



Lancashire County Council

Auditor's Annual Report
Year ending 31 March 2025

January 2025



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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01 Introduction and context

Introduction

This report brings together a summary of all the work we have undertaken for Lancashire County Council during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Auditor's powers

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of a local authority has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State. They may also issue:

- Statutory recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

Local government – context

Local government has remained under significant pressure in 2024/25

National

Past



Funding Not Meeting Need

The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.



Workforce and Governance Challenges

Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.

Present



Financial Sustainability

Many councils continue to face significant financial challenges, including housing revenue account pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.



External Audit Backlog

Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.

Future



Funding Reform

The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.



Reorganisation and Devolution

Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

Local

The Council is a large county council serving a population of 1,270,162 residents. The Council operates under an Executive decision-making model, which oversees the formation of all major policies, strategies and plans and as such the Council's formal decision making and governance structure constitutes the Full Council and an Executive (the Cabinet). Full Council and Cabinet are supported by four overview and scrutiny committees, supported by an overarching Scrutiny Management Board Committee. The Council has 84 councillors, and the Council is elected every four years. The most recent elections were in May 2025 when the Conservatives secured a majority with 48 elected councillors, continuing their political control of the Council since 2017. In December 2024, the English Devolution White Paper set out the government's vision for a simpler form of local government. This will see reconfiguration of county and district services into one or more new unitary councils.

The Council has not had to take advantage of 'backstop' arrangements and does not have a backlog of prior year accounts, the Council produced its 2024/25 accounts by the Government deadline and is on track to deliver audited accounts by the national deadline of 28 February 2026.

It is within this context that we set out our commentary on the Council's value for money arrangements in 2024/25.

02 Executive Summary

Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council’s arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	A No significant weaknesses in arrangements identified, but three improvement recommendations have been made.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified. We raise two improvement recommendations, relating to savings and Dedicated Schools Grant (DSG), replacing our prior year recommendations.
Governance	A No significant weaknesses in arrangements identified, but three improvement recommendations have been made.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified, but two new improvement recommendations made, and all prior year recommendations remain in progress.
Improving economy, efficiency and effectiveness	A No significant weaknesses in arrangements identified, but four improvement recommendations have been made.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified, no new improvement recommendations made, however three prior year recommendations remain in progress.

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendation(s) made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Financial sustainability

The Council achieved an overspend of £10.606m for the 2024/25 year, which is small in the context of the size of the Council. Savings performance within this was challenging, with 48% of plans delivered compared to 92% in the prior year. The Council has produced a balanced Medium Term Financial Plan (MTFP) for 2025/26 and 2026/27, which aligns well to Council objectives. This relies on the use of reserves of £1.544m, however the Council has substantial unallocated reserves to support the financial position as a temporary measure as required. These total £181m at the start of 2025/26.

Although the revenue budget position is therefore relatively well managed, the Dedicated Schools Grant position has deteriorated. The Council has achieved deficit position in year of £22.417m and a significantly declining outlook in the medium-term of up to £139m, cumulatively. Therefore immediate action is required to improve the position, should further deterioration be observed this would lead us to recognise a weakness in arrangements in 2025/26.

Overall, although the reserves position remains healthy the slippage in the delivery of savings and increasing deterioration on DSG means that the Council needs to take robust action before the reduction in reserves becomes critical.



Governance

The Constitution defines decision-making powers, supported by scrutiny structures and ethical frameworks. Cabinet decisions are well-documented and legally reviewed, while the Audit, Risk and Governance Committee (ARGC) provides oversight of audit, risk, and conduct matters.

Internal Audit gave moderate assurance, and a new system is being introduced to track recommendations. Extending this to external audit actions would further strengthen accountability. A planned ARGC self-assessment should be prioritised, with improved participation to support future effectiveness reporting.

Risk management has been refreshed, though climate-related risks remain underrepresented. Codes of conduct and whistleblowing arrangements are in place, supported by training and independent review.

Overall, governance is sound, with targeted improvements underway to enhance transparency, strategic alignment, and continuous improvement



Improving economy, efficiency and effectiveness

The Council Plan 2025–2030 is underpinned by quarterly KPI reporting and benchmarking. While over half of indicators met targets in 2024/25, service-led pressures - particularly in adult social care and SEND - continue to impact performance. The Council has responded with targeted strategies, including a SEND Priority Action Plan and new improvement frameworks.

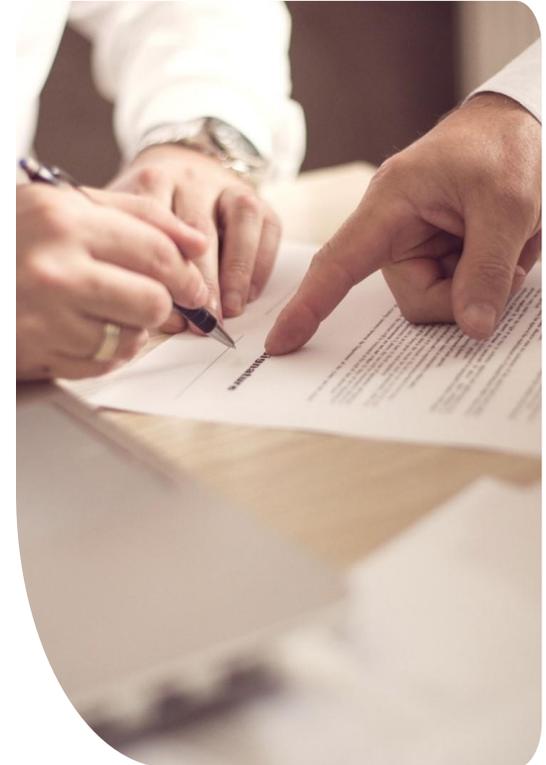
Procurement arrangements have undergone significant updates following an external review. Previously reactive and fragmented, the service is being reshaped through a new operating model, dedicated contract management team, and technology upgrades. These changes aim to improve compliance, strategic oversight, and value for money across the Council's £1 billion spend.

Overall, performance and procurement arrangements are improving, with clear plans and resources in place to address remaining gaps and support sustainable service delivery.

Executive summary – auditor’s other responsibilities

This page summarises our opinion on the Council’s financial statements and sets out whether we have used any of the other powers available to us as the Council’s auditors.

Auditor’s responsibility	2024/25 outcome
<p>Opinion on the Financial Statements</p>	<p>Our audit of your financial statements is currently in progress. We expect to issue our signed Audit Opinion on completion of the work and after reporting our Audit Findings Report to the Audit, Risk and Governance Committee meeting on the 26 January 2026.</p>
<p>Use of auditor’s powers</p>	<p>We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.</p> <p>We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014.</p> <p>We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.</p> <p>We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.</p>



03 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Council's report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and budget management, risk management, and making decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial sustainability – commentary on arrangements

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

We considered how the Council:

Commentary on arrangements

Rating

identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Council achieved an overspend of £10.606m for the 2024/25 year, which is small in the context of the Council at 0.95% of the net revenue budget. Finance have worked closely with services over the year financial year to manage the position, improving the overspend each quarter by reducing expenditure and increasing income. Despite reductions in expenditure we have not noted a deterioration in quality, evidenced through non-financial performance key performance indicators (KPIs).

The Council has produced a balanced budget for 2025/26, with the use of £1.544m from the Transitional Reserve. The assumptions around key income and expenditure streams (Council tax, Business rates, pay inflation and non-pay inflation) have been assessed against available internal, external and trend data and are deemed to be a reasonable estimate. This is supported by the S151 Officer’s Section 25 Statement which supports the budget.

Confirmed as part of the budget setting process, the Council expects to hold reserves of £258m at the start of 2025/26, of this £181m is considered to be fully uncommitted/unallocated and is held in the County Fund and the Transitional Reserve. The Council have determined an appropriate level of unallocated reserves, to weather unexpected budget variances, is 5% of the net revenue budget. This concurs with previous Grant Thornton publications suggesting between 5-10% is appropriate. For the Council this equates to £56m, the Medium Term Financial Plan maintains the County Fund at this level. When also considering the Transitional Reserve the percentage increases to 13.2%.

The MTFP is balanced for both 2025/26 and 2026/27, however no further financial planning has been undertaken beyond this point, due to uncertainties surrounding the national Fair Funding Review outcomes and Local Government Reorganisation. The Council recognise the importance of being able to plan, and provide assurances over sustainability, for the medium-term and expect to produce a 3 year MTFP in November 2025.

Although the revenue position at the Council is not indicative of a weakness in arrangements in relation to financial sustainability, the Council’s Dedicated Schools Grant (DSG) position is more challenged. The Council achieved an in year overspend of £40.846m, which was partially offset by an existing reserve, to £22.417m. This is the first year the Council has exceeded its allocation, accumulated reserves and taken the Council into a cumulative deficit position. The position is expected to deteriorate further over the medium-term. An Improvement Recommendation has been raised (replacing two prior year recommendations on DSG and Home to School Transport). Further details on page 22.

A

Financial sustainability – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

plans to bridge its funding gaps and identify achievable savings

For 2024/25, the Council had a savings target of £69m, 48% of savings were delivered. This is declining position from prior year where 92% of savings were delivered (£73.5m). As a result of the position £51m of savings have been rolled forward to 2025/26, representing the undelivered savings as well as savings delivered (but from non-recurrent sources). The predominant source of pressure from under-delivery is within Adult Services. We raised an improvement recommendation in the prior year, encouraging the Council to respond to risks identified with deliverability of 2024/25 savings. This remains unaddressed due to the year-end position, although we have not escalated to a Key Recommendation due to the relatively manageable outturn position overall. We provide further details of the challenges and re-iterate our prior year recommendation, with a focus on Adult Services and recurrent savings (see Improvement Recommendation IR2).

The Council has set a savings target for 2025/26 of £60m, including rolled forward undelivered savings. Challenges to deliver continue to be observed at Q1 with £27m under-delivery forecast, although this equates to 2.2% of net expenditure, and so is small in context of the Council overall. The Council plans to make a further £43m of savings in 2026/27 (total of £103m over the MTFP).

The Council's arrangements for monitoring savings are comprehensive and frequent. Each Directorate has a Finance Monitoring Board, chaired by the Executive Director, where savings are reviewed and any issues with delivery are discussed, with RAG ratings regularly being updated. The Boards meet monthly, with the position on savings also monitored and discussed by the Strategic Finance Board and the Executive Leadership Team, and presented to Members via the quarterly budget monitoring, these quarterly updates are shared with the Scrutiny Management Board.

The Council has not received any assurances related to savings in 2024/25, which would assist in making targeted improvements. Having recognised the challenge it has been agreed with Internal Audit to include a review of Budget Savings in 2025/26 Audit Plan. This will focus on the effectiveness of delivery against savings targets, with a focus on change programme key priorities. The audit will take place in Q4 of 2025/26.

A

Financial sustainability – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council Plan 2025-2030 was updated in year and approved by Full Council in December 2024. It sets out the Council's vision, ambition and priorities for the next five years and therefore forms the basis of specific service delivery plans and how the Council allocates funding within its annual budget and MTFs. The Medium-Term Financial Strategy (MTFS) 2025/26 to 2026/27 was updated in November 2024, prior to approval of the Council Plan. However, the Council considered the emerging priorities, which were in the late stages of development, within these financial plans, which ultimately influenced the annual budget for 2025/26.

A forensic review of all Council services has underpinned the budget for 2025/26, supported by scenario planning. This has led to an approved budget where there is growth in net budgets in all directorates. By far the largest growth is observed in Adults Services at £67m or 14% due to a combination of factors including cost inflation, additional pay costs for additional staff to service growing demand and reprofiling of £20m savings to more realistic timelines. The focus in this area is directly aligned to one of the four objectives in the Council Plan, 'Better Lives for All', which focusses ensuring that adults are supported to live more independent lives, with specific actions agreed in Adult Services enhancing a number of care services provided directly by the Council to ensure they meet local needs. Similar alignment between investment in other directorates, and the capital budget, and the Council Plan ambitions is also observed.

G

ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system

The Council's People Strategy 2023-2028 continues to be in place, the budget s aligned to this with no significant savings planned from staff reductions and investment in staffing where required for capacity, such as in SEND services. Likewise, the Climate Change Strategy 2023-2025 also remains in place. The Council reports publicly on its progress against the actions in the plan and these are accounted for within the revenue and capital budgets. The Council has recently approved (October 2025) the principles of a new five-year Property Strategy, which replaces the Council's previous Asset Management Strategy from 2020. The Council's Capital Programme does not rely heavily on capital receipts as a form of funding, instead focusing on grants, borrowing and developer contributions. The focus of the new strategy is to ensure that assets are fit for purpose, meet the needs of service users and are compliant with relevant regulations. The Council regularly review the asset base to ensure assets no longer supporting the corporate priorities are disposed of and the capital receipts used to support the investment in remaining asset base, as required.

G

The Council's Treasury Management activity is actively scrutinised via the Audit, Risk and Governance Committee, in July 2025 Members challenged the performance on several long-term investments taken out in 2021.

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:

Commentary on arrangements

Rating

(continued)

The investments were entered into in line with the Treasury Management Strategy at the time, when these investments offered comparatively higher returns than UK gilts. Returns on the Council's investment portfolio have fallen, when compared to an appropriate benchmark, and the market value of the portfolio is below the price paid when the investments were taken out. The Council has renewed its Treasury Management Strategy for 2025/26, as it does annually. Under this strategy the Council has committed that no new investments over one year will be placed in 2025/26, nor is there an intention to sell existing investments. This demonstrates a shift in the strategy towards liquidity first and foremost, over returns, and allows time for the existing long-term investments to recover in terms of market value and returns, in line with economic cycles. The Council has historically benefited from annual Treasury Management surpluses. With interest rates declining the strategy has returned less income than in previous years and missed its budgeted target. A reserve is in place which is sufficient funding to cover any shortfall in income at current levels, for the life of the current MTFP. The Council has £560m of short-term borrowing due to be repaid in 2025/26. The Council has taken out loans within the parameters of its Treasury Management Strategy of £400m. This, in addition to current assets, are sufficient to meet the obligations as they fall due.

The Council plans to spend £630m on capital investment over the next 3 years, with £300m of this planned for 2025/26, largely focussed on schools, transport, highways and corporate property maintenance. The 2025/26 budget is approximately 50% greater than the actual delivery in 2024/25 (£209.4m), and therefore is ambitious. The plans have been drawn up collaboratively with services and there are plans in place to procure additional resources to support delivery where required. At Q1 of 2025/26 the plans have been revised, predominantly to recognise new grants available. The programme is forecast to deliver £260.2m of the revised £261.5m plan, and so is currently on track.

The Council has effectively collaborated with local district Council's to explore options, under Local Government Reorganisation, before final proposals are submitted to Government in November 2025. The Council has been supported by external consultants to provide baseline data to aid decision making and this analysis suggests that fewer unitary councils would yield higher savings, although at the time of writing a preferred way forwards was not agreed upon. The potential proposals are being effectively supported by public consultation, staff engagement, options appraisal and financial modelling. Internal and external communication on the topic, and progress on the decisions, is comprehensive. Current decision making at the Council continues to concentrate on the medium term and delivering its 'Best Value Duty' to residents.

G

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:

Commentary on arrangements

Rating

identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans

Potential risks to the financial position are highlighted within the budget, detail is provided as to the nature, scale and mitigations of the risks identified. Certain risks are commonplace across the sector, and although many of these are considered the Council may wish to review these for completeness. We have raised an ‘Insight’ below to provide more details. Budget monitoring reports to Members, and the associated discussions that take place, act as a mechanism to discuss and address emerging risk as it occurs, therefore allowing consideration of any risks omitted in the setting of the budget.

Scenario planning is embedded throughout the budget setting process, with the most likely financial scenario being presented to Members for approval as the basis of the 2025/26 budget. The Council also presents sensitivity analysis to assist Members in understanding the impact of assumptions made within the budget they are approving. The estimated impact of changes to the assumptions for pay, inflation, Council Tax, demand and interest by 1% is £30.6m. The Council has sufficient uncommitted reserves to support this, should such variations arise.

G



Grant Thornton insight

Completeness of budget risks – Overall we would expect risks identified in the budget to cover a range of income, expenditure, demand, government policy and regulation/legislation change risks. Key risks within the sector include grant and funding uncertainty, social care demand (both adults and children), SEND and Home to School Transport demand, homelessness and temporary accommodation demand, climate change and net zero costs, pay and non-inflation above expectations, savings delivery and Local Government Reorganisation (LGR). Omissions we have observed are social care specific demand (although overall demand is considered), climate change, LGR, homelessness and temporary accommodation. Therefore, there is scope to review the budget, at its next iteration, for completeness of risk. Though we note complementary arrangements in place to identify any emerging risk through budget monitoring processes.

Financial sustainability (continued)

Area for Improvement identified: Sustainability of the DSG position

Key Finding: The Council has overspent against its DSG allocation for 2024/25, with the overspend exceeding reserve set aside to manage these pressures should they arise. As such the Council now has a cumulative deficit position for the first time. The cumulative deficit, after being off-set by reserves, is 1.6% of the original allocation, and therefore in context of the Council is small. This alone is not indicative of a weakness in arrangements. However, the Council forecasts, with some uncertainty, that the medium term cumulative deficit will deteriorate significantly. We raised an Improvement Recommendation in relation to taking action to reduce the DSG deficit in the prior year, and believe the medium term plans to show a deterioration. We believe the Council still needs to improve in this area, with immediate effect, reflecting the urgency of the situation.

Evidence: The Council achieved an overspend against the grant of £40.846m, offset by a brought forward reserve of £18.429m, leading to a 'negative DSG reserve' balance (a 'deficit') of £22.417m. This is 1.6% of the original grant allocation. This is the first year this has occurred and so the Council has not previously received Government support or intervention from Safety Valve or Delivering Best Value Programmes. The Council has now developed a Special education Needs and Disabilities (SEND) Recovery Plan which focusses on additional investment to clear the current backlog in Educational, Health and Care Plans (EHCPs), which are key driver of the pressures being observed. The costs of delivering the Plan is estimated to be £15m, of which £5m has been attributed to additional staff requirements, with the remaining £10m an estimate that is being worked through by Officers. The Council is estimating that the DSG cumulative deficit by 31 March 2027 could be between £115m to £139m, with the position changing as the Council agrees targets within the SEND Recovery Plan.

Under national Statutory Override rules, any cumulative DSG deficit held by 31 March 2028 could be a call on the Council's reserves, unless alternative funding sources are identified. The Council plans to borrow in order to service both the deficit and the SEND Recovery Plan. Council modelling estimates that the cost of servicing the Recovery Plan is between £4.2m to £5.5m and an additional £4.9m for the interest costs of borrowing to service the deficit.

The Council has set aside a £20m DSG Statutory Override Reserve across 2025/26 and 2026/27 which will be used to fund borrowing costs, although no plans are in place to draw down from this at this stage, until plans are more progressed and accurately costed. The Council has substantial general fund and unallocated reserves (£258m at the start of 2025/26), which could be used as required to assist in supporting the position. For these reasons a weakness in arrangements hasn't been recognised in 2024/25.

Impact: The current forecasts, showing a deteriorating DSG position, are causing an additional cost to the Council from borrowing. If the Council is not able to effectively manage demand to reduce costs, then further borrowing will be required, or unanticipated use of Council reserves. Should this occur we would recognise a weakness in arrangements and escalate the current Improvement Recommendation to a Key Recommendation to reflect the seriousness of the challenge.

Improvement recommendation 1

IR1: As the Council's medium term DSG position is becoming more critical, we recommend the Council places focus on developing, modelling and implementing interventions, **internally**, which will support the management and reduction of the projected Dedicated Schools Grant (DSG) deficit in the medium term. Actions are required with **immediate** effect. These should include timely implementation and close monitoring of the SEND Recovery Plan, to maximise its effect in 2025/26, and specific and targeted actions in reducing Home to School Transport costs, which continue to be a key area of pressure.

Financial sustainability (continued)

Area for Improvement identified: Delivering recurrent savings

Key Finding: The Council reported a forecast of under-achieving its savings target by 52% in 2024/25 and in 2025/26 is reporting a forecast under-achievement of 25%. The predominant source of pressure in both years is Adult Services.

Evidence: £35.9m of savings undelivered in 2024/25 have been rolled forward to 2025/25, however the total amount rolled forward is greater than this due to the Council's reliance on some savings from non-recurrent sources, meaning £51m in total have been rolled forwards. However, the 2025/26 savings target is £60m, it includes these rolled forward savings and has also been adjusted to remove £47m of savings and include new savings of £24m to arrive at the total. However, it is clear that the use on non-recurrent means has added to the pressure to identify savings in 2025/26.

In addition to existing governance arrangements the Executive Leadership Team, to respond to the emerging risk around savings delivery, have undertaken a rigorous review of delivery expectation, produced clear action plans and identified where challenges remain. Adult Services was highlighted as a significant area of pressure from this review and actions were taken to increase in-house placements and home care. Despite these actions this Directorate achieved £3.8m of a £34.8m target for 2024/25.

The causal factors are clearly understood by the Council, due to capacity pressures and the pace required to deliver the extent of the change necessary to secure reductions in expenditure in the service. The Council have taken steps to respond in 2025/26, which includes reassessing the Maximising Independence savings package, which seeks to divert demand from the front door and maximise reablement and independence.

An enhanced project plan has been developed in Adult Services, which removed £20m of savings originally planned for 2025/26 to reflect a more realistic delivery profile. Despite this, at Q1 of 2025/26 pressures continue. Adult Services are forecast to deliver £11.6m of a £23.2m savings target, producing a forecast overspend for the Directorate overall of £14m (2.8% of net revenue budget). This is contributing to an overall forecast overspend for the Council of £27m (2.2%).

Impact: A lack of adequate saving planning and an inability to deliver planned savings that are recurrent puts the Council's Medium Term Financial Plan (MTFP) at risk, including the reduction in reserve balances, over and above those currently planned. We have retained our recommendation as an Improvement Recommendation, as opposed to escalating to a Key Recommendation, due to the Council's relatively strong reserves position. The Council's medium-term savings target is £103m compared to £181m in unallocated reserves held at the start of 2025/26. However, reserves are a finite resource and a temporary solution, which would need to be replenished to protect against future financial pressures.

Improvement Recommendation 2

IR2: The Council will need to place a significant organisational focus on responding to the financial risks associated with the deliverability of identified saving with the 2025/26 budget, including identifying suitable recurrent savings. Specifically, solutions should be focussed in those areas of specific challenge, being Adult Services, considering all internal and external options to improve capacity and pace required to deliver the extent of the change necessary to secure reductions in expenditure.

Governance – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council has modernised its Risk Management Strategy, replacing a nine-year-old framework with a refreshed model that improves clarity, governance, and integration. The new strategy, launched in October 2025, responds to internal audit recommendations and aims to make risk management more practical and accessible.

The Corporate Risk and Opportunity Register (CROR) is reviewed quarterly by the Audit Risk and Governance Committee (ARGC) and presents 15 key risks and one opportunity. While generally structured and consistently presented, some risks (Cyber Security, Building Schools for the Future, and Southport Response) are only reported in detail to Members as part of private papers. Overall common sector risks we would expect to be considered are included in the register, however climate-related risks are absent despite strategic commitments in Council Plans in this area. These gaps limit completeness and visibility for ARGC and should be addressed under the refreshed framework.

Internal Audit completed 83 of 95 planned audits (87%), exceeding its KPI of 80%. Seven audits received limited assurance, identifying issues in financial control and compliance, but agreed actions and monitoring are in place. Outstanding management actions reduced from 86 to 58 for the year to February 2025, reflecting improved responsiveness over the year. Our review of external audit prior year recommendations shows some have progressed, with others still under consideration or unaddressed, all are passed the agreed due dates. We have issued an Improvement Recommendation (IR3) to support timely response to both internal and external audit recommendations. Governance is supported by a dedicated counter-fraud team, updated policies, and regular reporting to the ARGC.

A

Grant Thornton insight

Completeness of Corporate Risk Register

Many councils now include climate-related risks—such as carbon reduction and resilience—in their corporate risk registers to align with strategic goals and national expectations. In reviewing the Council’s 2024/25 and 2025/26 Corporate Risk and Opportunity Registers, we noted:

- No climate-related risks, despite commitments in the 2025–2030 strategic plan.
- Some risks lacked quarterly scores and RAG ratings across two cycles and had no detailed entries.

These omissions reduce visibility for ARGC and limit assurance over ownership and mitigation. Integrating climate risks and enforcing minimum data standards for all risks could strengthen governance and transparency.

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
<p>approaches and carries out its annual budget setting process</p>	<p>The Council continues to use a well established and understood approach to budget setting, rolling forward the prior year budget and updating for changing assumptions. Although the most likely financial forecast is presented to Members for approval, a forensic review of services which allowed for consideration of various scenarios, to inform the final budget. The budget setting process benefits from several layers of scrutiny, starting with Finance and Heads of Service collaborating to develop budget proposals, followed by challenge from Scrutiny Management Board, before reaching Members for approval. The budget is well-discussed by Members before approval.</p> <p>We identified an opportunity for improvement in the consultation process surrounding the budget in the prior year. However, the Council is still facing challenges in obtaining a strong response level, with 6 responses received in relation to the 2025/26 budget from the public. We have not observed any specific changes to the process, although the Council suggest they will be continuing to review the budget consultation approach to encourage further responses. Therefore, our prior year improvement recommendation remains open.</p>	<p>A</p>
<p>ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships</p>	<p>Several layers of accountability exist within the Council’s financial monitoring arrangements, and roles and responsibilities for this are clearly set out in the Council’s Financial Procedure Rules. Responsibility for maintaining financial control, first and foremost, sits with individual Directorates. Each has a Finance Monitoring Board which reports upwards to the Strategic Finance Board, as well as monitoring reports being reviewed by Directorate Leadership Teams. These arrangements are supported by the Chief Financial Officer, before formal reporting to Members. The information presented is timely and provides sufficient detail for decision makers to understand performance, as well as actions being taken to respond, where required. The process is comprehensive, transparent and fosters a culture of accountability.</p> <p>The Council’s Treasury Management Reporting, is compliant with the CIPFA Code on Treasury Management. The Full Council delegates responsibility for the oversight of its treasury management policies and for ensuring effective scrutiny of the treasury management strategy to the Audit, Risk and Governance Committee. These forums receive a Treasury Management Strategy annually, a Mid-Year Performance Report and an Annual Performance Report. An amendment was made to the Strategy for 2024/25, after its original approval, seeking to change the allowable credit quality for investments. The change aimed to improve returns whilst maintaining liquidity and security, in line with the Council's objectives. The rationale was clearly articulated, scrutiny of the decision was documented and the changes approved by Full Council after following processes outlined in the Constitution.</p>	<p>G</p>

Governance – commentary on arrangements (continued)

We considered how the Council:

Commentary on arrangements

Rating

ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee

In 2024/25, the Council introduced measures to improve governance and decision-making. Cabinet decisions were supported by detailed reports addressing financial, legal, risk, and equality implications, reviewed by senior officers to ensure compliance and sound financial management. The refreshed Constitution sets out mechanisms for public engagement, including live-streamed meetings, published agendas and decisions, and opportunities for public attendance. Notices of key decisions are published with clear scheduling and status updates to promote transparency.

Following the May 2025 elections, a full induction programme was delivered for all members, covering governance frameworks, codes of conduct, and committee responsibilities. Audit, Risk and Governance Committee members received targeted training on internal audit, treasury management, and financial reporting, with further sessions planned throughout the year.

In 2024/25, the Council operated a scrutiny structure comprising a Scrutiny Management Board and four thematic committees, with the Board providing strategic oversight and coordination of work programmes. From 2025/26, the Scrutiny Management Board was disbanded, and a Budget and Finance Scrutiny Committee introduced. Strategic oversight is now managed informally through regular meetings of the chairs and vice-chairs of the five committees. Each committee retains autonomy over its work programme. While this new approach aims to maintain flexibility, its effectiveness will need to be monitored given the significance of the change.

The ARGC continued to meet regularly and reviewed key governance areas. A CIPFA-aligned self-assessment was initiated in 2024/25 but paused due to low response rates and a full committee turnover following elections. A previous review in July 2024 found no issues and confirmed good performance. A new self-assessment is planned for early 2026. We have updated our 2023/24 recommendation to include improving engagement and response rates alongside repeating the exercise, see Improvement Recommendation (IR4). This criterion remains rated amber, reflecting the need for further action to ensure the process is effective.

A

Governance – commentary on arrangements (continued)

We considered how the Council:

Commentary on arrangements

Rating

monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour

The Council's governance framework is underpinned by clearly defined roles for statutory officers and committees, supported by a Constitution that sets out decision-making responsibilities and is reviewed annually. Codes of Conduct for members and officers are in place and communicated through induction and role-specific training. Following the May 2025 elections, all members received governance and conduct training, with additional sessions for Audit, Risk and Governance Committee members on internal audit, treasury management, and financial reporting.

Standards of behaviour are monitored through complaints processes. In 2024/25, 18 complaints were made against councillors under the Code of Conduct; most were resolved informally, and no formal breaches were upheld. The Monitoring Officer applies a public interest test, uses Independent Persons for impartiality, and reports annually to the ARGC. At a wider level, the Council upheld 40 complaints internally, with the highest number (24) relating to SEND services. Complaints to the Ombudsman increased from 42 to 84, with an uphold rate of 89%. Internal Audit's review of complaints handling provided "Substantial" assurance, confirming that processes are adequate and effective. In addition, a benchmarking exercise comparing Ombudsman complaints data for 2023/24 with other large county councils showed that Council had the lowest rate of upheld complaints per 100,000 residents (2.9) among peer councils. Therefore, on balance, arrangements are effective.

Procurement governance is supported by updated Procurement Rules (October 2024) aligned with the Procurement Act 2023, enhanced waiver reporting, and Cabinet oversight of high-value decisions. Waiver usage remains low (0.4% of contracts between October 2024 and March 2025) and is subject to ARGC scrutiny. A KPMG review in January 2025 identified the need for improvements in strategic planning, contract management, and data use, with actions underway to implement a new operating model and strengthen governance.

Positive changes have been made to ensure capacity and appropriate governance structures within certain senior roles at the Council. The permanent Chief Executive of Lancashire County Council in February 2025, following a period serving in an interim capacity since August 2024. He initially retained the statutory Section 151 Officer responsibilities, but this was intended to be temporary, with the Council acknowledged governance concerns around combining the two roles. As of September 2025, a new and separate Interim Director of Finance and Commerce, which includes the S151 Officer role, has been appointed, therefore addressing governance concerns around a dual role.

G

Governance (continued)

Area for Improvement identified: More Timely Implementation of Audit Recommendations

Key Finding: Progress on prior-year recommendations is limited, and monitoring is fragmented between internal and external audit actions.

Evidence: From the prior-year auditors' annual report, 10 improvement recommendations were agreed with due dates ranging from January to October 2025. Our review of external audit prior year recommendations shows some have progressed, with others still under consideration or unaddressed and remain past their agreed deadlines. These recommendations cover critical areas such as Audit, Risk and Governance Committee effectiveness, SEND performance, and partnership oversight.

Impact: Delayed implementation weakens follow-through and governance assurance, limiting the Council's ability to respond to risk, deliver improvements, and maintain public confidence.

Improvement Recommendation 3

IR3: The Council is implementing new software to monitor internal audit recommendations. To strengthen governance and accountability, extend this system to track external audit actions as well. This will support a consistent approach, improve transparency for ARGC, and ensure strategic risks are addressed promptly.

Area for Improvement identified: Strengthen ARGC Self-Assessment Process and Member Engagement

Key Finding: The Audit, Risk and Governance Committee (ARGC) did not complete its planned self-assessment in 2024–25 due to low participation and a full committee turnover following local elections.

Evidence: From Only 7 of 18 targeted members and officers responded to the February 2025 questionnaire.

Internal Audit concluded that the response rate was insufficient for meaningful analysis, and the exercise was paused.

A new self-assessment is scheduled for early 2026.

Impact: Without a completed self-assessment, the Committee lacks an up-to-date evaluation of its effectiveness and areas for improvement. This limits opportunities for targeted development and may reduce assurance over governance oversight.

Improvement Recommendation 4

IR4: The Council should ensure that the Audit, Risk and Governance Committee completes a self-assessment exercise in line with CIPFA guidance. To support this, the Council should take steps to improve response rates — for example, by clarifying expectations with members and officers, and identifying a lead officer or committee chair to champion the process. The planned exercise should be prioritised to inform future effectiveness reporting and support continuous improvement.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

uses financial and performance information to assess performance to identify areas for improvement

Performance is monitored quarterly through integrated reports presented to Cabinet, combining financial and non-financial data. These reports include executive summaries, service-level metrics, and commentary on areas requiring improvement, ensuring transparency and accountability.

The Corporate Performance Dashboard tracks 42 KPIs aligned to the Council’s 2025–2030 strategic ambitions: better lives for all, economic ambition, stronger communities, and thinking differently. Each KPI is rated using a Red-Amber-Green (RAG) system, with underperformance explained and linked to improvement actions. By the end of 2024/25, 58.5% of KPIs (24) met or exceeded targets, 24.4% (10) were slightly below target, and 17.1% (7) were significantly below target. Performance improved compared to Quarter 3, with more KPIs meeting expectations. Areas needing improvement include road conditions (A, B, and C roads), delays in adult social care assessments, substance misuse treatment outcomes, and delivery of identified savings.

Performance reporting is aligned with strategic objectives and includes partnership working, such as joint ventures and multi-agency programmes. Benchmarking is used across service areas to set targets and compare performance against national, regional, and statistical neighbours.

Data quality is governed by the Council’s Data Quality and Records Management Policy, supported by the Information Governance Team, and managed through performance reporting software. Internal Audit provided substantial assurance on decision-making and data quality, and the Council was also assessed internally against the Local Government Association (LGA) Improvement and Assurance Framework, confirming adequacy of performance management arrangements. Both reviews recommended strengthening assurance over data validation in reporting, which the Council has committed to address, with progress monitored through future reviews.

G

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council: **Commentary on arrangements**

Rating

<p>evaluates the services it provides to assess performance and identify areas for improvement</p>	<p>In December 2024, the Council’s SEND Partnership underwent a joint Local Area SEND Inspection by Ofsted and the Care Quality Commission (CQC). The inspection, published in February 2025, identified some areas of strong practice but concluded that widespread and systemic failings were present. Key concerns included the timeliness and quality of Education, Health and Care Plans (EHCPs), neurodivergent pathways, strategic governance, and partnership working.</p> <p>In response, a co-produced Priority Action Plan (PAP) was submitted in March 2025, involving the Integrated Care Board (ICB), Parent Carer Forum, schools, and young people. Governance arrangements were revised, including the formation of a SEND Improvement Board with independent oversight.</p> <p>Progress has been made in several areas such as - EHCP issuance increased by 87% between April and July 2025; Annual review backlogs reduced by 16%; A new SEND Strategy (2025–2028) was developed and presented for Cabinet approval, alongside a £5 million investment.</p> <p>However, challenges remain - Only 42.6% of children with EHCPs are in mainstream schools, below the national average of 61.4%; Performance for 16–17-year-olds with EHCPs remains a concern; The digital complaints system is still under development, with full implementation expected by April 2026; Many PAP milestones are still in progress.</p> <p>Additionally, previously raised Value for Money recommendations regarding EHCP timeliness and complaints handling remain unaddressed, contributing to the amber rating. No new internal recommendations have been raised, and further detail is available in the appendix.</p> <p>A full reinspection is expected within three years, with interim monitoring visits scheduled</p>	<p style="text-align: center; font-size: 2em; font-weight: bold;">A</p>
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 **Grant Thornton insight**

Enhancing SEND Outcomes Through Strategic Monitoring– The Council has taken steps to improve EHCP throughput and planning, but gaps remain in milestone delivery, statutory compliance, and stakeholder confidence. Incorporating RAG ratings to the PAP more transparently could sharpen focus on off-track actions, while trend analysis from prior reports could highlight persistent issues and progress over time. Identifying and managing key risks—such as workforce capacity and governance stability—could strengthen resilience. These insights support targeted interventions and clearer accountability across SEND services.

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:

Commentary on arrangements

Rating

ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives

The Council works with a wide range of partners including NHS bodies, local authorities, education providers, and the voluntary and community sector. Strategic frameworks such as Lancashire 2050, the Combined County Authority (CCA), and the Lancashire and South Cumbria Integrated Care Board (ICB) shape these collaborations. Oversight is provided through thematic boards and the Community, Cultural and Corporate Services Scrutiny Committee, though it remains dispersed across services.

Financial pressures within the ICB have led to invoicing disputes and increased risk exposure for the Council. Legal advice has been sought from in-house solicitors, who reviewed the relevant agreements and concluded that the Council has a strong contractual basis to challenge the disputed charges. The Council expects a resolution during Q3 2025 and anticipates receiving payment for outstanding invoices totalling approximately £17 million. Senior-level engagement is ongoing to resolve the matter and internal and external communications are being managed through regular updates to Cabinet Members and Oversight Committees. A refreshed joint funding framework has been developed to support future collaboration.

Governance arrangements within the CCA have been strengthened through public decision-making structures, advisory boards, and independent oversight mechanisms. A governance review, agreed with Government, has taken place to explore options for deeper devolution, including the potential establishment of a Mayoral Combined County Authority. The outcome of the review, completed in October 2025, has been shared with Government, although a response is pending and public consultation will take place should their support be provided.

In 2023/24, a recommendation was made to improve strategic oversight of partnerships through consolidated reporting. Progress has been made, including the development of a partnership registry, evaluation toolkit, and protocol. However, a formal council-wide annual report on key partnerships has not yet been produced. This gap in implementation is the reason for the current amber rating, as consistent and centralised reporting to Members is still under consideration.

A

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:

Commentary on arrangements

Rating

commissions or procures services, assessing whether it is realising the expected benefits

The Council manages about £1 billion in annual procurement and contract-related spend. A diagnostic review by KPMG in January 2025 found that the procurement service operates largely reactively, focusing on tendering expiring contracts, with limited capacity for contract management at the procurement team level. As a result, most contract oversight is devolved to service areas, which has led to missed commercial opportunities and inconsistent supplier management.

The review identified eight improvement areas, including developing an enhanced operating model, upskilling staff, improving compliance, and leveraging technology. In response, the Council has begun implementing these recommendations. Actions include establishing a dedicated contract management team with nine new posts, forming a Commissioning Sub-Group to oversee procurement planning and risk, and progressing technology improvements such as Oracle Fusion integration. A Contract Management Strategy is in development, and training programmes are planned to strengthen capability.

Capital project delivery remains well-controlled, with a forecast 1.25% underspend (£2.54m) as at Q3 2024/25 against a £200.7m programme. The Council acts as the Accountable Body for £20m of Devolution Capital Funding, with risk monitoring and clawback provisions in place. Projects such as the Innovation Hub at Samlesbury Enterprise Zone demonstrate structured governance, external technical input, and alignment with devolution objectives.

A comprehensive efficiency review, approved by Cabinet in June 2025, is now underway. Led by a multi-skilled officer team and overseen by a Cabinet Working Group, it will assess financial management, procurement, and governance arrangements. The outcomes will inform the next budget cycle, deliver in-year savings, and strengthen value for money across the Council.

However, most of the improvement recommendations—such as finalising the Procurement Strategy, wider dissemination of guidance, and rolling out contract management training—have not yet been fully implemented. While progress is evident, key actions remain in development, and their impact cannot yet be assessed. For this reason, the overall assessment remains Amber, reflecting that arrangements are improving but not yet embedded or delivering the intended outcomes

A

Pension Fund

The Council is the administering authority for the Lancashire County Pension Fund. As part of our VfM work we are required to consider the Council’s arrangements in respect of the Pension Fund.

We considered the Pension Fund’s:

Commentary on arrangements

Rating

<p>Financial Sustainability: sufficiency of funds to meet liabilities</p>	<p>The Pension Fund is revalued every three years by an independent actuary, to assess future liabilities and set employers’ contribution rates. The most recent formal valuation, as at 31 March 2022, assessed the whole Pension Fund as being 115% funded. This is a strong position whereby the Fund is estimated to be able to meet its pension liabilities with its available assets. The Fund effectively manages its investment management costs, these have reduced £21m (19%) for 2024/25, aligned with the strong progress in pooling the Fund’s assets. They are within the expected threshold of investment management costs against net investment assets managed at 0.7% for 2024/25.</p>	
<p>Governance: appropriateness of governance arrangements</p>	<p>The Fund’s governance arrangements consist of a Pension Fund Committee and Local Pension Board. The Pension Fund Committee has delegated responsibility to manage the pension fund and is the decision-making body and they support the Pensions Board in their role to ensure compliance with LGPS regulations and legislation and to ensure the effective and efficient governance and administration of the Fund. The two have met sufficiently regularly, quarterly, in 2024/25. Standing agenda items and ad hoc reports cover a range of issues in relation to risk, performance and compliance. An Investment Panel, consisting of the Head of the Fund and a minimum of two Independent Investment Advisers, provides expert professional independent advice to the Pension Fund Committee in relation to investment strategy and provides specialist advice as required.</p> <p>Administration of the Pension Fund is undertaken by Local Pensions Partnership Administration (LPPA), performance against their Service Level Agreement (SLA) is strong, averaging 99% in a 6 month period. They have also received ‘Reasonable’ assurance on their control environment from external review by KPMG, achieving 28 out of 30 control objectives reviewed. Risks are appropriately mitigated or managed, and this is clearly articulated through the Pension Fund Risk Register which is presented quarterly at the Pension Fund Committee and Board.</p> <p>The Government published its ‘Fit for Future’ consultation response in May 2025. This confirmed that Funds should have all their assets under pool management by 31 March 2026. The Pension Fund was an early adopter of the investment pooling model with the formation of Local Pensions Partnership Limited and its investment subsidiary - Local Pensions Partnership Investments Limited (LPPI). The Government has proposed a model for investment pooling outlining minimum standards required. LPPI is the only pool that already meets minimum standard. 99% of the Pension Fund investments are held in pooled investment vehicles or pooled property investments at 31 March 2025.</p>	<p>G</p>

Pension Fund (continued)

We considered the Pension Fund's:

Commentary on arrangements

Rating

Improving Economy, Efficiency and Effectiveness: annual report findings

We considered arrangements for implementing some key work streams and the impact on the Fund Administration teams. For 2024/25 these include:

- **implementing the McCloud remedy** - implementation requires lots of complex calculations so could potentially impact heavily on administration teams. The Pension Committee receive regular Administration Updates which include details of McCloud progress. The LPPA are making good progress and have informed relevant active and deferred members of the underpin in their 2025 Annual Benefit Statement (ABS), for a small number of exceptions this will be included in their 2026 ABS. Work is also progressing well with regards the retrospective cases, with over 65% of the Fund's eligible members assessed.
- **preparing for the Pensions Dashboard** - The Department for Work and Pensions (DWP) have designed an online platform (Pension Dashboard), public sector schemes are required to be connected by October 2025 per the guidance provided, with a statutory deadline of 31 October 2026. Regular reporting to the Pension Fund Committee confirmed the 'on-track' status of the Fund in relation to this initiative. As at 31 March 2025, the Fund's 'Common' data score was 98.2% which was positive progress and reflection of data quality for the Dashboard. However since then an unexpected issue has arisen putting connection by 31 October 2025 to be at risk. The Pension Fund, their administrator and their Independent Software Provider are working to resolve the issue immediately. There is no indication this will impact the ability to meet the statutory deadline.
- **preparing and maintaining a Funding Strategy Statement** - In January 2025 the SAB, CIPFA and MHCLG produced "Guidance for Preparing and maintaining a Funding Strategy Statement (FSS)". The Fund has worked closely with the fund actuary, Barnett Waddingham, to produce a draft Funding Strategy Statement (FSS). The draft has been prepared in accordance with Regulation 58 of The Local Government Pension Scheme Regulations 2013 and the guidance jointly produced by the Scheme Advisory Board (SAB), the Chartered Institute of Public Finance and Accountancy (CIPFA) and Ministry of Housing, Communities and Local Government (MHCLG). The Funding Strategy has been reviewed in line with the guidance and as part of the 2025 valuation process. Climate Change scenario analysis is in progress in line with the key principles document and the associated funding risks have been considered alongside other risks in reviewing the Strategy. Consultation on the draft Funding Strategy Statement commenced on 1 October 2025 and will close on 30 November 2025.

G

04 Summary of Value for Money Recommendations raised in 2024/25

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR1	As the Council's medium term DSG position is becoming more critical, we recommend the Council places focus on developing, modelling and implementing interventions, internally, which will support the management and reduction of the projected Dedicated Schools Grant (DSG) deficit in the medium term. Actions are required with immediate effect. These should include timely implementation and close monitoring of the SEND Recovery Plan, to maximise its effect in 2025/26, and specific and targeted actions in reducing Home to School Transport costs, which continue to be a key area of pressure.	Financial sustainability	<p>Actions: The council have appointed representatives from CIPFA to support the development and modelling of interventions which aim to reduce the projected Dedicated Schools Grant (DSG) deficit in the medium term and to support the management of the associated cost pressures relating to Home to School transport. The outcome of this work will form part of the council's ongoing budget setting process.</p> <p>Responsible Officer: Director of Children Services and Section 151 Officer</p> <p>Due Date: April 2026</p>
IR2	The Council will need to place a significant organisational focus on responding to the financial risks associated with the deliverability of identified saving with the 2025/26 budget, including identifying suitable recurrent savings. Specifically, solutions should be focussed in those areas of specific challenge, being Adult Services, considering all internal and external options to improve capacity and pace required to deliver the extent of the change necessary to secure reductions in expenditure	Financial sustainability	<p>Actions: The council continues to place a significant organisational focus on responding to the financial risks associated with the deliverability of identified saving within the 2025/26 budget. The outcome of this activity continues to be reported to the Cabinet as part of the council's financial monitoring.</p> <p>Responsible Officer: Executive Director of Resources</p> <p>Due Date: April 2026</p>
IR3	The Council is implementing new software to monitor internal audit recommendations. To strengthen governance and accountability, extend this system to track external audit actions as well. This will support a consistent approach, improve transparency for ARGC, and ensure strategic risks are addressed promptly	Governance	<p>Actions: The implementation of the internal audit tracking system was completed in November 2025.</p> <p>Responsible Officer: Monitoring Officer</p> <p>Due Date: Completed in 2025/26 (to be reviewed as part of 2025/26 VFM work)</p>

Improvement recommendations raised in 2024/25

Recommendation	Relates to	Management Actions	
IR4	<p>The Council should ensure that the Audit, Risk and Governance Committee completes a self-assessment exercise in line with CIPFA guidance. To support this, the Council should take steps to improve response rates – for example, by clarifying expectations with members and officers, and identifying a lead officer or committee chair to champion the process. The planned exercise should be prioritised to inform future effectiveness reporting and support continuous improvement.</p>	Governance	<p>Actions: A self-assessment survey has been shared with members and officers who support the work of the Audit, Risk and Governance Committee in November 2025. For committee members, it includes a review of their knowledge and skillset, to inform future training and support continuous improvement. The self-assessment survey will inform the annual review/report of the committee's effectiveness at the end of the financial year. The survey has been discussed with and is supported by the Chair of the committee, to help improve response rates.</p> <p>Responsible Officer: Monitoring Officer</p> <p>Due Date: April 2026</p>

05 Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council’s Value for Money arrangements

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council’s arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor’s professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

 **A range of different recommendations can be raised by the Council’s auditors as follows:**

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council’s arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	We recommend the Council closely monitors and tracks demand with its home to school transport service to ensure relevant assumptions, within the Council's MTFs, are appropriate whilst developing and introducing effective mitigations to control overspending.	2023/24	Although growth was built into the 2024/25 budget this area has continued to be a budget pressure, over and above this planned growth. The Council make the proactive choice to favour the use of grants to parents, as opposed to using taxis, which are a more cost effective choice. However, although this is providing savings, demand outstrips these. The need for Home to School Transport is inherently linked to SEND support and DSG. The Council is also working through its SEND Improvement Plan, which was developed in response to the Ofsted and CQC SEND Inspection. This has an associated cost to make the required improvements. These encompass all areas of SEND support including Home to School Transport and which will also impact DSG expenditure.	Progress made, however pressures in SEND, DSG and Home to School Transport continue.	We note our DSG recommendation below, we believe the pressures to be much wider than just Home to School Transport, and therefore propose to raise one overarching DSG recommendation to take forwards in 2025/26 (IR1).
IR2	We recommend the Council places focus on developing, modelling and implementing interventions which will support the management and reduction of the projected Dedicated Schools Grant (DSG) deficit	2023/24	The Council's DSG position has deteriorating, with 2024/25 achieving a deficit position, following prior year surpluses. The deficit position of £40.846m has been partially offset by an existing reserve, to £22.417m. This is small in the context of DSG expenditure (1.6%). However, the medium-term position forecasts further decline with the estimated cumulative deficit significantly increasing to between £115m-£139m. The Council has a SEND Recovery Plan in place to respond, plans to borrow to fund the deficit accounted for in the budget and substantial reserves. Therefore, we have not recognised a weakness in 2024/25 and have replaced the existing Improvement Recommendation with a new Improvement Recommendation to reflect the declining position and current circumstances.	Deterioration in position noted.	New Improvement Recommendation (IR1) Recommendation raised for follow up in 2025/26

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR3	The Council will need to place a significant organisational focus on responding to the financial risks associated with the deliverability of identified saving with the 2024/25 budget, including identifying suitable alternative mitigations.	2023/24	The Council has achieved 48% of a £69m savings target in 2024/25. The Council's policy is to roll forward undelivered savings into the next year, however savings rolled forward to 2025/26 are forecast to be £51m, therefore higher than the slippage observed, due to some delivery in 2024/25 being non-recurrent. This is indicative of a declining position from prior year where £73.5m of savings were made (92% of the target). The use of non-recurrent measures has placed an additional burden on 2025/26 and the MTFP and the Council would benefit from prioritising recurrent means. Specific pressure on savings comes from Adult Services, at Q1 of 2025/26 savings are forecast to underdeliver by £11.6m in this service, contributing to an underspend on the directorate of £14m or 2.8%. Therefore, it is important that efforts to improve savings delivery are focussed here. The Council continues to monitor the levels of delivery through existing financial monitoring and reporting arrangements.	Recommendation superseded and in progress	Improvement recommendation replaced with IR2, to ensure it incorporates a focus on Adults Services and recurrent savings.

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR4	<p>The Council should review its consultation arrangement for draft budget proposals which should include a review of:</p> <ul style="list-style-type: none"> The timing and length of the consultation. Promotional opportunities to foster wider engagement and take up. 	2023/24	<p>The Council continues to conduct annual public consultations and engage with various stakeholders, including trade unions, as part of its budget-setting process. However, public response remains low, with only six responses received for the 2025/26 budget (versus four in 2024/25). No observable changes have been made to the consultation approach since the prior year, in setting the 2025/26 budget. Management have informed us of improved arrangements as part of the 2026/27 budget setting process, aimed to increase the consultation response. We will be able to review the arrangements, and their effectiveness, as part of next years VFM work. While transparency in reporting and informal engagement by councillors is evident, the Council acknowledges the need for broader engagement and plans to continue reviewing its approach. As such, the prior year improvement recommendation remains open.</p>	In progress	Follow up required in 2025/26
IR5	<p>We recommend the Council assesses, from 2025/26, the membership of its Scrutiny Committees to include opportunities for the chair of the individual committees to reflect a broader representation of the political make-up of the Council.</p>	2023/24	<p>The Council has reviewed its scrutiny arrangements in 2025/26, retaining four existing thematic scrutiny committees, disbanding the Scrutiny Management Board and establishing the Budget and Finance Scrutiny Committee. Alongside reviewing these arrangements, political balance was considered, however it was resolved to retain the arrangements for the Committee Chairs to be from the largest political group. As the Council have reviewed arrangements and assessed political balance via the Political Governance Working Group we close the recommendation and will review the effectiveness of political balance in the committee structure as and when Member or Political Party changes occur.</p>	Recommendation closed	No

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR6	We recommend the Council's conducts a self-assessment exercise, in line with CIPFA guidance, which will support the Audit, Risk and Governance Committee to further evaluate its impact and identify areas for improvement.	2023/24	The Council initiated a self-assessment of the Audit, Risk and Governance Committee's effectiveness, due to low response rates and committee turnover, it plans to repeat the exercise in early 2026 to support the new committee's development and inform future effectiveness reporting	Recommendation superseded and in progress	Improvement recommendation replaced with IR4, to ensure the planned exercise should be prioritised. Management response confirms the exercise has been initiated.
IR7	The Council should place a significant focus on introducing effective measures to further improve EHCP assessment averages in line with statutory guidelines.	2023/24	There is progress like introducing a performance dashboard,. However, further improvement is still required, and this remains a priority area in the new action plan.	In progress	Work in progress and will be followed up again 2025/26
IR8	The Council should enhance its complaints monitoring and response arrangements by ensuring it responds to LGSCO complaints in a timely manner.	2023/24	The council has increased service capacity and is developing a new digital complaints system, but full implementation of the new complaints policy and procedures is still pending until 1 April 2026.	In progress	Work in progress and will be followed up again 2025/26

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR9	The Council could consider establishing suitable arrangements to ensure oversight of Council wide partnerships working is provided to Members. This could include an annual report on key Council partnerships.	2023/24	It was considered in 2024/25, but not addressed in this financial year. Management have informed us that this has been included as part of the council's committee agenda and risk register during 2025/26, and therefore we will follow up as part of our work on 2025/26 arrangements.	In progress	Follow up required in 2025/26

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR10	<p>We recommended the Council further strengthens its procurement and contract management:</p> <p>Conclude its development of a Procurement Strategy, with some urgency, and ensure the Council's Procurement Strategy, aligns with the new Procurement Act 2023.</p> <p>Disseminate to officers, in addition to members of the procurement team, further information and guidance in relation to the new Procurement Act 2023 and Procurement Strategy.</p> <p>Report annually to members, of an appropriate Committee, the number and extent of procurement waivers approved for each financial year.</p> <p>Provide contract management training, to relevant officers, alongside the introduction of the Council new Contract Strategy.</p>	2023/24	<p>Procurement Rules were updated in October 2024 to align with the Act, but the Procurement Strategy itself is still in development</p> <p>Officer training on updated Procurement Rules has been delivered</p> <p>Waivers are monitored and reported to the Audit, Risk and Governance Committee (ARGC), with detailed tracking and benchmarking in place</p> <p>A Contract Management Strategy is in development, and training is planned but not yet rolled out.</p>	In progress	Work in progress and will be followed up again 2025/26



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