deferred pensioners<sup>2</sup></b>	
36,159	County Council	37,893
38,222	Other employers	41,526
<b>74,381</b>	<b>Total</b>	<b>79,419</b>
<b>197,442</b>	<b>Total membership</b>	<b>205,216</b>

<sup>1</sup> includes employers for whom admission to the Fund is in progress

<sup>2</sup> March 2024 membership numbers have been adjusted to transfer 3,440 pending leavers as at that date from active membership category to deferred membership category. An adjustment of 3,262 pending leavers has been made at 31 March 2025.

# Pension fund accounts and explanatory notes

## Funding

Benefits are funded by contributions and investment earnings. Employee contributions are made by active members of the Fund in accordance with the LGPS (Amendment) Regulations 2018 and range from 5.5 % to 12.5% of pensionable pay for the financial year ending 31 March 2025. Employer contributions are set based on triennial actuarial funding valuations. The contributions in 2024/25 are based on the valuation at 31 March 2022. The latest valuation was at 31 March 2022 for the three years commencing 1 April 2023.

Employer contribution rates for 2024/25 range from 0.0% to 28.0% of pensionable pay, with a primary rate of 19.2%, and are dependent on the assumptions applied by the actuary when carrying out the valuation. Examples of variables which may differ between employers are demographic assumptions regarding the age profile and life expectancy of employees, probability of dependant's pensions becoming payable and the likelihood of ill health retirements.

## Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year. Accrued pension is updated annually in line with the consumer prices index. A range of other benefits are also provided including early retirement, disability pensions and death benefits.

The scheme benefits are summarised in the following table.

	Service Pre 1 April 2008	Service post 1 April 2008 and pre 1 April 2014	Service post 1 April 2014
<b>Pension</b>	Each year worked is worth $1/80^{\text{th}}$ x final pensionable salary.	Each year worked is worth $1/60^{\text{th}}$ x final pensionable salary.	Each year worked is worth $1/49^{\text{th}}$ x the pensionable pay for that year (or $1/98^{\text{th}}$ of pensionable pay if member opts for the 50/50 section of the scheme).
<b>Lump sum</b>	Automatic lump sum of 3 x salary.  In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum.  Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum.  Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

# Pension fund accounts and explanatory notes

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## Note 2 - Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the financial year and its position as at 31 March 2025. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in United Kingdom 2024/25* which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed in note 24 to these accounts.

The accounts have been prepared on a going concern basis.

### Accounting standards issued but not yet adopted

Under the *Code of Practice on Local Authority Accounting in the United Kingdom 2024/25*, the Fund is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued on or before 1 January 2025 but not yet adopted by the Code. There are no such accounting changes to be disclosed for 2024/25.

### Events after the reporting period and Contingent Liabilities

No events after the reporting period have been identified which may impact Lancashire County Pension Fund's financial statements

## Note 3 - Accounting policies

### Fund account - revenue recognition

#### Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis. Member contributions are made in accordance with the LGPS (Amendment) Regulations 2018 using common percentage rates for all schemes which rise according to pensionable pay. Employer contributions are set at the percentage rate certified by the fund actuary, in the payroll period to which they relate. Some employers exercise an option to pay future service rate contributions earlier than the due date, up to a period of 3 years in advance. These early contributions are recognised in the Fund account on receipt.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the Fund actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

# Pension fund accounts and explanatory notes

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## Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the scheme.

Transfer values represent amounts received and paid during the period for individual members who have either joined or left the Fund during the financial year and are calculated in accordance with the appropriate legislation.

Individual transfers in or out are accounted for when received or paid, which is when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in

## Investment income

### Interest income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

### Income from pooled funds

Income (distributions) from pooled funds are recognised at the date of issue. It is the policy of the Fund to reinvest distributions on the LPPI Global

Equities, these distributions are recognised as investment income and the subsequent reinvestments are recorded as a purchase.

### Net income from properties

Rental income from leases on properties owned by the Fund is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Property expenditure is recognised on an accruals basis and is deducted from rental income to report net income from properties.

Any property income not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Distributions from pooled property funds are recognised on receipt within pooled property income.

### Movement in the net market value of investments

Changes in the value of investments (including investment properties) are recognised as income in the Fund account and comprise all realised and unrealised profits or losses during the year.

### Fund account – expense items

### Benefits payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed on the net assets statement as current liabilities.

# Pension fund accounts and explanatory notes

## Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin unless exemption is permitted. Tax is accounted for as it arises.

## Management expenses

The Fund discloses its pension fund management expenses on an accruals basis and in accordance with the CIPFA guidance "*Accounting for Local Government Pension Scheme Management Expenses (2016)*". Management expenses are broken down into the following categories:

- Administrative expenses
- Oversight and governance costs
- Investment management expenses
- 

## Administrative expenses

Administrative expenses consist of the following:

- Expenses related to LGPS members and pensioners. These include all activities the Fund must perform to administer entitlements and provide members with scheme and benefit entitlement information. Examples of this include pension allocations, benefit estimates, payment of benefits, processing of the transfer of assets, commutation, communications with members and pensioners, and annual benefit statements;

- Expenses related to interaction with scheme employers e.g. data collection and verification, contributions collection and reconciliation, the employer's help desk or other employer support, and communications with employers; and
- Associated project expenses.

All administrative expenses are accounted for on an accruals basis.

## Oversight and governance costs

Oversight and governance expenses include the following costs:

- Investment advisory services (strategic allocation, manager monitoring etc.);
- Independent advisors to the pension fund;
- Operation and support of the pension fund committee (i.e. those charged with governance of the pension fund), local pensions board, or any other oversight body;
- Governance and voting services;
- Costs of compliance with statutory or non-statutory internal or external reporting (annual reports and accounts, etc.);
- Legal, actuarial and tax advisory services;
- Non-custodian accountancy and banking services; and
- Internal and external audit.

All administering authority staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. All oversight and governance expenses are accounted for on an accruals basis.



# Pension fund accounts and explanatory notes

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## Investment management expenses

Investment management expenses are defined as any expenses incurred in relation to the management of pension fund assets and financial instruments entered into in relation to the management of fund assets. This includes expenses directly invoiced by investment managers, custody fees and any fees payable to fund managers which are deducted from fund assets together with a recharge of costs incurred by Lancashire County Council in provision of treasury management services to the Fund. Transaction costs for all categories of investment, other than directly held property, are included within investment management expenses. All investment management expenses are accounted for on an accruals basis.

External investment manager and custodian fees are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of investments under their management and therefore increase or reduce as the value of these investments change.

A number of the fee mandates in place include an element that is performance related.

Where an investment manager's fee note has not been received by the net assets statement date, an estimate based upon the latest available market value of their mandate as at the end of the year is used for the inclusion in the fund account. In 2024/25, £39.2m of fees is based on such estimates (2023/24: £23.6m).

## Net assets statement

### Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13. For the purpose of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016). More details can be found at note 16.

### Freehold and leasehold properties

The Fund's property portfolio includes directly owned properties which are leased commercially to various tenants. The risks and rewards of ownership of these properties remain with the Fund and therefore the properties are retained on the net asset statement at fair value.

The properties were valued at open market value at 31 March 2025 by independent property valuers Savills (UK) Limited in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2025 together, where applicable, within the UK National Supplement effective 1 May 2024, together the “Red Book”.

# Pension fund accounts and explanatory notes

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## Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period. Any gains or losses are treated as part of a change in market value of investments.

## Financial Assets at amortised cost

Financial assets with fixed or determinable payments that are not quoted in an active market.

The Fund's financial assets comprise of trade and other receivables and cash deposits and are recognised in the net asset statement at amortised cost.

## Cash and cash equivalents

Cash comprises cash in hand and on demand deposits and includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

## Financial liabilities

The Fund recognises financial liabilities at fair value at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to a liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised in the fund account as part of the change in value of investments.

## Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (note 24).

# Pension fund accounts and explanatory notes

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## Additional voluntary contributions

Lancashire County Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The AVC providers to the Pension Fund during the year were Prudential and Utmost Life and Pensions. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the Pension Fund accounts in accordance with section 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in note 18.

## Note 4 - Critical judgements in applying accounting policies

The LPPI Global Equities Fund has been categorised at level 1 in the fair value hierarchy as the NAV provided to the fund is the accumulation of the quoted prices of the underlying assets as of 31<sup>st</sup> March 2025. All the underlying assets are level 1 quoted securities and no adjustments have been made to the NAV such as for fees on exiting the fund. The judgment relates to the application of the Fund's accounting policy on financial assets as prescribed in Note 3, the effect can be seen in Note 16 – Financial Instruments - Fair Value Hierarchy.

## Note 5 - Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions are made taking into account historical experience, current trends and future expectations. The nature of estimation means that actual outcomes could be materially different from the assumptions and estimates.

The items at 31 March 2025 for which there is a significant risk of material adjustment in the forthcoming year are set out in the following table.

## Pension fund accounts and explanatory notes

Item	Uncertainties	Impact if actual results differ from assumptions
Private equity and infrastructure investments	Private equity and infrastructure investments are valued at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines or equivalent. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	<p>The market value of private equity and infrastructure investments in the financial statement's totals £2,378.6m (2023/24: £2,606.7m).</p> <p>Note 16 and 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks.</p>
Long-term credit investments	Long-term credit investments are valued as the Fund's percentage share of the independently audited Net Asset Value of each individual strategy as provided by the relevant manager. In some cases the underlying investments will be classified as level 3 investments, defined in note 16 as those investments for which valuation involves at least one input which is not based on observable market data.	<p>The market value of long-term credit investments in the financial statements totals £2,022.6m (2023/24: £1,826.4m excluding investment in loans secured on real assets).</p> <p>Note 16 and 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks.</p>
Indirect core property investments	Indirect properties are valued at the current open market value as defined by the RICS Appraisal and Valuation Standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	<p>Indirect property investments in the financial statements total £852.2m (2023/24: £880.5m).</p> <p>Note 16 and 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks. Indirect core property is included within the property and property funds, and total property headings in the sensitivity note.</p>
Actuarial present value of promised retirement benefits	<p>Estimation of the net liability to pay pensions depends on a number of complex assumptions relating to future experience – the main assumptions would be the discount rate used relative to assumed inflation (essentially the assumed real return on pension fund assets), the rate at which salaries are projected to increase, changes in retirement ages and future mortality rates. A firm of consulting actuaries (Mercer Limited) is engaged to provide the authority with expert advice about the assumptions to be applied.</p> <p>Areas of uncertainty highlighted by the actuary include Guaranteed Minimum Pension (GMP) equalisation, the court of appeal ruling on the Sergeant and McCloud cases, the Virgin Media court case and recent market</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.25% reduction in the discount rate assumption would increase the value of the liabilities by approximately £307m. A 0.5% increase in assumed earnings inflation would increase the value of the liabilities by approximately £111m and a 1-year increase in assumed life expectancy would increase the liabilities by approximately £166m.</p> <p>Estimation of the net liability to pay pensions depends on a number of complex assumptions relating to future experience</p>

## Pension fund accounts and explanatory notes

	<p>volatility and tariffs. Further information can be found in note 24 to these accounts.</p>	<p>– the main assumptions would be the discount rate used relative to assumed inflation (essentially the assumed real return on pension fund assets), the rate at which salaries are projected to increase, changes in retirement ages and future mortality rates. A firm of consulting actuaries (Mercer) is engaged to provide the authority with expert advice about the assumptions to be applied.</p> <p>Areas of uncertainty highlighted by the actuary include Guaranteed Minimum Pension (GMP) equalisation, the court of appeal ruling on the Sergeant and McCloud cases, the Virgin Media court case and recent market volatility and tariffs. Further information can be found in note 24 to these accounts.</p>
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# Pension fund accounts and explanatory notes

## Note 6 - Contributions receivable

2023/24		2024/25
£m	By category	£m
<b>78.9</b>	<b>Members</b>	<b>83.5</b>
	Employers:	
329.6	Normal contributions <sup>1</sup>	154.0
1.6	Deficit recovery contributions <sup>1</sup>	6.1
1.9	Augmentation contributions <sup>2</sup>	4.6
<b>333.1</b>	<b>Total employers contributions</b>	<b>164.7</b>
<b>412.0</b>	<b>Total contributions receivable</b>	<b>248.2</b>
	<b>By type of employer</b>	
209.5	County Council <sup>1</sup>	73.9
178.9	Scheduled bodies <sup>1</sup>	147.6
23.6	Admitted bodies	26.7
<b>412.0</b>		<b>248.2</b>

<sup>1</sup> Following the actuarial valuation in 2022, the Fund gave some employers the option of paying their 3-year future service rate and deficit contributions up front. A number of employers opted to do this and as a result the normal contributions for the year ended 31 March 2024 includes £122.5m which relates to 2024/25 & 2025/26.

<sup>2</sup> Augmentation contributions comprise additional pension benefits awarded by employers to scheme members in line with the general conditions of employment.



# Pension fund accounts and explanatory notes

## Note 7 - Transfers in from other pension funds

2023/24		2024/25
£m		£m
25.4	Individual transfers in from other schemes	27.3
<b>25.4</b>		<b>27.3</b>

## Note 8 - Benefits payable

2023/24		2024/25
£m	By category	£m
297.1	Pensions	326.7
56.1	Commutation and lump sum retirement benefits	76.4
8.1	Lump sum death benefits	8.3
<b>361.3</b>	<b>Total benefits payable</b>	<b>411.4</b>
	<b>By type of employer</b>	
150.2	County Council	169.5
182.1	Scheduled bodies	208.7
29.0	Admitted bodies	33.2
<b>361.3</b>		<b>411.4</b>

# Pension fund accounts and explanatory notes

## Note 9 - Payments to and on account of leavers

2023/24		2024/25
£m		£m
0.7	Refunds to members leaving service	1.0
21.6	Individual transfers	25.3
0.0	Bulk transfers	1.8
<b>22.3</b>		<b>28.1</b>

## Note 10 - Management expenses

2023/24		2024/25
£m		£m
4.5	Fund administrative costs	6.0
111.3	Investment management expenses	90.3
2.1	Oversight and governance costs <sup>1</sup>	2.0
<b>117.9</b>		<b>98.3</b>

<sup>1</sup> Oversight and governance costs above include external audit fees which amounted to £117,422 (2023/24: £113,251). Additional fees of £2,200 were paid to the external auditor for IAS19 assurance work on behalf of Fund employers within the PSAA regime

# Pension fund accounts and explanatory notes

## Investment management expenses

### 31<sup>st</sup> March 2025

	Total	Management Fees <sup>2</sup>	Performance Related fees	Transaction Costs <sup>1</sup>
	£m	£m	£m	£m
Pooled Investments	77.7	63.9	9.9	3.9
Pooled property investments	12.3	11.4	(0.6)	1.5
Property	0.1	0.1	0.0	0.0
Cash Deposits	0.1	0.1	0.0	0.0
	<b>90.2</b>	<b>75.5</b>	<b>9.3</b>	<b>5.4</b>
Custody Fees	0.1			
	<b>90.3</b>			

### 31<sup>st</sup> March 2024

	Total	Management Fees <sup>2</sup>	Performance Related fees	Transaction Costs <sup>1</sup>
	£m	£m	£m	£m
Pooled Investments	100.2	86.3	9.9	4.0
Pooled property investments	10.7	8.7	1.1	0.9
Property	0.2	0.2	0.0	0.0
Cash Deposits	0.1	0.1	0.0	0.0
	<b>111.2</b>	<b>95.3</b>	<b>11.0</b>	<b>4.9</b>
Custody Fees	0.1			
	<b>111.3</b>			

<sup>1</sup>Transaction costs are not directly invoiced to the Fund and are included within the net asset value of investments by investment managers. In accordance with CIPFA guidance these fees are identified and reported through the Fund account. <sup>2</sup> Fund value based management fees include costs invoiced directly to the Fund by investment managers and fees accounted for by investment managers within net asset value and recognised in the fund account in accordance with CIPFA guidance. Fees are charged as a percentage of the value of assets held by each manager. In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments.

# Pension fund accounts and explanatory notes

## Note 11 - Investment income

2023/24		2024/25
£m		£m
1.2	Fixed interest securities	0.5
141.3	Pooled investment vehicles	188.5
38.9	Pooled property investments	29.9
7.7	Net rents from properties	8.8
4.0	Interest on cash deposits	7.1
<b>193.1</b>	<b>Total investment income</b>	<b>234.8</b>

## Note 12 - Property income

2023/24		2024/25
£m		£m
11.8	Rental income	12.7
(4.1)	Direct operating expenses	(3.9)
<b>7.7</b>	<b>Net income</b>	<b>8.8</b>

# Pension fund accounts and explanatory notes

## Note 13 - Reconciliation of movements in investments

	Market value as at 1 April 2024	Purchases at cost	Sales proceeds	Change in market value	Market value as at 31 March 2025
	£m	£m	£m	£m	£m
Fixed interest securities	9.1	10.0	(10.0)	0.0	9.1
Pooled investment vehicles	10,558.7	486.9	(641.0)	257.7	10,662.3
Pooled property investments	880.5	0.0	(12.3)	(16.0)	852.2
Private equity	12.5	0.0	0.0	0.0	12.5
Direct property	145.4	0.9	(9.0)	13.3	150.6
	<b>11,606.1</b>	<b>497.8</b>	<b>(672.3)</b>	<b>255.0</b>	<b>11,686.6</b>
Cash deposits & Cash Equivalents	70.3				261.5
Loan Investments	45.0				0.0
Investment accruals	8.0				7.6
<b>Net investment assets</b>	<b>11,729.4</b>				<b>11,955.7</b>

	Market value as at 1 April 2023	Purchases at cost	Sales proceeds	Change in market value	Market value as at 31 March 2024
	£m	£m	£m	£m	£m
Fixed interest securities	22.2	382.4	(395.7)	0.3	9.1
Pooled investment vehicles	9,668.3	664.1	(613.8)	840.1	10,558.7
Pooled property investments	910.8	45.0	(9.9)	(65.4)	880.5
Private equity	12.5	0.0	0.0	0.0	12.5
Direct property	152.8	7.4	(10.5)	(4.4)	145.4
	<b>10,766.6</b>	<b>1,098.8</b>	<b>(1,029.8)</b>	<b>770.5</b>	<b>11,606.1</b>
Cash deposits	45.9				70.3
Loan Investments	20.0				45.0
Investment accruals	0.3				8.0
<b>Net investment assets</b>	<b>10,832.8</b>				<b>11,729.4</b>

## Investments analysed by fund manager

31 March 2024			31 March 2025	
£m	% of net investment assets		£m	% of net investment assets
Private equity investments				
873.8	7.4%	LPPI Private Equity Fund	692.9	5.8%
Private equity investments managed outside of LPPI Private Equity Fund				
12.5	0.1%	Local Pensions Partnership Limited	12.5	0.1%
7.6	0.1%	Trilantic Capital Partners	7.6	0.1%
893.9	7.6%	Total private equity investments	713.0	6.0%
Long term credit investments				
1,802.6	15.4%	LPPI Credit Investments	2,007.3	16.8%
Credit investments managed outside of LPPI Credit Investments Fund				
15.5	0.1%	Neuberger Berman	10.1	0.1%
2.6	0.0%	Pimco Bravo	2.9	0.0%
2.4	0.0%	Bridgepoint <sup>1</sup>	2.3	0.0%
0.0	0.0%	Hayfin	0.0	0.0%
3.2	0.1%	CRC	0.0	0.0%
1,826.4	15.6%	Total long term credit investments	2,022.6	16.9%
Fixed income investments				
465.3	4.0%	LPPI Fixed Income Fund	741.7	6.2%
Liquid credit investments managed outside of LPPI Fixed Income Fund				
132.4	1.1%	LPPI internal and LCC Treasury Management	278.1	2.3%
597.7	5.1%	Total fixed income investments	1,019.8	8.5%
Global equity investments				
5,645.9	48.1%	LPPI Global Equities Fund	5,519.3	46.2%



5,645.9	48.1%	Total global equity investments	5,519.3	46.2%
<b>Infrastructure investments</b>				
1,647.5	14.0%	LPPI Global Infrastructure Fund	1,626.5	13.6%
<b>Infrastructure investments managed outside of LPPI Global Infrastructure Fund</b>				
25.0	0.2%	Arclight Energy	25.9	0.2%
44.0	0.4%	Icon Infrastructure Partners	18.3	0.2%
4.7	0.1%	Pike Petroleum Holdings LLC	4.8	0.0%
2.2	0.0%	Highstar Capital	2.1	0.0%
1.8	0.0%	Eastern Generation Holdings LLC	0.6	0.0%
1,725.2	14.7%	Total infrastructure investments	1,678.1	14.0%
<b>Diversifying strategy investments</b>				
14.5	0.1%	LPPI Diversifying Strategies Fund	0.0	0.0%
0.0	0.0%	Select Market Access	0.2	0.0%
14.5	0.1%	Total diversifying strategies investments	0.2	0.0%
<b>Property investments</b>				
<b><u>Directly held properties</u></b>				
145.4	1.2%	Knight Frank	150.6	1.3%
<b><u>Pooled property funds</u></b>				
<b>Core property</b>				
880.5	7.5%	LPPI Real Estate Fund	852.2	7.1%
1,025.9	8.7%	Total property investments	1,002.7	8.4%
11,729.5	100.0%	Net investment assets	11,955.7	100.0%

The investments are primarily held in pooled funds as identified above. These represent more than 5% of the net assets of the Fund but the funds are made up of a range of investments, none of these individual investments represent more than 5% of the fund.

## Fixed interest securities

31 March 2024		31 March 2025
£m		£m
0.0	UK corporate bonds quoted	0.0
9.1	Overseas corporate bonds/supernational bonds quoted	9.1
<b>9.1</b>		<b>9.1</b>

## Pooled investment vehicles

31 March 2024		31 March 2025
£m	UK funds:	£m
465.3	Fixed income funds	741.7
197.9	Private equity	159.2
1,647.5	Infrastructure	1,626.5
1,802.7	Long term credit investments	2,007.3
880.5	Property funds	852.2
14.5	Diversifying strategies	0.2
	<b>Overseas funds:</b>	
683.6	Private equity	541.4
77.7	Infrastructure	51.6
23.7	Long term credit investments	15.4
5,645.9	Equity funds <sup>1</sup>	5,519.3
<b>11,439.3</b>		<b>11,514.4</b>

<sup>1</sup>The LPPI Global Equities Fund includes UK equities.

# Pension fund accounts and explanatory notes

## Direct property investments

31 March 2024		31 March 2025
£m		£m
115.8	UK – freehold	136.3
29.6	UK – long leasehold	14.3
<b>145.4</b>		<b>150.6</b>

## Property holdings

The Fund's investment in property comprises of investments in pooled property funds along with a number of directly owned properties which are leased commercially to various tenants.

Details of these directly owned properties are shown in the table.

31 March 2024		31 March 2025
£m		£m
<b>152.8</b>	<b>Opening balance</b>	<b>145.4</b>
	<b>Additions:</b>	
7.3	Purchases	0.0
0.1	Subsequent expenditure	0.9
	<b>Deductions:</b>	
(10.5)	Disposals	(9.0)
(4.4)	Net increase/decrease in market value	13.3
<b>145.4</b>	<b>Closing balance</b>	<b>150.6</b>

# Pension fund accounts and explanatory notes

## Leases

All directly held investment properties are leased to tenants. There are no investment properties held by the Fund used for purposes other than to generate rental income.

## Residual asset risk

The independent valuation of the direct property portfolio considers the level of committed tenancies amongst other variables. Lessees do not have an option to purchase the properties at the expiry of their lease period and all rental contracts include market review clauses in the event that the lessee exercises an option to renew. Rental income is contractually secured against a wide range of tenants who in turn operate in a range of market sectors. Income generally reviewed to market rent five yearly, and there is also an element of the portfolio income that is indexed or has fixed uplifts (generally being in the range of 2-4% per annum). As at 31 March 2025, the Fund has the following future minimum lease payments due from tenants.

2023/24		2024/25
£m		£m
0.5	Leases expiring within one year	1.7
5.1	Leases expiring between one and five years	7.6
87.7	Leases expiring later than five years	74.5
<b>93.3</b>	<b>Total future minimum lease payments receivable under existing non-cancellable leases</b>	<b>83.8</b>

The above disclosures have been reduced by a credit loss allowance of 5.0% for the county portfolio and 6.3% for the national portfolio (2022/23: 5.0% & 6.3% respectively) per annum reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This adjustment is based on an analysis of rents outstanding 28 days after the due date taking account of trading difficulties that some occupiers were experiencing and how this would affect their ability to pay in the future.

There are no contingent rents as all rents are fixed until the next rent review (generally on 5 year review patterns) and then are either reviewed to market rent, a fixed uplift or in line with an index.

# Pension fund accounts and explanatory notes

## Cash deposits

31 March 2024		31 March 2025
£m		£m
57.5	Sterling	216.6
12.8	Foreign currency	44.9
<b>70.3</b>		<b>260.5</b>

# Pension fund accounts and explanatory notes

## Note 14 - Financial instruments classification

The following table analyses the carrying amounts of financial assets and liabilities by category and net asset statement heading.

31 March 2025

	Fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost
	£m	£m	£m
<b>Financial assets</b>			
Fixed interest securities	9.1	0.0	0.0
Loan investments & cash equivalents	0.0	90.0	0.0
Pooled investment vehicles	10,662.2	0.0	0.0
Pooled property investments	852.2	0.0	0.0
Directly held private equity	12.5	0.0	0.0
Cash deposits	0.0	171.5	0.0
Investment accruals	7.5	0.0	0.0
Debtors	0.0	26.9	0.0
<b>Total financial assets</b>	<b>11,543.5</b>	<b>288.4</b>	<b>0.0</b>
<b>Financial liabilities</b>			
Creditors	0.0	0.0	(8.3)
<b>Total financial liabilities</b>	<b>0.0</b>	<b>0.0</b>	<b>(8.3)</b>

# Pension fund accounts and explanatory notes

31 March 2024

	Fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost
	£m	£m	£m
<b>Financial assets</b>			
Fixed interest securities	9.1	0.0	0.0
Loan investments	0.0	45.0	0.0
Pooled investment vehicles	10,558.7	0.0	0.0
Pooled property investments	880.5	0.0	0.0
Directly held private equity	12.5	0.0	0.0
Cash deposits	0.0	70.3	0.0
Investment accruals	8.0	0.0	0.0
Debtors	0.0	23.0	0.0
<b>Total financial assets</b>	<b>11,468.7</b>	<b>138.3</b>	<b>0.0</b>
<b>Financial liabilities</b>			
Creditors	0.0	0.0	(5.7)
<b>Total financial liabilities</b>	<b>0.0</b>	<b>0.0</b>	<b>(5.7)</b>

## Note 15 - Net gains and losses on financial instruments

The net gain on financial assets at fair value through profit and loss was £242.1m (2023/24: £774.9m gain). Note 13 outlines the change in Market Value of Fund Asset's, of which, £35.4m relates to unrealised losses and £277.5m relates to realised gains on the disposal of assets. Direct property is not included within this figure.



## Note 16 - Financial instruments – fair value hierarchy

### Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

#### Level 1

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 assets include Cash and Cash Equivalents, directly held Bonds and those held in the LPPI Global Equity Fund. Listed investments are shown at quoted prices.

#### Level 2

Level 2 investments are those where quoted market prices are not available, for example where an instrument is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. The only asset currently at level 2 is the holding in the LPPI Fixed Income Fund.

#### Level 3

Level 3 portfolios are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data. The instruments included in level 3 are private equity, infrastructure, property, long term credit and diversifying strategies investments, which are valued using various valuation techniques that require significant management judgement in determining appropriate assumptions, including earnings, public market comparatives and estimated future cash flows.

The values of the investment in private equity and infrastructure are based on valuations provided by the managers of the private equity and infrastructure funds in which Lancashire County Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines or equivalent, which follow the valuation principles of IFRS and US GAAP. Ordinarily, valuations are performed annually mainly, and at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

# Pension fund accounts and explanatory notes

## Fair value hierarchy

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into level 1 to 3 based on the level of which the fair value is observable.

### 31 March 2025

	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£m	£m	£m	£m
Financial assets at fair value through profit and loss	5,526.7	741.7	5,275.1	11,543.5
Financial Assets at Amortised Cost <sup>1</sup>	190.1	90.0	0.0	280.1
Non-financial assets at fair value through profit and loss (property holdings) <sup>1</sup>	0.0	0.0	150.6	150.6
<b>Net investment assets</b>	<b>5,716.8</b>	<b>831.7</b>	<b>5,425.7</b>	<b>11,974.2</b>

<sup>1</sup> Included to aid reconciliation to Total Net Investments figure in the Net Asset Statement

### 31 March 2024

	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£m	£m	£m	£m
Financial assets at fair value through profit and loss	5,662.9	465.3	5,340.6	11,468.8
Financial Assets at Amortised Cost <sup>1</sup>	87.5	45.0	0.0	132.5
Non-financial assets at fair value through profit and loss (property holdings) <sup>1</sup>	0.0	0.0	145.4	145.4
<b>Net investment assets</b>	<b>5,750.4</b>	<b>510.3</b>	<b>5,486.0</b>	<b>11,746.7</b>

<sup>1</sup> Included to aid reconciliation to Total Net Investments figure in the Net Asset Statement

# Pension fund accounts and explanatory notes

## Basis of valuation

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled global equities	Level 1	Unadjusted quoted market prices.	Not required.	Not required.
Corporate and overseas government bonds	Level 1	Market approach – active 'over the counter' markets	Corroborative indicative quotes, interest rates, inflation.	Not required.
Fixed income funds	Level 2	Unadjusted market values based on current yields.	Comparable recent arm's length transactions, reference to other instruments that are substantially the same	Not required.
Direct property holdings	Level 3	Valuation performed by independent professional valuers Avison Young in accordance with Royal Institute of Chartered Surveyor's (RICS) Valuation Standards (9 <sup>th</sup> edition).	Equivalent yield and ERV (Estimated Rental Value)	Significant increases and decreases in any of those inputs in isolation could result in significantly lower or higher fair value measurements
Pooled property investments - core property	Level 3	Current open market value in accordance with RICS Appraisal and Valuation Standards.	Equivalent yield and ERV (Estimated Rental Value)	Ability to exit fund; market opinion; general market movements. Significant increases and decreases in any of those inputs in isolation could result in significantly lower or higher fair value measurements
Pooled property investments - non-core property	Level 3	Value of equity holding in Real Estate Investment Trust.	Underlying investment valued at existing use valuation for social housing; discount rates; house price index; retail price index; staircasing rates (the rate of progressive tenant ownership % on a part-rent, part-buy ownership agreement).	Material events occurring between the date of the financial statements provided and the pension fund's own reporting date; changes to expected cash flows; differences between audited and unaudited accounts
Private equity, long term credit and infrastructure investments	Level 3	Annually at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines or equivalent.	Discount rates, cash flow projections.	Material events occurring between the date of the financial statements provided and the pension fund's own reporting date; changes to expected cash flows; differences between audited and unaudited accounts

# Pension fund accounts and explanatory notes

## Sensitivity of assets valued at level 3

Having consulted with the Fund's independent investment advisors; PIRC, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2025.

Description of asset	Assessed valuation range <sup>1</sup>	Value at 31 March 2025	Value on increase	Value on decrease
	(+/-)	£m	£m	£m
Private equity funds	11.1	713.0	792.5	633.5
Infrastructure funds	4.0	1,678.1	1,744.8	1,611.4
Long term credit	4.0	2,022.6	2,103.0	1,942.2
Diversifying strategies	4.0	0.2	0.2	0.2
Property/Property Funds	6.1	1,002.8	1,064.4	941.2
<b>Level 3 investments</b>	<b>5.3</b>	<b>5,416.7</b>	<b>5,702.5</b>	<b>5,130.9</b>

<sup>1</sup> All movements in the assessed valuation range derive from changes in the underlying profitability of component companies and investments.

## Reconciliation of fair value measurements within level 3

	Private equity funds	Infrastructure funds	Long term credit funds	Property and Property funds	Diversifying strategies	Total level 3 investments
	£m	£m	£m	£m	£m	£m
<b>Market value 31 March 2024</b>	<b>894.0</b>	<b>1,725.3</b>	<b>1,826.3</b>	<b>1,026.0</b>	<b>14.4</b>	<b>5,486.0</b>
Purchases during the year and derivative payments	88.3	103.4	60.0	0.9	0.0	252.6
Sales during the year and derivative receipts	(247.8)	(138.1)	(37.4)	(21.3)	(13.6)	(458.2)
Unrealised gains / (losses)	(167.1)	(24.3)	170.9	(2.8)	(3.3)	(26.6)
Realised gains	145.6	11.8	2.8	0.0	2.7	162.9
<b>Market value 31 March 2025</b>	<b>713.0</b>	<b>1,678.1</b>	<b>2,022.6</b>	<b>1,002.8</b>	<b>0.2</b>	<b>5,416.7</b>

## Note 17 - Nature and extent of risks arising from financial instruments

### Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to balance the minimisation of the risk of an overall reduction in the value of the Fund with maximising the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and keep credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flow.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the Fund's operations. Policies are reviewed regularly to reflect change in activity and in market conditions.

### Market risk

Market risk is risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings.

The objective of the Fund's risk management strategy is to identify, manage and keep market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmarking analysis.

### Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivatives price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital.

The Fund's investment managers mitigate this price risk through diversification. The selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the fund investment strategy.

# Pension fund accounts and explanatory notes

## Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Fund has determined that the following movements in market price risks are reasonably possible for the 2023/24 reporting period.

Asset type	Potential market movements (+/-)
Total bonds (including index linked)	5.6%
Total equities	11.1%
Alternatives	4.0%
Total property	6.1%

The sensitivities are consistent with the assumption contained in the investment advisors' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. Had the market of the Fund's investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market place would have been as follows (the prior year comparator is also shown):

Asset type	31 March 2025	Potential market movements (+/-) <sup>1</sup>	Potential value on increase	Potential value on decrease
	£m	%	£m	£m
Investment portfolio assets:				
Total equities	6,232	11.1	6,925	5,539
Alternatives	4,443	4.0	4,619	4,267
Total property	1,003	6.1	1,064	942
Total bonds (including index linked)	9	5.6	9	9
<b>Total assets available to pay benefits<sup>2</sup></b>	<b>11,687</b>	<b>5.3</b>	<b>12,304</b>	<b>11,070</b>

<sup>1</sup>The potential market movement has been separately assessed for each asset class including the total assets of the fund, as such, the sum of the potential change in individual assets may not equal the potential change of the total assets of the fund.

<sup>2</sup>The sensitivity table above excludes the cash and loan investments.

## Pension fund accounts and explanatory notes

Asset type	31 March 2024	Potential market movements (+/-) <sup>1</sup>	Potential value on increase	Potential value on decrease
	£m	%	£m	£m
Investment portfolio assets:				
Total equities	6,540	11.3	7,277	5,803
Alternatives	4,031	5.9	4,268	3,795
Total property	1,026	7.4	1,102	950
Total bonds (including index linked)	9	4.2	9	9
<b>Total assets available to pay benefits<sup>2</sup></b>	<b>11,606</b>	<b>5.7</b>	<b>12,264</b>	<b>10,948</b>

<sup>1</sup>The potential market movement has been separately assessed for each asset class including the total assets of the fund, as such, the sum of the potential change in individual assets may not equal the potential change of the total assets of the fund.

<sup>2</sup>The sensitivity table above excludes the cash and loan investments.

### Direct Property – Price Risk

The fund invests in and holds a direct property portfolio to obtain a return on investment via rental income. The properties are valued in accordance with Royal Institute of Chartered Surveyor's (RICS) Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2025 together, where applicable, within the UK National Supplement effective 1 May 2024, together the “Red Book”. The valuer considers the net initial yield, which represents the return a property will produce, to value the properties.

The below tables show the market value of the portfolio at different net initial yield's being obtained by the properties.



# Pension fund accounts and explanatory notes

## County Portfolio

Asset type	6.00%	6.25%	Asset value as at 31 March 2025 (NIY 6.44%)	6.75%	7.00%
	£m	£m	£m	£m	£m
Direct Property	126.2	120.9	117.2	111.5	107.3

## National Portfolio

Asset type	3.75%	4.00%	Asset value as at 31 March 2025 (NIY 4.37%)	4.75%	5.00%
	£m	£m	£m	£m	£m
Direct Property	40.0	37.2	33.4	30.7	29.0

## Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risks that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Investment Panel and its investment advisors. The Fund's direct exposure to interest rate movements as at 31 March 2024 and 31 March 2025 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

31 March 2024	Asset type	31 March 2025
£m		£m
70.3	Cash deposits and cash equivalents	261.5
<b>70.3</b>	<b>Total</b>	<b>261.5</b>

# Pension fund accounts and explanatory notes

## Interest rate risk - sensitivity analysis

The Fund has recognised that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy (1BPS = 0.01%). The Fund's investment advisor has advised that long-term average rates are expected to move less than 100 basis points for one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates:

Asset type		Impact of	
	31 March 2025	1% increase	1% decrease
	£m	£m	£m
Cash deposits and cash equivalents	261.5	2.6	(2.6)
<b>Total change in assets available</b>		<b>2.6</b>	<b>(2.6)</b>

Asset type		Impact of	
	31 March 2024	1% increase	1% decrease
	£m	£m	£m
Cash deposits	70.3	0.7	(0.7)
<b>Total change in assets available</b>		<b>0.7</b>	<b>(0.7)</b>

# Pension fund accounts and explanatory notes

## Currency risk

Currency risk represents the risk that the fair value cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£). The Fund holds both monetary and non-monetary assets denominated in currencies other than Sterling.

The Fund's currency rate risk is routinely monitored by the Fund and its investment advisors in accordance with the Fund's risk management strategy.

The following table summarises the Fund's currency exposure as at 31 March 2025 and as at the previous year end.

31 March 2024	Currency exposure – asset type	31 March 2025
£m		£m
6,329.5	Overseas equities	6,060.7
102.1	Overseas alternatives	67.1
9.1	Overseas bonds (including index linked)	9.0
<b>6,440.7</b>	<b>Total overseas assets</b>	<b>6,136.8</b>

# Pension fund accounts and explanatory notes

## Currency risk - sensitivity analysis

Following analysis of historical data in consultation with the Fund's investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movement to be 6.1%. A 6.1% fluctuation in the currency is considered reasonable based on the Fund advisor's analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period. This analysis assumes that all other variables, in particular interest rates, remain constant (2023/24: 6.2%).

A 6.1% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Asset value at 31 March 2025	Potential market movement +/- 6.1%	Value on increase	Value on decrease
	£m	£m	£m	£m
Overseas equities	6,060.7	371.3	6,432.0	5,689.4
Overseas alternatives	67.1	4.1	71.2	63.0
Overseas bonds (including index linked)	9.0	0.6	9.6	8.4
<b>Total assets available to pay benefits</b>	<b>6,136.8</b>	<b>375.9</b>	<b>6,512.7</b>	<b>5,760.9</b>

Currency exposure - asset type	Asset value at 31 March 2024	Potential market movement +/- 6.2%	Value on increase	Value on decrease
	£m	£m	£m	£m
Overseas equities	6,329.5	391.3	6,720.8	5,938.2
Overseas alternatives	102.1	6.3	108.4	95.8
Overseas bonds (including index linked)	9.1	0.6	9.7	8.5
<b>Total assets available to pay benefits</b>	<b>6,440.7</b>	<b>398.2</b>	<b>6,838.9</b>	<b>6,042.5</b>

# Pension fund accounts and explanatory notes

The following table summarises the Fund's approximate currency exposure by currency:

Currency	Asset value at 31 March 2025	Potential market movement (+/-) <sup>1</sup>	Value on increase	Value on decrease
	£m	%	£m	£m
Canadian Dollar	15.3	5.0	16.1	14.5
Euro	159.4	4.2	1,661.2	152.6
Singapore Dollar	9.0	4.5	9.4	8.6
Swedish Krona	1.1	7.3	1.2	1.0
US Dollar	432.7	8.3	468.9	396.5
Global Basket	5,519.3	6.1	5,855.7	5,182.9
<b>Total Holdings in Foreign Currencies</b>	<b>6,136.8</b>	<b>6.1</b>	<b>6,512.7</b>	<b>5,760.9</b>

<sup>1</sup>The potential market movement has been separately assessed for each currency including the Total holdings in Foreign Currencies, as such, the sum of the potential change in individual currencies may not equal the potential change of the Total Holdings in Foreign Currencies.

Currency	Asset value at 31 March 2024	Potential market movement (+/-) <sup>1</sup>	Value on increase	Value on decrease
	£m	%	£m	£m
Canadian Dollar	30.6	5.2	32.2	29.0
Euro	208.4	4.3	217.4	199.4
Singapore Dollar	9.1	4.9	9.5	8.6
Swedish Krona	1.2	7.0	1.2	1.1
US Dollar	545.5	8.2	590.4	500.6
Global Basket	5,645.9	6.1	5,992.7	4,299.2
<b>Total Holdings in Foreign Currencies</b>	<b>6,440.7</b>	<b>6.2</b>	<b>6,838.9</b>	<b>6,042.5</b>

<sup>1</sup>The potential market movement has been separately assessed for each currency including the Total holdings in Foreign Currencies, as such, the sum of the potential change in individual currencies may not equal the potential change of the Total Holdings in Foreign Currencies.

# Pension fund accounts and explanatory notes

## Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial asset and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimise the credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipts that remain outstanding, and the cost of replacing the derivatives position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivatives contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Deposits are not made with banks and financial institutions unless they are rated independent and meet the Fund's credit criteria. The Fund has also set limits as to the maximum percentage of the deposits placed with any class of financial institution.

The Fund's cash holding under its treasury management arrangements at 31 March 2025 was £261.5m (31 March 2024: £70.3m) and was held with the following institutions:

31 March 2024	Summary	Rating	31 March 2025
£m			£m
	<b>Bank deposit accounts</b>		
49.8	Northern Trust	A+	90.1
8.9	Svenska Handelsbanken	AA2	40.0
0.1	National Westminster Bank	A1	40.0
2.0	Santander	A1	2.0
	<b>Cash equivalents</b>		
0.0	Aberdeen Lux Sterling Liquidity Fund	Aaa-mf	10.0
0.0	REPO	-	30.0
0.0	Loan Investments	-	50.0
	<b>Cash float with property manager</b>		
(0.5)	Barclays Bank Plc	A1	(0.6)
<b>70.3</b>	<b>Total</b>		<b>261.5</b>

## Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that there are adequate cash resources to meet its commitments. The Fund has immediate access to its cash holdings.

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flow. The appropriate strategic level of cash balances to be held forms part of the Funds investment strategy.

# Pension fund accounts and explanatory notes

The Fund has financial liabilities of £8.3m at 31 March 2025, all of which is due within one year.

## Note 18 - Additional voluntary contributions (AVC)

Members participating in AVC arrangements each receive an annual statement confirming the amounts held in their account and the movements during the year. A summary of the information provided by Utmost Life and Pensions and Prudential is shown below. (This summary has not been subject to review and the Pension Fund relies on the individual contributors to check deductions made on their behalf are accurately reflected in the statements provided by the AVC providers). The figures relate to the financial year 1 April 2024 to 31 March 2025 for Prudential and 1 September 2023 to 31 August 2024 for Utmost Life and Pensions and are not included in the Pension Fund accounts, in accordance with Regulation 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

### 31 March 2025

	Utmost Life and Pensions	Prudential	Total
	£m	£m	£m
<b>Value at start of the year</b>	<b>0.6</b>	<b>39.9</b>	<b>40.5</b>
Income (incl. contributions, bonuses, interest and transfers in)	0.0	*	*
Expenditure (incl. benefits, transfers out and change in market value)	0.3	*	*
<b>Value at the end of the year</b>	<b>0.3</b>	<b>*</b>	<b>*</b>

\* figures for 2024/25 are not yet available



# Pension fund accounts and explanatory notes

## Note 19 - Current assets

31 March 2024		31 March 2025
£m		£m
15.5	Contributions due – employers	17.4
6.7	Contributions due – members	7.1
0.8	Sundry debtors	2.4
<b>23.0</b>		<b>26.9</b>

## Note 20 – Current liabilities

31 March 2024		31 March 2025
£m		£m
5.7	Accrued expenses	8.3
<b>5.7</b>		<b>8.3</b>

## Note 21 - Contractual commitments

As at 31 March 2025 the commitments relating to outstanding call payments due to unquoted limited partnership funds held in the private equity and infrastructure part of the portfolio totalled £490.8m (2024: £369.7m). The amounts 'called' by these funds are irregular in both size and timing and commitments to these partnerships are drawn down over a number of years. The term of a fund investment is typically 10 years. Realisation of these investments in the form of distributions normally occurs in the second half of the fund life, when portfolio companies have built value and can be sold.

Commitments to outstanding call payments for credit strategies stood at £8.4m (2024: £8.6m). The majority of these amounts are expected to be called over the coming two years and relate to various different investments including direct lending and distressed credit opportunities which are expected to begin repaying capital after 5 years. In order to maintain a steady level of investment in the long term, the Fund will enter into further commitments to fund this type of strategy over the coming years.

There are no outstanding commitments on direct property development contracts relating to properties under construction held in the direct property part of the portfolio (2024: £0m).

There are no outstanding commitments in relation to the pooled real estate fund (2024: £0m)

# Pension fund accounts and explanatory notes

## Note 22 - Related party transactions

In accordance with IFRS, the financial statements must contain the disclosures necessary to draw attention to the possibility that the reported financial position of the Pension Fund may have been affected by the existence of related parties and associated material transactions.

There are three groups of related parties; transactions between Lancashire County Council as administering authority and the Fund; between employers within the Fund and the Fund; and between members and senior officers and the Fund.

### Lancashire County Council

The Lancashire County Pension Fund is administered by Lancashire County Council.

The Council incurred costs of £1.3m (2023/24: £1.1m) in relation to the administration of the Fund. This includes a proportion of relevant officers' salaries in respect of time allocated to pension and investment issues. The Council was subsequently reimbursed by the Fund for these expenses.

The Council is also the single largest employer of the members of the Pension Fund and contributed £73.9m to the Fund in 2024/25. The council made an upfront payment of contributions for the 3-year period starting 1<sup>st</sup> April 2023 totalling £140.7m, of which, £46.9m relates to 2024/25. Total employer contributions from the Council in 2024/25 amounted to £40.3m. All monies owing to and due from the Fund were paid in year.

Lancashire County Council is a shareholder in the Local Pensions Partnership (LPP), having an ownership in the company equal to that of the London

Pension Fund Authority. LPP manages the investment and administration functions of the Fund and the Fund makes regular payments to LPP to cover investment management charges and scheme administration expenses. Payments made for the year to 31 March 2025 amount to £6.4m (2023/24: £4.9m).

The Fund has a private equity investment of £12.5m in the Local Pensions Partnership as at 31 March 2025.

### Employers within the Fund

Employers are related parties in so far as they pay contributions to the Fund in accordance with the appropriate Local Government Pension Scheme Regulations (LGPS). Contributions for the year are shown in note 6 and in respect of March 2025 payroll, are included within current assets in note 19.

### Pension Fund Committee, Pensions Board and Senior Officers.

The Pension Fund Committee, Pensions Board members and senior officers of the Pension Fund were asked to complete a related party declaration for 2024/25 regarding membership of, and transactions with such persons or their related parties. No related party transactions were identified during the year to 31 March 2025.

Each member of the Pension Fund Committee and Pension Board formally considers conflicts of interest at each meeting.

# Pension fund accounts and explanatory notes

## Note 23 - Key management personnel

The key management personnel of the Fund are the Lancashire County Council Chief Executive, Director of Resources, the Lancashire County Council Director of Finance, and the Head of Fund.

Total remuneration payable to key management personnel is set out below:

### 2024/25

	Employment period	Salary <sup>1</sup>	Employer Pension contributions <sup>1</sup>	Total including pension contributions <sup>1</sup>
		£	£	£
Head of Fund	01/04/24 – 31/03/25	77,278	13,444	90,722
Director of Finance & Commerce <sup>2</sup>	01/04/24 – 30/06/24 & 05/06/24 – 31/03/25	2,424	45	2,469
Chief Executive <sup>3</sup>	01/04/24 – 25/09/24 & 01/08/24 – 31/03/25	5,620	519	6,139
Executive Director of Resources <sup>4</sup>	01/04/24 – 31/07/24	1,116	177	1,293

<sup>1</sup> The remuneration amount has been apportioned to the Fund on the basis of time spent on Fund work

<sup>2</sup> The initial postholder ceased to be Director of Finance & Commerce from 30 June 2024, the subsequent postholder was Interim Director of Finance and Commerce from 5 June 2024.

<sup>3</sup> The initial postholder ceased to be Chief Executive from 25 September 2024, the subsequent postholder was Interim Chief Executive between 1 August 2024 and 17 October 2024, Acting Chief Executive from 18 October 2024 until 25 February 2025 and appointed to Chief Executive effective from 26 February 2025.

<sup>4</sup> The postholder ceased to be Executive Director of Resources on 31 July 2024. The role is currently vacant.

### 2023/24

	Employment period	Salary <sup>1</sup>	Employer Pension contributions <sup>1</sup>	Total including pension contributions <sup>1</sup>
		£	£	£
Head of Fund	01/04/23 – 31/03/24	81,233	13,116	94,349
Director of Finance	01/04/23 – 31/03/24	1,127	182	1,309
Chief Executive	01/04/23 – 31/03/24	4,451	-	4,730
Director of Resources	01/04/23 – 31/03/24	3,369	511	3,880

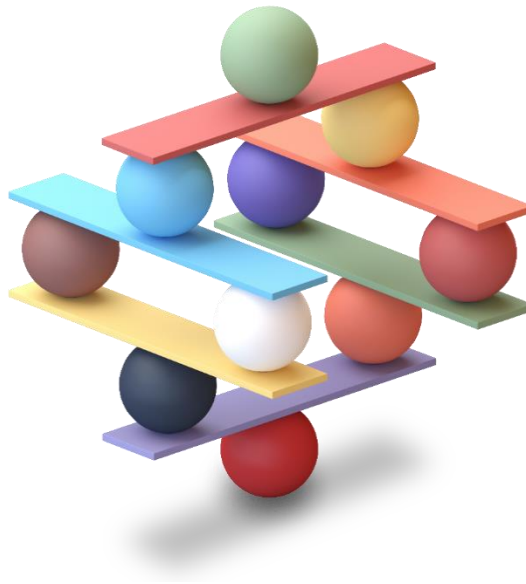
<sup>1</sup> The remuneration amount has been apportioned to the Fund on the basis of time spent on Fund work

<sup>2</sup> The Chief Executive and Director of Resources posts were split on the 1st April 2023.

## Note 24 - Funding arrangements

### Lancashire County Pension Fund

### Accounts for the year ended 31 March 2025 – Statement by the Consulting Actuary

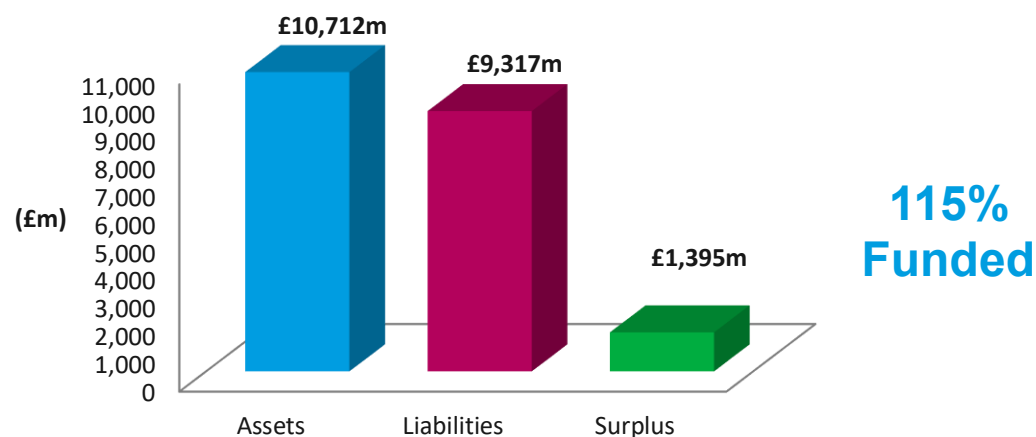


# Pension fund accounts and explanatory notes

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Lancashire County Pension Fund was carried out as at 31 March 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026.

On the basis of the assumptions adopted, the Fund's assets of £10,712 million represented 115% of the Fund's past service liabilities of £9,317 million (the "Solvency Funding Target") at the valuation date. The surplus at the valuation was therefore £1,395 million



The valuation also showed that a Primary contribution rate of 19.2% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. Equally, where there is a surplus, it may be appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At the actuarial valuation the average recovery period adopted was 10 years for employers in deficit (16 years for employers in surplus). The total initial recovery payment (the "Secondary rate" for 2023/26) was an offset of approximately £27m per annum in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

# Pension fund accounts and explanatory notes

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2023.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
<b>Rate of return on investments (discount rate)</b>		
<b>Category A employers*</b>	4.5% per annum	5.0% per annum
<b>Category B employers*</b>	4.25% per annum	4.75% per annum
<b>Rate of pay increases (long term)</b>	4.6% per annum	4.6% per annum
<b>Rate of increases in pensions in payment (in excess of GMP)</b>	3.1% per annum	3.1% per annum

*\*As defined in the FSS, but broadly speaking category A employers have a taxpayer guarantee / taxpayer backing, and category B employers do not*

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2025. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2026.

## Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes. The assumptions adopted are shown in Appendix B.

The movement in the value of the Fund's promised retirement benefits for IAS 26 is as follows:

Start of period liabilities	£9,227m
Interest on liabilities	£444m
Net benefits accrued/paid over the period*	(£111m)
Actuarial (gains)/losses (see below)	(£1,380m)
End of period liabilities	£8,180m

*\*this includes any increase in liabilities arising as a result of early retirements*

Key factors leading to actuarial gains above are:

**Change in financial assumptions:** Corporate bond yields increased over the year, with a corresponding increase in discount rate from 4.9% p.a. to 5.9% p.a. The long-term assumed CPI is the same at the end of year as it was at the start of year. In combination, these factors lead to a significant reduction in liabilities.

**Change in demographic assumptions:** As noted in appendix B, the mortality assumptions have been updated to reflect the latest mortality tables and future life expectancy improvement model. This acts to slightly reduce the liabilities.

**Pension increases / inflation experience:** The figures allow for the impact of actual CPI experienced over the year compared to the start of period assumption (experience to September 2024 fed into the April 2025 pension increase of 1.7%, and actual inflation from that point will feed into the 2026 increase). As inflation over the year was a little lower than the long-term assumption, this slightly decreases the liabilities.

**Mark Wilson**  
*Fellow of the Institute and  
Faculty of Actuaries*

**Clive Lewis**  
*Fellow of the Institute and  
Faculty of Actuaries*

**Mercer Limited**  
**May 2025**



## Appendix A - additional considerations

**The “McCloud judgment”:** The figures above allow for the impact of the judgment based on the proposed remedy.

**GMP indexation:** The above figures allow for the provision of full CPI pension increases on GMP benefits for members who reach State Pension Age after 6 April 2016.

**Market volatility and tariffs** There was significant volatility in markets shortly after the accounting date, in part due to the announcements on tariffs coming from the USA. The period-end figures reflect market conditions as at the accounting date, but do not allow for any subsequent experience.

**Virgin Media Court Case:** Our current understanding is that, while HM Treasury are still assessing the implications, they do not believe the case is relevant to public service pension schemes. Given this, and the unknown impact on benefits even if it were to be required, we have not made any allowance for the Virgin Media judgment.

## Appendix B – financial and demographic assumptions

To assess the liability value of the benefits, we have used the following assumptions as at 31 March 2025 (the 31 March 2024 assumptions are included for comparison):

### Financial assumptions

	31 March 2024	31 March 2025
Rate of return on investments (discount rate)	4.90% per annum	5.90% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.60% per annum	2.60% per annum
Rate of pay increases	4.10% per annum	4.10% per annum
Increases on pensions (in excess of GMP) / Deferred revaluation	2.70% per annum	2.70% per annum

# Pension fund accounts and explanatory notes

## Post retirement mortality (normal health)

	31 March 2024 (M/F)	31 March 2025 (M/F)
<b>Base mortality table</b>	SAPS 3 / SAPS 3 middle	SAPS 4 / SAPS 4 middle
<b>Future improvements</b>	CMI 22 1.5%	CMI 23 1.5%
<b>Additional parameters</b>	S=7, A=0 W20=W21=0%, W22=25%	S=7, A=0 W20=W21=0%, W22=W23=15%
<b><i>Non-retired members (current age 45):</i></b>		
<b>Weightings</b>	113% / 101%	112% / 101%
<b>Life expectancies at age 65</b>	22.4 / 25.3	22.3 / 25.4
<b><i>Retired members (current age 65):</i></b>		
<b>Weightings</b>	108% / 101%	106% / 101%
<b>Life expectancies at age 65</b>	21.1 / 23.5	21.1 / 23.6

The base tables are set based on the most recent mortality analysis for the Fund (undertaken as part of the 2022 actuarial valuation). The future improvements allow for a best estimate long-term improvement rate of 1.5%, and have been updated to allow for the latest base tables available (the “S4” series of tables and CMI 2023 at the end of period), with a reweighting to maintain consistency with the underlying mortality analysis.

## Other demographic assumptions

The other demographic assumptions are the same as those used for 2022 actuarial funding valuation – full details are set out in the formal report on the actuarial valuation dated March 2023.





# Governance Statement

Stocks Reservoir

Photo: Kevin Eaves

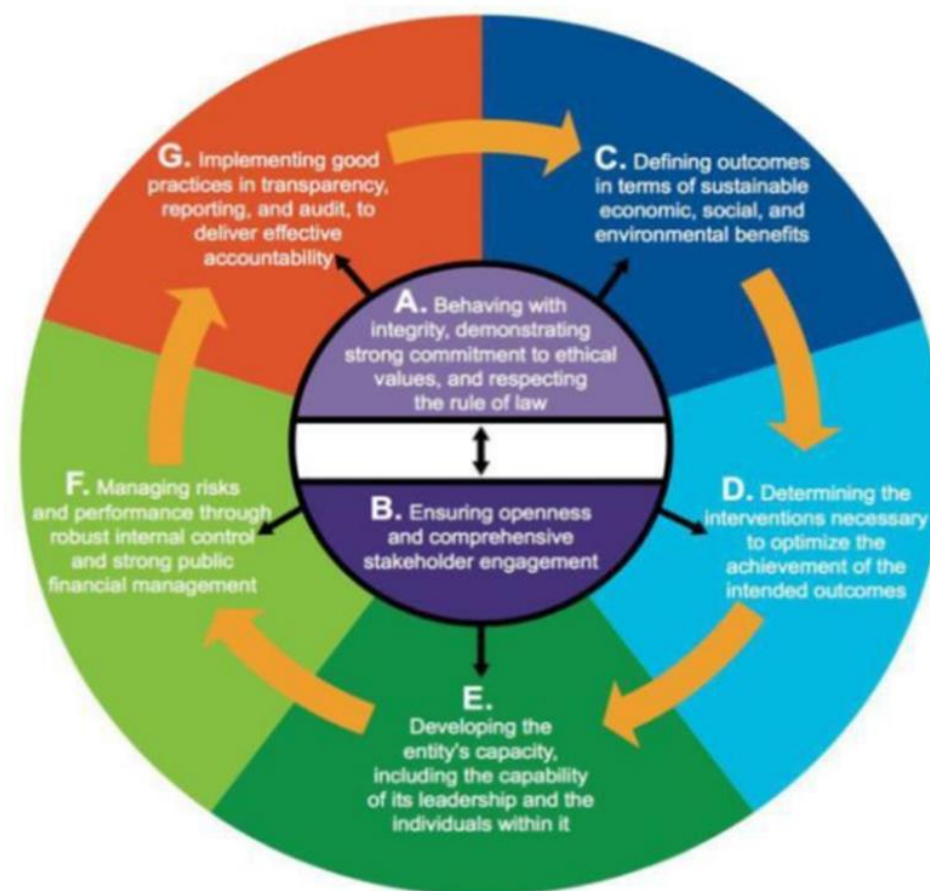


## Introduction

This statement summarises the outcome of Lancashire County Council's review of its governance arrangements that have been in place during 2024/25.

The council is responsible for ensuring that it has a sound system of governance which incorporates the system of internal control. The local Code of Corporate Governance (the Code) is underpinned by the seven principles of good governance set out in the Chartered Institute of Public Finance and Accountancy's and the Society of Local Authority Chief Executive's 'Delivering Good Governance in Local Government: Framework 2016' (the CIPFA/SOLACE Framework).

The Code comprises of a collection of systems, policies, procedures, rules, processes, behaviours, and values by which the council is controlled and governed. The Code is agreed annually by Full Council. The principles set out in both the CIPFA/SOLACE Framework and the council's own Code are shown in the diagram below:



The effectiveness of key elements of the governance framework is assessed throughout the year by Internal Audit, the Compliance and Assurance Board, the Executive Leadership Team, the Audit, Risk and Governance Committee, and other officers and members as required.

This statement is informed by the work of officers who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, Director Assurance Statements (completed by all Directors), and comments received from the External Auditor and other review agencies and inspectorates. At Lancashire County Council we are clear that good governance is everyone's responsibility.

The review demonstrates that the arrangements provide satisfactory assurance and continue to be regarded as fit for purpose in accordance with the CIPFA/SOLACE Framework. Detailed findings are set out in relation to each of the key areas under the CIPFA/SOLACE Framework (numbers 1 – 20) and further information, including the detail about upheld complaints by the Information Commissioner's Officer and the Local Government and Social Care Ombudsman, is provided at Annex 1.

## Assurance Against the CIPFA/SOLACE Framework

*1. Developing codes of conduct which define standards of behaviour for Members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively.*

All council employees and county councillors must conduct themselves in accordance with the Code of Conduct for Employees and the Code of Member

Conduct respectively. The code for employees includes the Statement of Ethical Standards for Employees, which sets out the standards of behaviour expected of all council employees. The council recognises that its reputation for acting with integrity is to a great extent measured by the way in which employees conduct themselves with residents, other organisations, and each other.

### Member Conduct

In approving the council's new Constitution in 2024, the Full Council re-approved its Code of Member Conduct which included a new Code of Member Conduct Complaints Procedure.

The Audit, Risk and Governance Committee considers the council's arrangements for discharging its duties in relation to promoting and maintaining high standards of conduct by members and co-opted members, in accordance with the Localism Act 2011.

In January 2025, the Audit Risk and Governance Committee considered a report setting out a summary of all complaints received in 2024 against county councillors under the Code of Member Conduct. In general, Lancashire continues to receive relatively few complaints about county councillors and the standard of councillor behaviour remains high. Although, with a general election and local elections held and the introduction of the new Complaints Procedure, in 2024 there was an increase in the number of complaints formally recorded compared with previous years. All complaints received were resolved informally with the support of the council's independent persons where appropriate. Councillors apologised where requested to do so.

The Audit, Risk and Governance Committee will be kept informed of the outcome of the Strengthening the Standards and Conduct Framework for Local Authorities in England Consultation, which seeks views on proposals to introduce measures to strengthen the standards and conduct regime for local authorities in England.

Local authorities must also appoint an "independent person" whose views must be sought by the local authority before a decision is taken in relation to an allegation of misconduct. Members who have had allegations made against them may, if they wish, also seek the views of the independent person. Lancashire has appointed three independent persons, to ensure that there can be appropriate separation between the roles of supporting the subject member and advising the Monitoring Officer and Conduct Committee.

## Officer Conduct

The public is entitled to expect the highest standards from all employees, who must conduct themselves and council business in accordance with the highest professional standards and in accordance with legislative requirements. To make clear what those standards are, the council has a detailed Code of Conduct for Employees and Statement of Ethical Standards for Employees, which every employee must read, understand, and adhere to as part of their contract of employment. The council's mandatory corporate e-learning training includes induction training for all new employees that covers the Code of Conduct and other expectations for employees.

## Whistleblowing

The council has arrangements in place for employees, consultants, or contractors to raise any concerns they have in the workplace. The Whistleblowing Policy is available online and provides advice and guidance about informal and formal ways to raise concerns relating to possible wrongdoing. A report is presented to Audit, Risk and Governance Committee each year on any whistleblowing complaints received.

The council is focused on ensuring a culture where everyone feels empowered to speak up whether it's to share new ideas, collaborate, raise concerns, or ask questions. Everyone's voice is essential to shaping the services the council provides and the workplace employees and partners share. The council's values guide how we work together in a supportive, respectful and collaborative way to deliver services to the residents of Lancashire.

## Financial Crime

The Internal Audit Service supports the council's management team in responding to the risk of financial crime. It provides a centralised, independent investigatory service to support management in responding to instances of suspected financial crime or impropriety. It also undertakes proactive work to identify and pursue indications of potentially criminal activity, through both corporate systems testing and additional testing of other areas particularly susceptible to financial crime. Each year, the Audit, Risk and Governance Committee's reviews the assessment of financial crime risks and potential harm to the council from financial crime, bribery, and corruption, and monitors the counter-financial crime strategy, actions and resources.

## Conflicts of Interest

In accordance with the Statement of Ethical Standards for Employees, all employees must declare any financial or personal interests which may conflict with the council's interests. All employees are reminded to update their register of interests once a year or whenever their situation changes. Throughout the year there have been staff notices reminding employees of their obligation.

Members are required to register details of any pecuniary interests and other disclosable interests, as defined by the Code of Member Conduct. Declarations are required to be completed and submitted to the Monitoring Officer within 28 days of becoming a member (or being re-elected or reappointed). There is an online form to aid efficient reporting of member interests. All registers are published on the council's website, under the individual councillor's profile. Members are asked to review their declarations at least annually. Reminders are sent regularly including using the C-First newsletter.

## *2. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.*

The Monitoring Officer is the Director of Law and Governance and is responsible for ensuring that the decisions and actions of the council are lawful. The Chief Financial Officer (also known as the Section 151 Officer) is the Executive Director for Resources and is responsible for ensuring the proper administration of the council's financial affairs and that the council's decisions and actions are in accordance with its budget. Both roles are defined within the Constitution.

The Head of Internal Audit is responsible for providing assurance on internal controls and ensuring that there are adequate mechanisms in place for the investigation and reporting of financial crime, which includes fraud, bribery, and corruption. The Head of Internal Audit provides regular progress reports to the Compliance and Assurance Board and the Audit, Risk and Governance Committee.

Each Director is required to complete a Director Assurance Statement accompanied by actions to be taken to strengthen any areas of identified weakness. The statement covers key lines of enquiry on governance arrangements including service planning, budget, people, information, partnerships, risk, business continuity, equalities and health and safety. This gives an overall picture of assurance across the authority.

These statements were completed by Directors in February 2025, collated, and analysed. They returned a satisfactory overall assessment. Where necessary, improvements have been identified and the relevant Directors are responsible for securing remedial action in these areas. The responses have been reviewed by the Internal Audit Service.

All reports prepared for Cabinet, the Full Council and committees require legal and financial advice to be sought prior to their submission and incorporate comments from the Monitoring Officer and the Chief Financial Officer, or their representative, before they are considered by members. The report template has been updated this year following a best practice review to ensure legal advice, options and risks are clear. All decisions taken under the Scheme of Delegation to Officers are also subject to legal advice and the instruction of the Monitoring Officer and the Chief Financial Officer. This ensures that decisions are not ultra vires whilst allowing the council to exercise its powers in an agile way. The Scheme of Delegation to Officers was reviewed, as part of the council's review of its Constitution, in 2023/24.



The council seeks to comply with both the specific requirements of legislation and the general responsibilities placed on it by the common law and public law, bringing the key principles of good administrative law into processes and decision making.

The opinions and recommendations of the External Auditor, other inspectorates, review agencies, peer reviews, and residents via our compliments and complaints function provide further assurance and highlight areas to focus compliance action. The action plan produced following the inspection of the council's SEND provision and increased SEND complaints is an example of this focused action. The Compliance and Assurance Board and the Audit, Risk and Governance Committee are informed of areas of compliance risk and monitor performance in relation to mitigating actions.

The Community, Cultural and Corporate Services Scrutiny Committee conducted a review of the county council's partnership arrangements in 2024/2025. The proposed recommendations from this review were supported by the committee in February 2025 and are now being implemented to enhance the effectiveness of partnership working by the council, ensuring better service delivery and improved outcomes for residents. This piece of work will be carried over to the committee's 2025/26 work programme so officers can update on progress. There is also programme of agreed actions to ensure that policies are reviewed to align with the Council Plan, which was agreed in December 2024.

### *3. Documenting a commitment to openness and acting*

The council's Publication Scheme details the different classes of information which the council routinely makes available and the 'Get Involved – Have your Say' and 'Transparency' webpages provide guidance for the public about how

they can access information about council services, including via Freedom of Information (FOI) requests, environmental information and Subject Access Requests.

The council's website is accessible to a wide audience, with relevant and regularly updated news articles online. The council wants as many people as possible to use its website and in accordance with the Accessibility Statement.

The Constitution sets out how the public can engage with the council's decision making and governance, including attending meetings of the council which are held in public. Agendas, minutes and decisions of all council committees, Cabinet and the Full Council are available promptly online and via an interactive online calendar of council. Council, Cabinet, and most other committee meetings are broadcast on the council's website and can be watched live or afterwards.

The council publishes data under the Local Government Transparency Code including information about council spending, contracts and senior officer's salaries (in the Annual Pay Policy Statement). The Statement of Accounts is published annually. This is the formal audited accounts of the council. The purpose of the statement of accounts is to give clear information on the council's overall finances and to demonstrate the council's stewardship of public money for the year. Members of the public can also access our policies, strategies, and plans on the 'Council' section of our website.

The Council Plan, 'Building a Better Lancashire', was developed with partners and outlines how the council commits to work in the public interest. The council's commitment to transparency, as detailed above, enables the public to assess this and provide feedback via the compliments and complaints process. As part of the council's efforts to build a 'speak up' culture, staff were included in the consultation process when devising the new plan.

## *4. Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability, and encouraging open consultation.*

How the council communicates is key to realising its vision for Lancashire. A coherent narrative and clear voice ensure that the council's employees, elected members, stakeholders, customers, and the people of Lancashire understand the council's purpose and are part of our journey.

Underpinned by the council's values of supportive, innovative, respectful, and collaborative, the communications strategy, planning and delivery contribute to the council's success. Ambition lies at the heart of this strategy – we want our communications to be the best so that elected members, employees, the public and partners feel informed, engaged, and involved in the council's work to drive forward the success of Lancashire.

The council proactively engages with the community to seek out their views, actively listen to them and support them to respond. There are a range of ways in which people can be involved in shaping decisions. This includes statutory consultations, surveys which can be completed online or paper questionnaires plus telephone and accessible format options, focus groups, face to face interviews, workshops, and consultation/discussion events.

Key consultations carried out over the last year include:

- In developing the new Council Plan, 'Building a Better Lancashire' the council undertook an extensive consultation exercise. The approach to consultation and engagement included a survey conducted with 1,024 Lancashire residents to better understand their views on the proposed priorities. A range of strategic partners, including all Lancashire councils and representatives of the

Voluntary, Community, Faith and Social Enterprise (VCFSE) sectors were also engaged through a survey. A range of staff events were held to better understand their views on the proposed direction in the plan and staff were invited to complete a survey.

- The council also reported the outcome of a major consultation on the establishment of a new Combined County Authority, the outcome of which was acted upon in the establishment of the new authority in February 2025. This is another example of acting upon feedback from our communities and stakeholders.

- A Budget Consultation was undertaken before setting the council's budget for 2025/26. It was open to the public and promoted through social media, print media, business, voluntary and charity sector networks. The council is working to continue to improve the reach of its budget consultation process.

All council communications are branded to ensure that they are easily recognised, and the information can be translated into different languages and alternative formats as required.

The Constitution allows public questions at Full Council and Cabinet meetings, and public speaking at meetings of the Development Control Committee and the Regulatory Committee. The council's social media feeds encourage people to listen to public meetings as they are simultaneously broadcast online.

The council has a Petitions Scheme which allows residents to raise concerns and issues that are important to them. It ensures that the council can engage with the community effectively and respond to them in a transparent and accountable manner. In 2024/25 the council received 16 petitions, including some that were still collecting signatures at the time of writing.

A group of officers hold an oversight role for all consultations that the council is currently undertaking or planning to undertake. This seeks to ensure that consultations presented to the public engage with the target communities and seek a full set of responses which can be used to inform the council's decision making. Cabinet and shadow Cabinet Members are informed and engaged on consultations prior to publication.

The Get Involved – Have your Say section of the council's website is used for public consultations. This provides easy access to consultations for most of the population and alternative provisions are made for each consultation to reflect the needs of any individual groups who may be unable to share their views online. The council also engages and gathers views and perspectives from groups with specific experiences. This is a valuable input to service design and planning.

The council takes accountability for sharing learning from complaints and compliments. Detailed reports on learning from complaints and compliments are presented annually to Cabinet. In relation to information governance, the Senior Information Risk Owner's report sets out complaints to the Information Commissioner's Office (ICO) which have responded to and the learning from them. There were no actions taken by the ICO against the council in 2024/25. Furthermore, during 2024/25 the council did not receive any public reports from the Local Government and Social Care Ombudsman. Special Educational Needs and Disabilities (SEND) complaints remain an escalating area of concern both locally and nationally and 2024/25 saw an upward trajectory in upheld complaints. Approximately 2 in 3 new enquires from the Ombudsman are about SEND. The council has a detailed action plan including new investment to address identified concerns in relation to SEND. More information in relation to upheld complaints and the learning is provided in Annex 1.

The council's most recent staff survey received the highest-ever response rate with over 51% of employees responding, an increase of 5% compared to last year. The results are helping shape the way the council operates, improving those things that are most important to employees, so that the council can deliver the best possible services to residents. The survey findings have been explored in more detail, and management has focused on designing the actions they need to take to build on the council's many strengths and improve those areas that staff have highlighted. Each service has produced an action plan and involved their Staff Voice Groups. Regular "pulse" surveys are conducted during the year to measure staff views on progress against those agreed actions.

The council also has a Change Influencer group that consists of staff members who drive and support organisational change. Change Influencers promote new initiatives, engage with employees to gather feedback and address concerns, and assist in training and development programmes. This group ensures that changes are effectively integrated into the council's operations, enhancing overall efficiency and service delivery. Change Influencers will help the council to drive improvement.

## *5. Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.*

At its meeting in December 2024, Full Council agreed the Lancashire County Council 2025-2030 Plan: Building a better Lancashire. This sets out the council's vision, ambitions, and priorities for the next five years. The Plan will guide future decision making and form the basis of specific service delivery plans and a new performance management framework. Shaped by engagement with a range of stakeholders, the Plan will also align with wider strategies. This vision for Lancashire forms part of the county council's planning and performance framework. It sets out the council's priorities in an

open and transparent way. The Plan will be subject to regular monitoring in terms of how the council is progressing against its objectives, and it will be kept under review to make sure it is kept up to date in a fast-changing world.

At the heart of the council's strategy for delivery are four ambitions: better lives for all, economic ambition, stronger communities, and thinking differently. The role of the county council in delivering its vision will change over the next few years. The council will work more closely with partners to help people to anticipate their own needs and take greater responsibility for themselves and their communities.

The council is also working in partnership to create a long-term strategic plan for the future of Lancashire. The Lancashire 2050 framework aims to bring people together with a shared vision, shared ambition, shared goals, and shared priorities. Initiated by Lancashire's 15 councils, but involving everyone with a stake in the county's success, it sets out the areas where we can work together to help the county thrive, seizing opportunities that are bigger than any one institution. By all 15 councils working together we can deliver more than the sum of our parts and compete more effectively for national investment and development opportunities.

The framework for action will help it to focus on the things that are most important, as well as respond to changing local, national and global trends, policy mandates and place needs. It will mean Lancashire can speak with one voice when championing our needs in government. This year has seen collaborative working not just on the establishment of the Combined County Authority but more recently in responding to the Government's White Paper on Local Government Reorganisation.

## *6. Translating the vision into courses of action for the authority, its partnerships, and collaborations.*

To deliver the council's vision, it has a comprehensive suite of strategies, policies and plans that can be found on the Strategies, policies and plans page of the website. These include:

- Adult Social Care Strategies
- Joint Health and Wellbeing Strategy
- School and Childcare Strategies
- Community Safety Strategy
- Environmental, Planning and Waste Strategies
- Transport and Highways Strategies
- Libraries and Museums Strategy
- Cohesion and Integration Strategy

Further detail in terms of partnerships and collaborations can be found in section 20.

## *7. Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.*

The Constitution, which was reviewed and newly adopted by the Full Council in 2024, defines the responsibilities for decision making and the principles in accordance with which decisions must be made. Directorate scheme of delegation documents have also been updated.

The Business Intelligence Team provides the council with the evidence it needs to inform decisions affecting commissioning and operational service delivery, such as population analysis, demand forecasting and needs

assessments, as well as enabling the organisation to manage performance, engage with citizens and service users, and maintain key business intelligence systems.

All reports are reviewed by the Chief Financial Officer and the Monitoring Officer, or their representative, to ensure the financial impact of any decision is properly recognised before that decision is taken, and the council's decisions are lawful. The risks and equality and diversity implications associated with the proposals are also considered.

All agendas, minutes and decisions taken by Cabinet, the Full Council and other committees are available to the public through the council's website. Records of some delegated decisions taken by officers are also available, in accordance with the Scheme of Delegation to Officers.

The online report management system, which provides easily accessible and good quality information, ensures that the report writing and decision making process is efficiently managed. The council's Constitution, together with the council's intranet pages, provide officers and councillors with access to information about decision making.

The council's decision making processes were the subject of an Internal Audit review in 2023. The final reports provided for substantial assurance that the controls over decision making by both members and officers were operating effectively. Further external benchmarking against good practice has been conducted in 2024 which provided positive feedback, following which further improvements to decision making processes have been implemented, including updated template reports and a programme of training for officers across the council to ensure consistent high standards in the quality of reports and their accessibility and transparency for the public.

The Local Government Association (LGA) Improvement and Assurance Framework supports local authorities in enhancing governance, performance management, and service delivery through a structured approach. This framework helps councils assess operations, identify improvement areas, and implement best practice across governance, financial management, risk management, and community engagement. An Internal Audit review of governance arrangements against this Framework provided substantial assurance that the council's governance and leadership framework is robust, ensuring transparency, accountability, and effective management. Directors' comprehensive assurance statements inform the annual governance statement, including adherence to policies and procedures.

The Overview and Scrutiny Committees play a key role to inform and challenge decisions taken by the Cabinet in relation to all council services. Each Overview and Scrutiny Committee has its own terms of reference, set out in the Constitution. The overall management, coordination and monitoring of Overview and Scrutiny, to ensure the function's general effectiveness and development, is performed by the Scrutiny Management Board. All agendas, minutes and recommendations made by the Overview and Scrutiny Committees are available to the public through the council's website. An annual report on the scrutiny function's activity and outcomes is presented to Full Council at its Annual Meeting each year.

The council has a Digital Strategy for 2025-29. One of its six ambitions is for data insights and artificial intelligence to drive innovation, improve decision making and drive efficiencies through service redesign. Information is an asset which is fundamental to the efficient and effective delivery of public services.

During 2024, Lancashire secured an historic devolution agreement with the government, enabling the council, with its partners, to establish a Combined County Authority and take more decisions in Lancashire closer to the people

we serve. This new authority, formed of the upper tier authorities in Lancashire (the county council, Blackpool Council and Blackburn with Darwen Borough Council), will help the council to drive forward collective plans to develop Lancashire's economy, benefitting residents and businesses. The Combined County Authority is committed to a further governance review of Lancashire's devolution arrangements by Autumn 2025.

*8. Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.*

As part of the new Council Plan, a new corporate performance framework will be established to ensure the Plan drives action, and that progress can be monitored and managed. All future plans, decisions, and strategies will link to the Plan. In addition, a significant communications campaign will be launched to ensure staff, partners and other key stakeholders are aware of the plan and better understand their role in making it happen.

Performance management is a key component of the council's approach to achieving its outcomes. During the year, Cabinet received its Quarterly Performance Report setting out achievements against agreed high-level metrics relating to the corporate strategy. This includes executive summaries from the Chief Executive and Executive Directors and more detailed service specific performance metrics enabling members to monitor ongoing service delivery and performance. The reports highlight good performance and mitigation actions where required.

The Finance and Performance Board, chaired by the Executive Director of Resources meets monthly. The Board receives a suite of performance dashboards, which draw attention to any concerns with performance, set out action plans to improve performance, and escalates issues for discussion and

action to the Executive Leadership Team. The Board monitors performance against service level and corporate indicators and co-ordinates the reporting of performance information to Cabinet. Directorates also monitor performance on a regular basis using performance dashboards.

A new approach to directorate and service planning was introduced during 2023/24 and has been refined for 2024/25. Directorate and service level planning is a cornerstone of effective performance management. It provides a solid foundation to enable the councils' strategic priorities and values to be held firm, even in times of change. Good business planning also supports the budget planning cycle, ensuring that the council prioritises activity and appropriately supports its objectives through funding decisions.

As part of the business planning process a new approach to workforce planning has also been introduced. Workforce planning is crucial in managing the balance between workforce supply and demand. It's not just about numbers, but the right mix of skills and experiences. It aligns service plans with the priorities of the Council Plan, ensuring that the council has the right people, with the right skills, in the right positions, at the right time. In a dynamic and challenging landscape, the ability to anticipate and respond to workforce needs is a key driver to the ongoing delivery of quality services.

## *Care Quality Commission Inspection of Adult Services*

The Care Quality Commission (CQC) has carried out an inspection of the council's Adult Services. This inspection took place in for March 2025 and assessed how well the council is delivering social care services, focusing on key areas such as safety, effectiveness, care, responsiveness, and leadership. The CQC inspection process involves gathering information from various sources, including service users, staff, and other stakeholders, to evaluate the quality of care provided. The findings will help identify strengths and areas for



improvement, ensuring that the council meets its duties under the Care Act 2014. The council prepared for the inspection by reviewing its current practices and making necessary adjustments to enhance service delivery. The goal is to ensure that all residents receive high-quality, person-centred care that meets their needs and promotes their well-being.

## *Ofsted and Care Quality Commission Inspection of SEND Services*

Ofsted and the Care Quality Commission (CQC) carried out a five-day inspection of the Lancashire Local Area Partnership in December 2024. The inspectors' report highlights several areas, across the partnership, that require work to improve the experiences and outcomes of children and young people with Special Educational Needs or Disability (SEND). The report notes that there were widespread failings leading to significant concerns about the experiences and outcomes of children and young people with SEND, which the local area partnership must address urgently.

The key areas of concern highlighted in the report are issues that local area partnerships across the country are facing, many of which have been identified by Ofsted and the Care Quality Commission following inspections. The issues are largely being driven by increasing demand for specialist support which is, in turn, causing significant financial pressures on the system.

The council acknowledges and understands the inspectors' findings and knows that, though its commitment to providing the right support at the right time for children and young people with SEND, it can make vital improvements. In light of the findings and following a review of complaints in this area (Annex 1), the council is undertaking a thorough review of SEND processes and systems and will continue to work alongside partners to ensure further improvements happen at pace and that outcomes improve for all children and young people.

The report also highlighted a number of positive areas. Lancashire's multi-agency Family Hubs offer was praised, with inspectors noting that families' engagement with this initiative was having a positive impact on their lives. Inspectors also commended the SEND Information, Advice and Support Service (SENDIAS), noting that the team were passionate and committed to offering support, guidance and signposting to parents and carers. It also acknowledged that the local authority had been successful in recently obtaining a significant financial investment for SEND to commission and deliver.

## *External Auditor*

Each year, the External Auditor presents their findings in relation to value for money arrangements as part of their Annual Report, which is presented to the Audit, Risk and Governance Committee. In their last Annual Report, the External Auditor concluded that the council seeks to improve economy, efficiency, and effectiveness and that it has (broadly) strong arrangements for doing so. The council reports thoroughly on performance and works well with partners. The External Auditor was satisfied that no significant weaknesses exist in this area but did identify some improvement recommendations.



## *9. Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.*

The law and the Constitution clearly define the responsibilities of members and officers. The Constitution also sets out how authority for certain decisions is delegated to Cabinet Members and senior officers. Under the Scheme of Delegation to Officer, senior officers may authorise other officers to take decisions too. All delegations are updated when officer roles or structures change via an online system.

The Protocol on County Councillor / Officer Relations provides further information about the roles and responsibilities of officers and members and provides guidance on how they should interact with each other.

The council's Financial Rules provide a framework to identify financial responsibilities and the financial limits of officers. The Rules also outline responsibilities in relation to partnerships and commissioning arrangements. The Financial Rules are kept under regular review, with the last update approved at Full Council on 23 May 2024

## *10. Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (April 2016), where they do not, explain why and how they deliver the same impact.*

The council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (April 2016). The council's Chief Financial Officer is the Executive Director for Resources. In 2024/25, the

(Interim) Director of Finance and Commerce was the Deputy Chief Financial Officer.

The Executive Director of Resources was appointed as the (interim) Chief Executive in August 2024. The CIPFA Statement on the Role of the Chief Financial Officer in Local Government (April 2016) addresses the scenario where the Chief Financial Officer and Chief Executive Officer roles are held by the same person. It emphasises the importance of maintaining a clear separation of duties to ensure effective governance and accountability. To do this, the council ensured that there were adequate checks and balances in place. This included:

- Independent oversight: Ensuring that there is independent oversight of the financial management and reporting processes.
- Robust internal controls: Implementing robust internal controls to prevent conflicts of interest and ensure transparency.
- Clear delegation of responsibilities: Clearly defining and delegating responsibilities to other senior officers to maintain a balance of power and accountability

Similar arrangements have been put in place to separate the roles of the Head of Paid Service and the Chief Financial Officer following the appointment of the Chief Executive on a permanent basis.

## *CIPFA Financial Management Code*

The CIPFA Financial Management Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The code sets out six principles underpinned by a series of financial management standards identifying the professional standards to be met if a local authority is to meet the minimal expectations of financial management that are acceptable to meet the fiduciary duties to taxpayers, customers, and lenders.

The council continues to undertake medium-term financial planning which has driven the annual budget-setting and monitoring process. Through the Scrutiny Management Board and the Audit, Risk and Governance Committee, sources of assurance are recognised as an effective tool in delivering and demonstrating good financial management. The financial performance of the council during the year has once again evidenced that the long-term sustainability of local services is at the heart of the council's strategy, supported by the prudent use of public resources. The Executive Leadership Team and the Finance and Performance Board lead holistic financial management across the council.

## *11. Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function.*

The council's Monitoring Officer is the Director of Law and Governance. In 2024/25, the Deputy Monitoring Officers were the Head of Democratic Services, the Head of Governance and the Head of Legal Services. The Monitoring Officer is responsible for ensuring that the decisions and actions of the council are lawful and in accordance with the adopted policy frameworks. The Monitoring Officer is responsible for ensuring the Constitution is up to date and, following introduction of a new Constitution in

2024, it has been kept under frequent review with members and officers. Decision making procedures have been updated to reflect best practice including updating report templates, providing training, and reviewing member and officer governance arrangements including updating and streamlining the council's officer board structures.

The Monitoring Officer is required to report to the Full Council in any case where it appears that any proposal, decision or omission by the authority has given rise to or is likely to or would give rise to any contravention of any enactment, rule of law or code of practice or maladministration or injustice in accordance with Sections 5 and 5A of the Local Government and Housing Act 1989. No reports have been made this year.

In 2024/2025 the Local Government Association's Improvement and Assurance Framework was utilised by the Monitoring Officer to holistically audit the council's governance approach. The review conducted by the Internal Audit Service found that the governance and leadership framework is robust, ensuring transparency, accountability, and effective management. The Monitoring Officer is also the Senior Information Risk Owner (SIRO) and the annual SIRO report provides assurance on the council's approach to information governance and data risk management.

Other than the risks highlighted in this report and the findings of the Ombudsman highlighted in Annex 1, the Monitoring Officer has no significant additional concerns to report. The Compliance and Assurance Board holds officers to account for ensuring action plans following Ombudsman findings and statutory inspections are completed in accordance with agreed timescales.

## *12. Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function.*

The council's Head of Paid Service is the Chief Executive. During 2024/25, this role was also filled by the Interim Chief Executive while recruitment to the permanent Chief Executive role was undertaken.

The Audit, Risk and Governance Committee received a report in January 2025 which provided an assessment of the council's compliance with the recently published Code of Practice on Good Governance for Local Authority Statutory Officers, produced by SOLACE, CIPFA and LGA, and noted the assurance provided and agreed actions to ensure continual service improvement.

The Head of Paid Service, Monitoring Officer and Deputy Chief Financial Officer meet regularly to ensure financial and governance monitoring. The statutory officers are further supported by compliance reporting to the Compliance and Assurance Board.

## *13. Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.*

The Councillor Support Steering Group has responsibility to oversee members' development and is responsible for shaping the programme of training and briefings provided to members. Members were offered a comprehensive induction after the May 2021 election and plans are currently being developed for a similar induction post the May 2025 election. All members are offered 'essential' training sessions that include topics such as Code of Conduct, Information Governance, Corporate Parenting and PREVENT. This is supplemented by committee specific training. Mandatory training is also required for members of the Development Control Committee

and the Regulatory Committee. Other training and development sessions are provided throughout the year.

The council's People Strategy 2023-28 helps managers to make strategic workforce plans that will decide the size and shape of the council workforce both now and in the future. To achieve the council's vision and embody its values, the 'Leading Lancashire' framework has been developed for all leadership levels. It sets expectations for the council's leaders to shape strategies, meet operational requirements, and support teams with the clarity needed for effective delivery. Each leadership level, from 1 to 4, has a bespoke version of the framework, ensuring everyone understands the expectations of their leadership roles.

In 2024, 404 staff started apprenticeships across 29 different subjects, 41 of these were enrolled on an apprenticeship that is a level 5 or higher. As of April 2024, there were 426 employees whose learning is funded through the council's apprenticeship levy.

## *14. Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.*

### *Risk*

Managing risks is the responsibility of all services and officers. Service risks are scored and reported quarterly with the greatest risks being escalated to the Corporate Risk and Opportunity Register. Significant improvements have been made to the council's approach to reporting and managing risks in 2024. Accountability for mitigating risk is overseen by statutory officers at meetings of the Compliance and Assurance Board and the Executive Leadership Team.

The Audit, Risk and Governance Committee also has responsibility to monitor the effectiveness of risk management arrangements across the organisation. The committee receives the Corporate Risk and Opportunity Register on a quarterly basis and may request additional information on reports on the council's management of specific risks. In 2024/25, the committee received reports on the risks associated with data and analytics and cyber security. A review of this arrangement is undertaken annually by the Internal Audit Service and reported to the committee. The previous review of risk management provided for substantial assurance and that the council's corporate risk management framework is operating effectively.

## *Integration with Strategic Planning*

Risk management is integrated into the council's strategic planning and decision-making processes. This ensures that risks are considered when developing new services, projects, and initiatives.

## *Incident and Issue Management*

The council has processes in place to manage incidents and issues as they arise. This includes identifying the root causes of incidents, implementing corrective actions, and updating risk registers to reflect any new risks. These practices help the council to manage risks effectively, ensuring that they can deliver services safely and efficiently while minimising potential negative impacts.

## *Performance Management*

Performance management is a key component of the council's approach to achieving its outcomes. More information about the council's performance management processes is provided under section 8 above.

## *15. Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).*

The council has a dedicated Investigation Team within the Internal Audit Service. The Investigation Team have undertaken proactive fraud prevention and detection work, including participation in the National Fraud Initiative (NFI), data matching exercises with other Lancashire authorities and internal data matching exercises. The service provides a centralised independent investigatory service to support management in responding to instances of suspected financial crime or impropriety. The team also undertakes proactive work to identify and pursue indications of potentially criminal activity, both through corporate systems testing and through additional testing of other areas particularly susceptible to financial crime. The Audit, Risk and Governance Committee received regular updates in respect of the activities undertaken to counter financial crime including fraud, bribery and corruption.

The council's arrangements to counter financial crime have been designed to align with the CIPFA Counter Fraud Code of Practice and the Fighting Fraud and Corruption Locally Strategy.

## *16. Ensuring an effective scrutiny function is in place.*

The council has established a Scrutiny Management Board and four Overview and Scrutiny Committees. The Scrutiny Committees make recommendations which the council's Cabinet, relevant partners and NHS bodies must consider and respond to.

The Scrutiny Committees are also a key mechanism for reviewing council policies and services, as well as services delivered by other organisations in

Lancashire. The committees work to deliver local public sector accountability. They can require the council's decision-makers, as well as those of its key partners, to account for their decisions and actions.

The Scrutiny Management Board produces an annual report to Full Council. The report that sets out the work of the council's scrutiny function over the last year. The report gives an insight into the important work undertaken by the various scrutiny committees and the positive impact it has had on both the democratic process within the council and the reviewing of services provided by the council's external partners.

The scrutiny function is supported by the Head of Democratic Services, who is the Statutory Scrutiny Officer, a team of scrutiny officers in Democratic Services, and senior officers including those nominated as 'scrutiny directors' to champion the role of the scrutiny function within their executive directorates.

*17. Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019) and, where they do not, explain why and how they deliver the same impact.*

The role of the Chief Audit Executive was fulfilled by the Head of Internal Audit during 2024/25. The arrangements for ensuring the Internal Audit Service's independence were outlined in the Audit Charter which was reviewed, updated, and presented to the Audit, Risk and Governance Committee in July 2024.

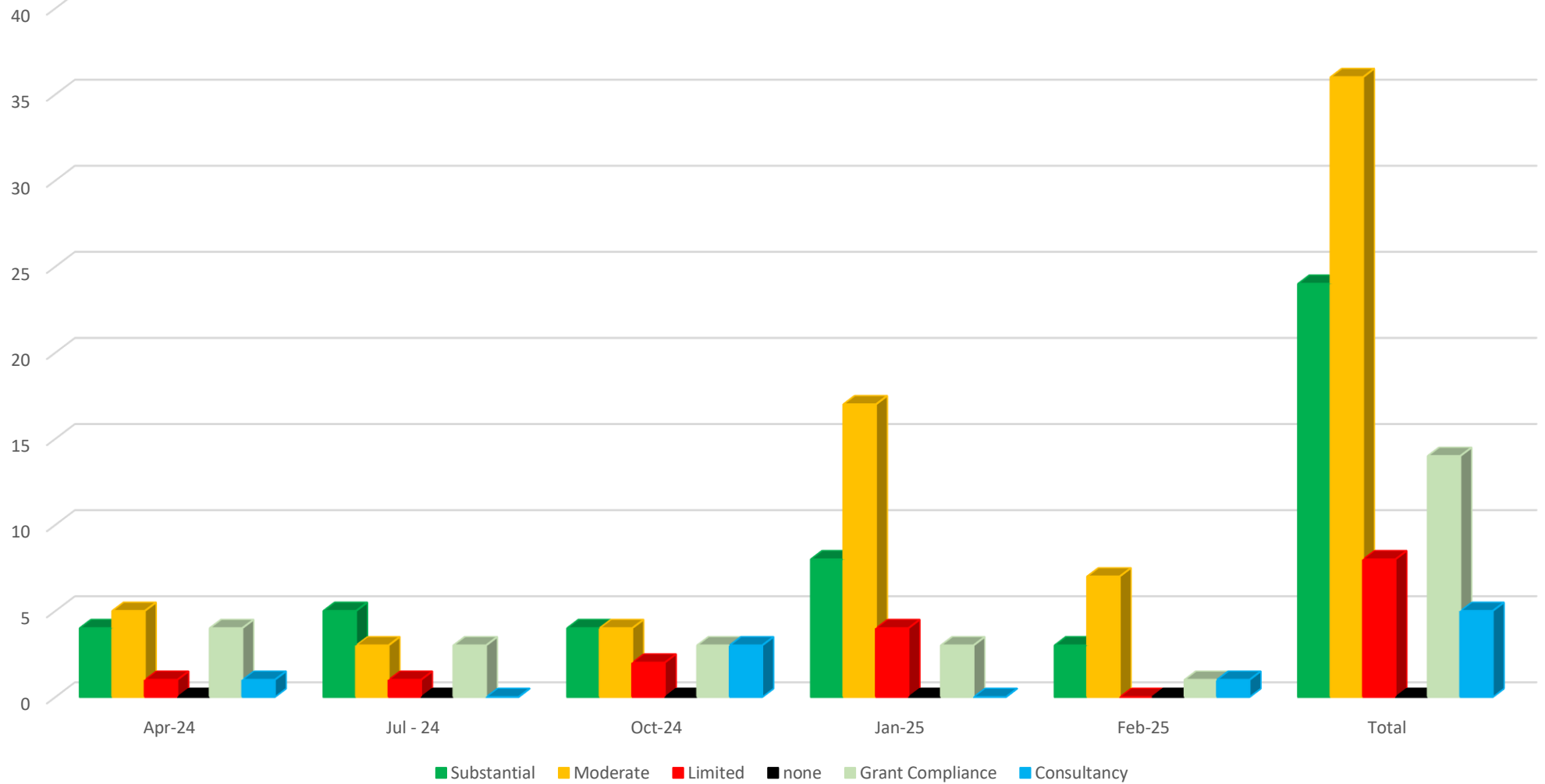
Assurance arrangements for 2024/25 conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal

Audit. The UK Public Sector Internal Audit Standards (PSIAS) provide clear standards for internal audit which the council complies with.

For 2024/25, the Head of Internal Audit provided moderate assurance (provisional\*) overall regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control. In forming his opinion, he considered the work undertaken by the Internal Audit Service throughout the year as well as the work of external assurance providers and information available from less formal sources than planned audit engagements.

Audit work covered the full range of the council's services. In the main, the council adapted well to the changing risk environment of the 2024/25 financial year and the council operated as would be expected. In 2024/25 the Internal Audit Service has provided the Audit Risk and Governance Committee with assurance opinions on 87 different audit reviews. The vast majority of these were positive assurance opinions.

Internal Audit Assurance Provided



The council is managing a number of issues which will continue to have an impact in 2025/26.

The council's 2024/25 budget aimed for significant savings, but increased demand and inflation have challenged this goal. Despite this, robust governance has allowed for mitigating actions such as using reserves, implementing recovery plans for Adult and Children's Social Care, and finding additional savings in other areas. Effective management of budget pressures remains crucial to maintaining service quality and operational sustainability.

A recent SEND inspection by Ofsted and the Care Quality Commission revealed widespread systemic failings, raising significant concerns about the experiences and outcomes for children and young people with SEND. In response, the council is committed to urgently reviewing and improving its SEND processes and systems.

The Head of Internal Audit's 2023/24 report highlighted ongoing difficulties in recovering income from the NHS under joint funding arrangements, posing a significant risk to the Adult Services budget. Efforts to resolve this issue are ongoing and expected to continue into 2025/26.

The Public Sector Internal Audit Standards (PSIAS) will be replaced by the Global Internal Audit Standards (GIAs) starting from 1 April 2025. This change is part of an effort to align the UK public sector with global best practices in internal auditing.

\*The Head of Internal Audit will be reporting his final opinion to Audit, Risk and Governance Committee in July 2025. However, based on the work currently undertaken it is anticipated that a moderate opinion will be given.

*18. Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013).*

The Audit, Risk and Governance Committee has undertaken the key functions required of it by the CIPFA guidance on the role of audit committees. The Audit, Risk and Governance Committee's role and purpose is set out in its terms of reference, which form part of the Constitution.

The committee continues to have a close working relationship with the internal and external auditors and has played an active role in relation to countering financial crime as set out above.

The committee met formally five times during the 2024/25 financial year, with all meetings held in public. The committee's work has included receiving internal audit and counter financial crime progress reports, including an executive summary detailing the findings of all the Internal Audit Services' reviews and the extent to which remedial recommendations have been implemented. This provides good accountability and visibility of the Internal Audit Service's recommendations.

All reviews resulting in a 'No Assurance' or 'Limited Assurance' opinion are also subject to a follow-up audit review and the Audit, Risk and Governance Committee considers inviting relevant officers to committee to give an overview of the issues raised and actions agreed to remedy them.

A summary of the committee's work and effectiveness is provided in the Chair's Annual Report, which is presented every July. To enhance the Audit, Risk, and Governance Committee's effectiveness and impact, it conducted a self-assessment during 2024/25, as recommended by CIPFA's "Audit



Committees: Practical Guidance for Local Authorities and Police (2022 edition)." After the May 2025 elections, the committee will conduct another review, in line with CIPFA guidance, with the outcomes being reported later in the year.

During the year and in meet the requirements set out in the council's Constitution, the committee appointed a Non-Voting Independent Co-opted Member to assist in overseeing internal and external audit arrangements, reviewing and scrutinising financial statements, and reviewing and assessing the risk management of the authority.

## *19. Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.*

The Director of Finance and Commerce (Deputy Chief Financial Officer) and the Director of Law and Governance (Monitoring Officer) meet with the external auditors on a regular basis to discuss audit activity and ensure that appropriate support is being provided. The Head of Internal Audit works with external audit to ensure effective collaboration between the two audit functions. This collaboration includes coordination and cooperation to maximise the assurance provided to the council. Sharing of information is open and transparent. All internal audit reports are shared with the external auditors. Mutual support from both internal and external audit aids the council in strengthening its overall governance, control, and risk management environment. Quarterly meetings are also held with the Chief Financial Officer to review the audit plan and key recommendations.

## *20. Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures.*

Partnership working is key to how the council works. As a principle it has been embedded within the new Council Plan 2025-30: Building a Better Lancashire. We will only build a better Lancashire by working together.

During the past year, the council has worked with local council partners to secure an historic devolution deal for Lancashire. Building on this, the council wants to take full advantage to improve the skills and employability of Lancashire's people. The council will continue to work collaboratively with employers, central government, colleges, and employment providers to support more people into good jobs, responding to market demand. The council will promote inward investment into Lancashire and help businesses to grow through a range of support offers. It will also be working closely with our local, regional, and national partners to unlock Lancashire's economic growth potential. There has been a strong focus in 2024/2025 on establishing good governance systems and processes for the newly formed Combined County Authority (CCA), including agreeing the CCA's Constitution, core policies and procedures, and assurance framework.

Across the wider system, the council is committed to a shared vision of 'Lancashire 2050'. Lancashire 2050 is about bringing people together with a shared vision, shared ambition, shared goals, and shared priorities. This strategic framework represents Lancashire's local authorities' shared vision, priorities, and intent. It was endorsed by all councils in Lancashire and aligns with the county council's own organisational plans.

These key strategic documents set out the need to work with partners to join up services where it makes sense to do so, and share data, learning and

expertise to continue to deliver excellent services, reduce costs to taxpayers, get the best outcomes for residents, communities and businesses, help tackle long standing “wicked issues” and level up the county. Following the publication of the Government's White Paper on Local Government Reorganisation, the council's strong partnerships and relationships facilitate collaboration when considering options and submitting interim plans to government.

Collaborative working with health is integral to delivery of positive outcomes for Lancashire's residents. The Health and Care Act 2022 established Integrated Care Boards (ICBs) on a statutory footing from the 1 July 2022 with Lancashire County Council being a member of the Lancashire and South Cumbria ICB. This is the geographical footprint on which the NHS plans and commissions services.

Throughout the past year, there has been focus on the ICB's financial management in addition to reviewing its governance arrangements. The overall financial position of the ICB poses a risk to the council's Adult Services budget. Work is ongoing by the Executive Director for Adult Services and the Director of Finance and Commerce to reach a reasonable resolution of partnership funding challenges.

The secondment of the previous Executive Director for Adult Services to the Lancashire and South Cumbria Integrated Care Board (ICB) has come to an end following the postholder's retirement. The ICB and council have agreed that, whilst both remain committed to the development of place-based partnerships and collaboration, the ICB's Director of Health and Care Integration and the council's Director of Adult Services will be separated. The council's Director of Public Health, Wellbeing and Communities will continue to work with the ICB to shape place-based partnership arrangements. The

recent SEND inspection also highlighted the need to improve partnership collaboration. This will be the focus of the action plan being agreed.

During 2024/2025 the council has actively responded to the Covid Inquiry along with other local authorities nationally via the LGA for all modules, excluding Module 5 Procurement where the council was requested to provide evidence directly to the inquiry. The council, along with other partners, will be actively involved in responding to the safeguarding partnership review and inquiry following the tragic stabbings in Southport. Full engagement with these inquiries and the subsequent findings and learning is an important part of our partnership governance review.

The council is focused on reviewing its company portfolio. A review has been conducted during 2024/25 and recommendations are being progressed. Further information is provided in Annex 1.

## Monitoring Implementation

The key governance challenges facing the council in 2025/26 will be monitored by the Compliance and Assurance Board, the Executive Leadership Team and the Audit, Risk and Governance Committee. They are also identified risks in the council's Corporate Risk and Opportunity Register.

In relation to each of challenges identified, the table below sets out responsibility for taking action in response to each one in 2025/26 to maintain good governance arrangements.

Key Delivery / Improvement Area	Lead Officer	Target Date
Sustainability - medium term financial strategy	Chief Executive (Section 151 Officer) / Executive Leadership Team	March 2026
Recruitment and retention	Executive Director of Resources / Executive Leadership Team	March 2026
Promoting independence and reducing demand	Executive Director of Education and Children's Services / Executive Director of Adult Services / Executive Director of Growth, Environment, Transport and Health	March 2026
School places	Executive Director of Education and Children's Services	March 2026
Workforce	Executive Director of Resources	Winter 2025
Building Schools for the Future	Executive Director of Resources	Spring 2025
Cyber security	Executive Director of Resources	March 2026
Joint working with the local NHS	Executive Director of Adult Services	March 2026
Responding to national policy and issues	Executive Director of Resources	April 2026
SEND action plan	Executive Director of Education and Children's Services	Delivery dates specified in plan
Adult Services action plan following CWC	Executive Director of Adult Services	TBC
Governance arrangements for the CCA	Executive Director of Resources/ Executive Leadership Team	Autumn 2025
Local Government Reorganisation	Executive Director of Resources/ Executive Leadership Team	Autumn 2025
County Council elections	Executive Director of Resources/ Executive Leadership Team	May 2025

## Conclusion

The Leader of the County Council, County Councillor Phillippa Williamson, and Chief Executive, Mark Wynn both recognise the importance of having good management, effective processes, and other appropriate controls in place to run the county council in delivering services to the communities of Lancashire.

The council's governance arrangements have continued to provide overall assurance over the past twelve months and have been strengthened in several areas including decision making, risk management, and a clear vision with the adoption of the Council Plan. There have been significant, historic achievements including the establishment of the Combined County Authority.

The council recognises the need for continual review of governance effectiveness and compliance particularly in an environment of policy change. During 2024/2025 there have been proactive and positive reviews, as detailed in this statement, of our governance framework utilising national best practice. 2025/2026 will see a continued focus on SEND and Adults Services partnership governance arrangements.

Support to embed good governance practice at the newly established County Combined Authority will continue, in addition to conducting the CCA governance review. The council recognises that these governance priorities will need to be carefully managed and resourced, along with delivering council's elections in May 2025 and subsequent member induction.

The council is satisfied that the appropriate systems and processes are in place to ensure good governance is maintained, though the council has also identified several areas where further improvements could be made to strengthen its governance framework.

The governance of the council will continue to be monitored by Compliance and Assurance Board, the Executive Leadership Team and the Audit, Risk and Governance Committee.

# Independent auditor's report

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This version of the statement of accounts is presented in advance of Audit. The published version will include the Audit Certification on these pages.

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# Lancashire County Pension Fund - independent auditor's report

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# Glossary of terms and contact information

Bowland Fells  
Photo: Charlie Hedley



## A

### Accounting policies

The rules and practices applied by the council that determine how the transactions and other events are reflected in the financial statements.

### Accruals

Income and expenditure are included in the accounts as they are earned or incurred, not when money is received or paid.

### Actuarial gains and losses

These arise due to the differences between the previous actuarial assumptions and what has actually occurred or because the actuarial assumptions have been changed.

### Associate

An associate is an entity over which an investor has significant influence.

## C

### Capital expenditure

Payments for the acquisition, construction, enhancement or replacement of assets such as land, buildings, roads and computer equipment.

### Capital grants unapplied account

A reserve holding capital grants and contributions which either had no conditions attached that could require their return to the grantor, or whose conditions have now been satisfied. Amounts held in this account have already been recognised in the comprehensive income and expenditure statement and transferred into capital grants unapplied via the movement in reserves statement.

### Capital receipts

Income received from the sale of land, buildings or equipment.

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

CIPFA is the leading professional accountancy body for public services.

### CIPFA Code of Practice on Local Authority Accounting (The Code)

The Code incorporates guidance in line with International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS). It sets out the proper accounting practice to be adopted for the statement of accounts to ensure they give a 'true and fair' view of the financial position, financial performance and cash flows of the council.



## Contingent asset

A possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events, not wholly within the council's control.

## Contingent liabilities

A contingent liability is either:

- a possible obligation arising from a past event whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the council; or
- A present obligation arising from past events where it is not probable that there will be an associated cost, or the amount of the obligation cannot be accurately measured.

## Creditors

Amounts owed by the council for goods and services received but not paid for as at 31 March.

## D

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## Debtors

Amounts owed to the council for goods and services provided but where the income had not been received by 31 March.

## Depreciation

Depreciation is the charge made to the comprehensive income and expenditure statement to reflect the council's use of its assets. The justification being, that in using an asset to provide services, its value is diminished.

## E

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## Earmarked reserves

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

## F

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## Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

## Floating rate note

A bond with a variable interest rate. These bonds typically have coupons renewable every three months and pay according to a set calculation derived from the interest set for each quarter.

## I

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### Impairment

A reduction in the value of a non-current asset below its carrying amount in the balance sheet due to obsolescence, damage or an adverse change in the statutory environment.

### Infrastructure assets

A class of assets whose life is of indefinite length, and which are not usually capable of being sold, such as highways or footpaths.

### Intangible assets

Assets which do not have a physical substance for example computer software licences.

### International financial reporting standards (IFRS)

Defined accounting standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

### Investment property

Property held solely to earn rentals or for capital appreciation, not as part of service delivery.

## J

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### Joint venture

A joint venture is an arrangement under which two or more parties have contractually agreed to share control and have rights to the net assets of the arrangement.

## M

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### Market value

The monetary value of an asset as determined by current market conditions at the balance sheet date.

### Minimum revenue provision

The minimum amount that the council must charge to the accounts to provide for the repayment of borrowing associated with capital expenditure.

### N

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#### Net book value

The amount at which non-current assets are included in the balance sheet, i.e. their historic cost or current value less the cumulative amounts provided for depreciation.

#### Net realisable value

The open market value of the asset in its existing use, less the costs incurred in selling the asset.

### O

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#### Operating lease

This is a type of lease, usually vehicles or equipment where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the council.

#### Operational assets

Assets used by the council in the delivery of services for which it has responsibility.

### P

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#### Prior period adjustments

A material adjustment applicable to prior years arising from changes in accounting policies or from the correction of errors.

#### Private finance initiative (PFI)

A partnership between the private and public sectors that uses private sector financing to provide public sector assets.

#### Provisions

An amount set aside to provide for a liability, which is likely to be incurred, but the exact amount and the date it will arise is uncertain.

#### Public Works Loan Board (PWLB)

A government agency which is the major provider of loans to finance long term funding requirements for local authorities.

### R

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#### Related party

Related parties are bodies or individuals that have the potential to control or influence the council or be controlled or influenced by the council. They

include Central Government, other local authorities, precepting and levying bodies, subsidiary and associated companies, Members, and senior officers and their close family members.

### Reserves

An amount set aside for a particular purpose. Reserves can be either usable or unusable.

### Revenue expenditure funded from capital under statute (REFCUS)

Legislation allows some expenditure to be classified as capital when it does not result in the creation of an asset or add to the value of an item of property, plant or equipment belonging to the council. Examples include works on property owned by other parties and capital grants to other organisations.

## S

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### Subsidiary

A subsidiary is a company that is controlled by a holding or parent company.

I would like to thank you for showing an interest in the council's finances and hope you find this information useful. We feel it is important that residents and businesses in the county understand all of the services that we provide and how council tax and business rates are spent during the year. If you have any suggestions as to how we can improve things in the future or would like to receive further information about these accounts, then please do not hesitate to get in touch with us at the following address:

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Lancashire County Council  
PO Box 78  
County Hall  
Fishergate  
Preston  
Lancashire  
PR1 8XJ