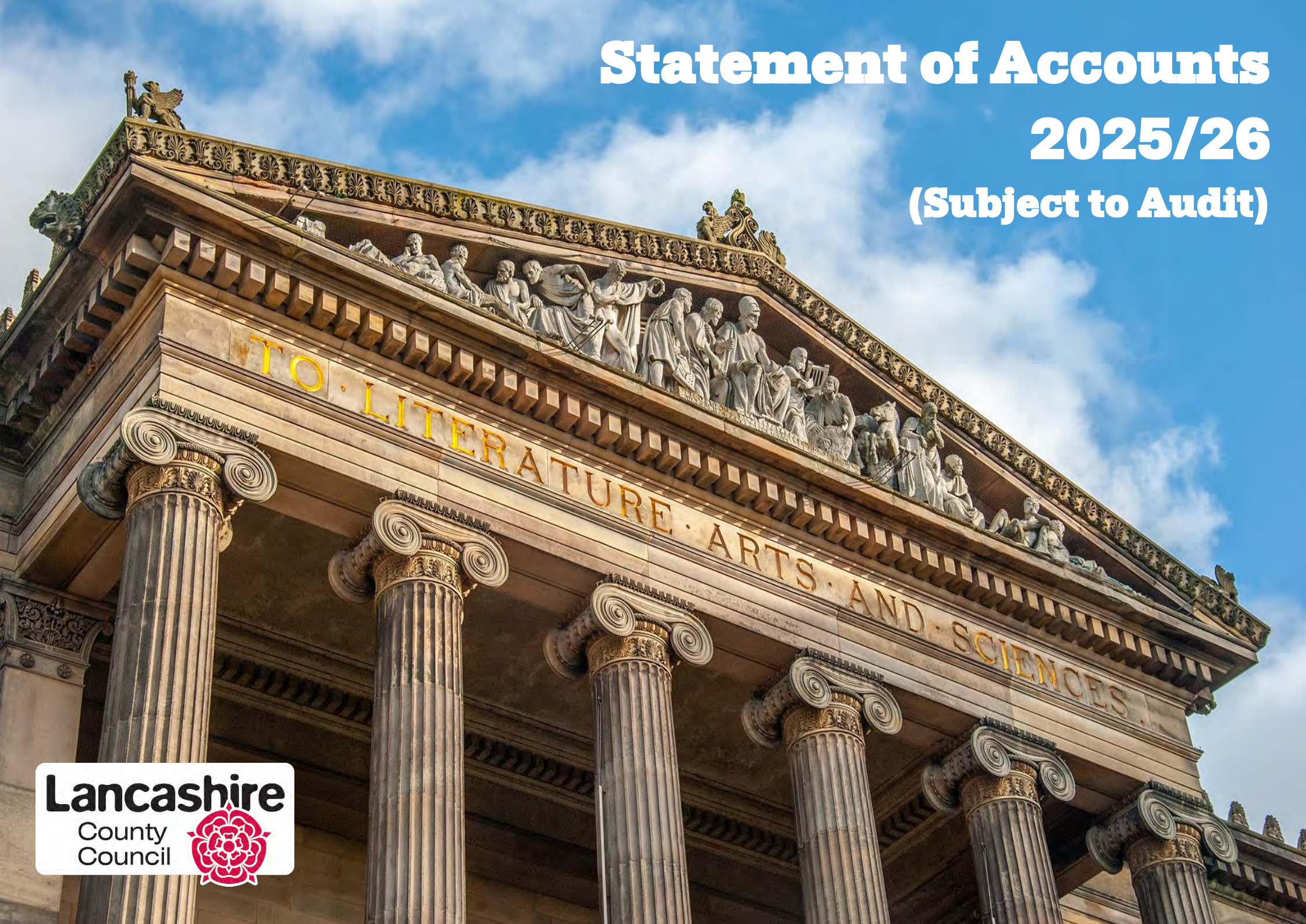


Statement of Accounts 2025/26 (Subject to Audit)



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Written statements to the accounts

Southport Wayfarers Arcade
Photo: Phil Friar

Foreword by the Section 151 Officer

Introduction



This Statement of Accounts sets out Lancashire County Council's financial performance and position for the year ended 31 March 2026. The accounts have been prepared in accordance with statutory requirements and proper accounting practices and provide an overview of how the Council has managed public resources during the year. They should be read alongside the Narrative Report, which provides further information on service performance, governance arrangements and the wider financial environment.

Financial Context and Performance

The 2025/26 financial year remained a challenging one for local government. Demand for statutory services continued to be high, particularly within adult social care and children's services, reflecting demographic changes and increasing complexity of need. At the same time, the Council continued to operate within a constrained and uncertain national funding environment, alongside ongoing inflationary pressures and workforce challenges. In response, the Council maintained a strong focus on financial control, affordability and sustainability.

Across the organisation, services have increasingly moved from managing immediate pressure towards building confidence, capacity and stronger connections with communities and partners. This shift has supported service stability and improvement while also contributing to a strengthening of the Council's overall financial position, including reductions in forecast overspending during the year.

Financial Governance and Savings Delivery

Strong financial governance remained central to the Council's approach during 2025/26. The approved budget was supported by regular and robust in-year monitoring, clear reporting arrangements and constructive challenge through management, Cabinet and scrutiny processes. These arrangements enabled emerging risks and pressures to be identified early and addressed through appropriate mitigating actions.

The delivery of savings formed an important part of the Council's medium-term financial strategy. Savings proposals were developed in line with corporate priorities, assessed for deliverability and impact, and approved through established decision-making processes. Clear responsibility for delivery was assigned to senior officers, with progress reviewed regularly alongside overall budget forecasts. Where risks to delivery were identified, these were escalated and managed through agreed actions.

As a result, the Council significantly reduced its forecast budget overspend since April 2025 and achieved a savings delivery rate of 98%. This reflects a continued focus on managing public money effectively and supporting a more sustainable financial position.

Service Improvement and Delivery

Alongside financial management, the Council made progress across a range of service areas. Support was provided to the new Administration and incoming Members, enabling a smooth transition and early engagement with responsibilities and priorities.

In education and SEND, the Council continued to build on commitments set out in 2024 to increase the availability of high-quality provision. Family Hubs were expanded through a countywide model covering all 12 districts, including 29 hubs and 18 Youth Zones, improving access to family support.

In adult social care, assessment waiting times reduced significantly, with the number of people waiting over 28 days for an assessment reducing by around 50%. The Council also continued to support more older residents to live safely and independently at home, contributing to a continued reduction in residential and nursing care admissions.

Investment continued in highways, public rights of way and Trading Standards activity, contributing to safer roads, protected consumers and well-connected communities. The Council also supported economic growth, sustainability and inward investment, including preparations for hosting a stage of the 2027 Tour de France and investment in low-carbon infrastructure.

Local Government Reorganisation Activity

During 2025/26, the Council also undertook activity relating to potential local government reorganisation. This included engagement with government-led processes and local discussions to understand possible future governance and delivery arrangements and their implications for

finances, assets, workforce and services. However, existing service delivery remained the Council's primary focus.

Looking Ahead to 2026/27

The financial environment for 2026/27 is expected to remain challenging. Demand pressures, funding uncertainty, inflationary costs and workforce constraints are likely to continue, alongside uncertainty associated with potential reorganisation. Maintaining strong financial discipline, clear priorities and effective delivery will therefore remain essential.

During the year, the Council introduced a simpler business planning process to improve clarity and focus across the organisation. Directorates set clear objectives, helping to show how priority programmes fit together and shaping the areas of focus that will be taken forward into 2026/27. Cabinet will set out the key priorities for the coming year to ensure the Council's work has the greatest possible impact.

I would like to thank elected members, officers and partners for their continued commitment during 2025/26. The progress made during the year reflects a shared focus on stewardship, service improvement and responsible financial management in a difficult context. These accounts provide assurance on how public funds have been managed during the year and demonstrate the steps being taken to support resilience and sustainability in the period ahead.

Gary Fielding

Gary Fielding
Corporate Director of Finance
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.

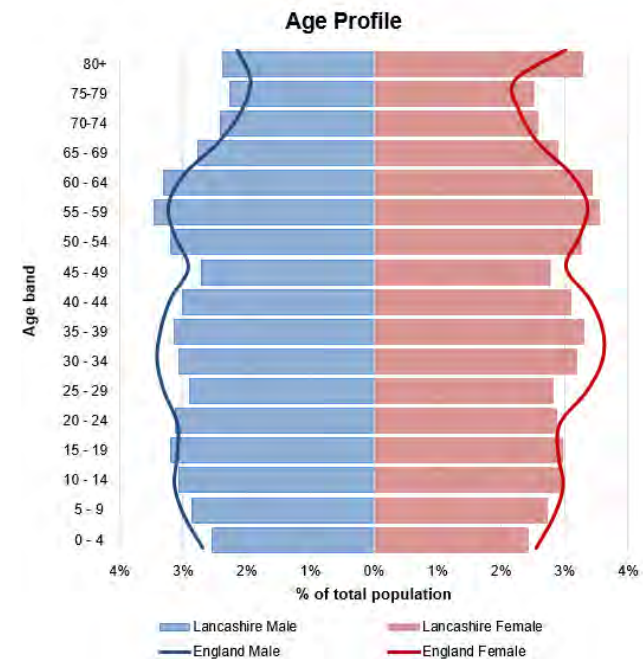
Lancashire combines a network of densely populated urban centres set within countryside of outstanding natural beauty. At £40 billion, it is one of the largest economies in the north of England, with around 45,000 businesses.

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.

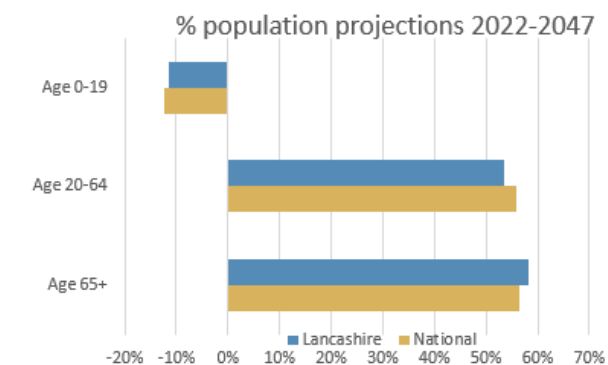
Demographic profile of Lancashire

The Office of National Statistics (ONS) mid-year population estimate for Lancashire in 2026 showed that there were 1,294,914 people living in the county. The population is projected to increase to 1.4 million by 2047, 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 25/26 population estimates



2022-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 2,894km². 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

This section provides an overview of key areas monitored, alongside the number of individuals within our communities who have been supported through our services. It also highlights the improvements made to county infrastructure and our ongoing efforts to promote economic growth and opportunities for businesses and young people.



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 **750,000m²** 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.

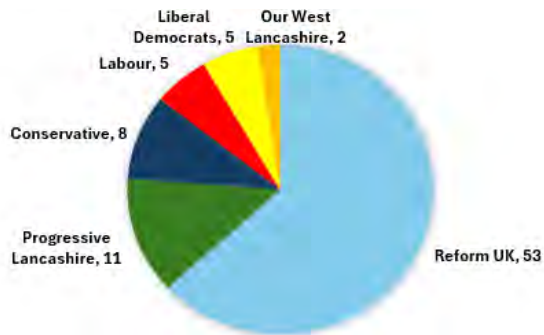
Our governance structure

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.

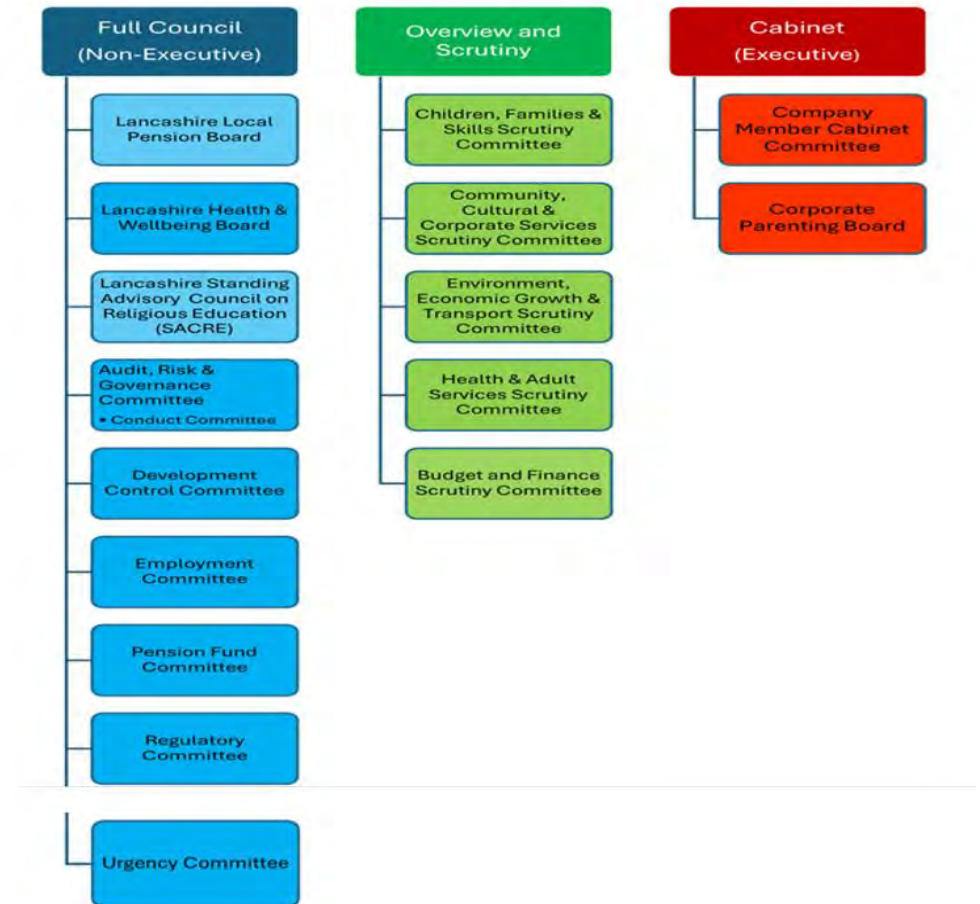
The chart below shows the political structure of the council as at 31 March 2026.

Political Structure 2025/26



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:

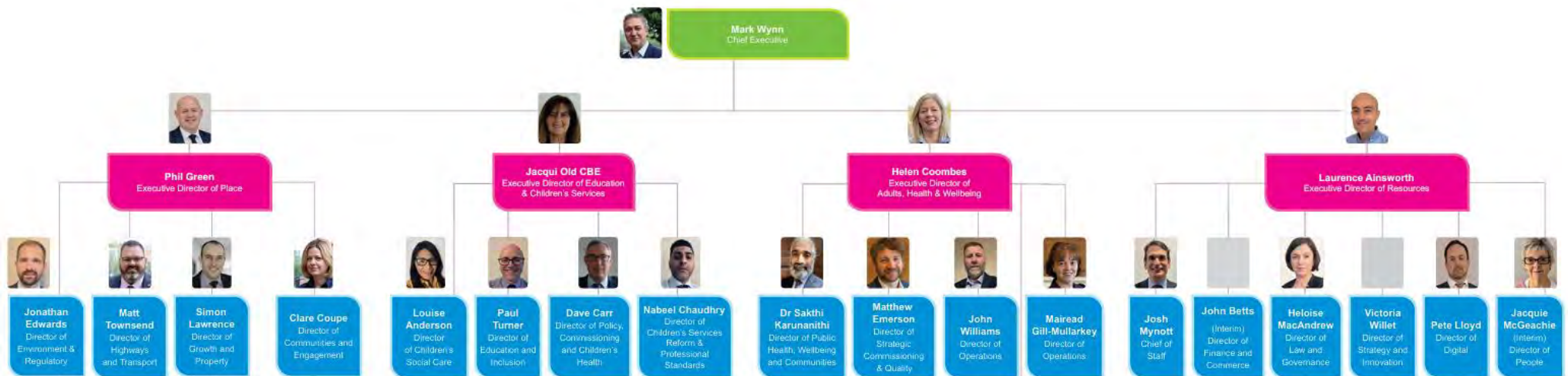


Further details of the council's governance arrangements are provided in the Annual Governance Statement.

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 13,600 people in full time and part time contracts with around a further 21,000 people employed in schools.

The council's management structure on 31 March 2026 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.






Artist Impression of Farington Cricket Club, Lancashire






Performance is broadly positive across the indicators with positive improvement across the majority of key areas. However, challenging targets have been set for this Council's ambition. Adult safeguarding performance remains strong, along with the percentage of adults with learning disabilities living independently. In line with the Adults, Health and Wellbeing Transformation Programme, admission to residential and nursing care for people 65+ has also fallen. The adult social care contact resolution indicator, although below its target, has improved during the year. Challenges relating to the timeliness of adult social care assessments are still being addressed. More children with education health and care plans are being supported in mainstream education, and the percentage of care leavers in education, employment and training has increased, as has the percentage of children (2-4-year-old's) accessing to free funded early years education. In addition, the percentage of children looked after in fostering has been above target throughout the year. Positive progress is being made in relation to most public health indicators in comparison to national benchmarks; however, some are not meeting ambitious local targets.

KPI Name	Directorate	Target	Previous Quarter Value	Latest Quarter Value	RAG Rating	Sparkline	Direction of Travel
Admissions to residential or nursing care (adults aged 18-64) (per 100,000 population)	Adult, Health and Wellbeing	16	19.3	18.1	Red		Better
Admissions to residential or nursing care (older adults aged 65+) (Per 100,000 Population)	Adult, Health and Wellbeing	621	617.9	591.2	Green		Better
Adults we are responsible for who have received an annual review (%)	Adult, Health and Wellbeing	80	52.54	54.18	Red		Better
Adults with learning disabilities living independently (%)	Adult, Health and Wellbeing	90	91.75	91.43	Green		Worse
Carers have choice and control: direct payments (%)	Adult, Health and Wellbeing		100	100	Grey		Stable
Contacts relating to adult social care resolved at the first point of contact (%)	Adult, Health and Wellbeing	75	64.3	65.27	Red		Better
Health visitor reviews of babies at 6 to 8 weeks old (%)	Adult, Health and Wellbeing	95	89	89	Red		Stable
Making safeguarding personal (reducing risk) (%)	Adult, Health and Wellbeing	93.2	92.74	93.41	Green		Better
NHS Health Checks undertaken (proportion of total eligible pop. per quarter) (%)	Adult, Health and Wellbeing	67.5	45.5	45.9	Red		Better
People stopping smoking (setters and quitters) (%)	Adult, Health and Wellbeing	50	59	59	Green		Stable
People using adult social care services have choice and control: direct payments (%)	Adult, Health and Wellbeing	30	30.54	30.47	Green		Worse

Quality of care providers establishment (Good or Outstanding) (%)	Adult, Health and Wellbeing	82	77.27	77.27	●		Stable
Sexual health – Screening for Chlamydia 15-24 year olds. (%)	Adult, Health and Wellbeing	30	29	27.2	●		Worse
Substance use – number of adults in treatment (all drug types and alcohol)	Adult, Health and Wellbeing	7400	7870	7870	●		Stable
Substance use- treatment progress (all drug types and alcohol) (%)	Adult, Health and Wellbeing	50	49	49	●		Stable
Success of welfare benefit uptake campaigns (£)	Adult, Health and Wellbeing	2625000	2274400	2509031	●		Better
Timeliness of Care Act Assessments (Days)	Adult, Health and Wellbeing	28	38	33	●		Better
Access to free funded early years education (%)	Education & Children's Services	85	92.2	95.05	●		Better
Care leavers in employment education or training (%)	Education & Children's Services	62	63.4	63.4	●		Stable
Children and young people with education and health care plans in mainstream education (%)	Education & Children's Services	58.86	55.1	58.86	●		Better
Children and young people with EHCPs aged 16-17 participating in learning (%)	Education & Children's Services	95	87	82	●		Worse
Children looked after (CLA) per 10,000 child population	Education & Children's Services	67	66.4	67	●		Worse
Children looked after in foster care (%)	Education & Children's Services	60	68.4	66.8	●		Worse
Children missing education (rate per 10,000 child population)	Education & Children's Services	39	40.2	49.46	●		Worse
Young people who are in employment education or training (%)	Education & Children's Services	95	91.6	94.7	●		Better

Economic ambition

Performance is positive across this Council ambition. The economic growth index performance has improved over the past few quarters and is now above its target which is a good achievement given the wider economic climate. The strategic development programmes indicator has shown good and slightly improving progress across the year.

KPI Name	Directorate	Target	Previous Quarter Value	Latest Quarter Value	RAG Rating	Sparkline	Direction of Travel
Strategic development and infrastructure programme performance (%)	PLACE	75	78	78			Stable
Supporting economic growth index– comprising number of investments, number of businesses supported, number of jobs created and value of investments(%)	PLACE	90	88	91			Better

Stronger communities

Performance is strong across this ambition. The use of libraries (visitor numbers) measure has improved on last year, despite some libraries being closed for refurbishment during the period and still performed very close to its target. Visitors to museums were above target as was the percentage of crowd funding offers to support cultural projects that were successful is now on target and along with the timeliness of responses to referrals by the Lancashire Volunteer Partnership. The trading standards indicator whilst performing well throughout the year just dipped below its target in Q4.

KPI Name	Directorate	Target	Previous Quarter Value	Latest Quarter Value	RAG Rating	Sparkline	Direction of Travel
Crowdfunding offers (%)	Education & Children's Services	70	93	94.5	●		Better
Timeliness of responses to referrals by Lancashire Volunteer Partnership (%)	PLACE	95	100	97	●		Worse
Timeliness of Trading Standards and Scientific Services (%)	PLACE	90	91.8	89.2	●		Worse
Use of libraries (number of visitors)	PLACE	2800000	1790758	2731711	●		Better
Visitors to museums (number)	PLACE	140000	117417	154195	●		Better
No of Organisations in Defence Employer Recognition Scheme (gold award)	Resources		20	20	●		Stable

Thinking differently

Performance is very encouraging across this Council ambition. Strong progress has been made improving performance of the satisfaction with customer access services over the year and the delivery of digital projects, this indicator improving to now be above target in Q4. In addition, the delivery of transformation projects has met its target for the past 2 quarters. Performance has improved for 2 of the finance measures, which are both now green, however the capital forecast to budget measure has deteriorated slightly and is off track at the end of the year.

KPI Name	Directorate	Target	Previous Quarter Value	Latest Quarter Value	RAG Rating	Sparkline	Direction of Travel
Capital forecast compared to budget – on track (%)	Resources	100	68	63.15	Red		Worse
Complaints upheld by the Ombudsman (%)	Resources	0	0	19.6	Grey		Worse
Delivery of key digital services projects (%)	Resources	70	59.5	77.8	Green		Better
Delivery of savings (%)	Resources	100	82	98.4	Yellow		Better
Delivery of transformation projects (%)	Resources	60	70	60	Green		Worse
Revenue forecast compared to budget – variance (%)	Resources	0	0.49	0.24	Green		Better
Satisfaction with Customer Access Service (%)	Resources	85	86.5	88.1	Green		Better
Workforce Productivity Index (Score out of 100)	Resources	80	78.2	64.76	Yellow		Worse

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
Council Improvement Plan	Failure to deliver critical priorities across the organisation, resulting in the council not being able to deliver a balanced budget, high quality statutory services, and prepare for Local Government Reorganisation.	Executive Leadership Delivery Board review key priorities focussing on resourcing key priorities. Regular reporting to Cabinet on progress against Improvement Plan actions. Development of full transformation portfolio for 2026/27 including the consideration of benefits realisation against savings targets.
Adult Social Care demand	Council does not meet its statutory responsibilities due to the increasing level and complexity of service user needs.	Implementation of the Front Door Transformation, focusing on sustainable demand management through best practice design principles and co-production with stakeholders.
SEND	SEND (Special Educational Needs and Disabilities) service demand continues to increase resulting in poor outcomes for children and families.	Recruitment of new staff so that EHCP (Education, Health and Care Plan) documentation can be processed effectively. Implementation of a new EHCP portal, allowing needs assessments to be submitted online.
School Places	Insufficient school places in some parts of Lancashire meaning children and young people may miss out on education.	Designs for expansion projects at secondary schools in the northwest Preston area are underway. Special school designs being progressed to the consultation and design phases with exploration of whether further building works can be completed quickly.

Our financial performance

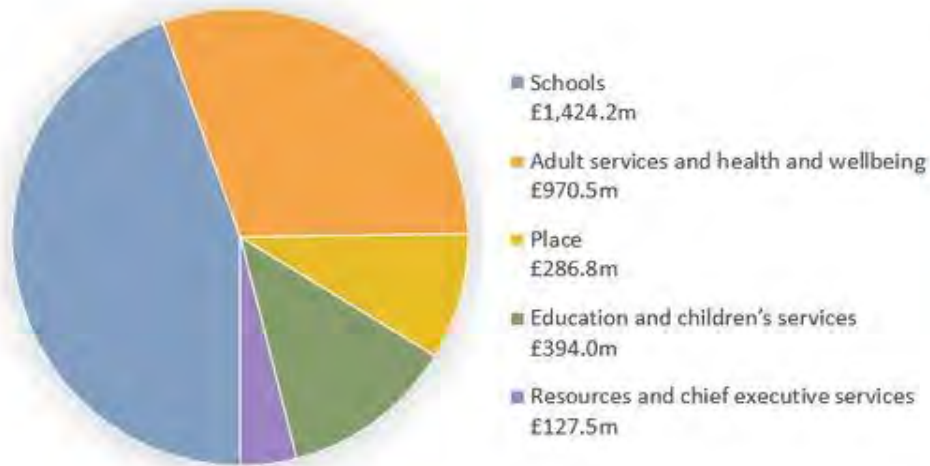
Revenue summary

The council receives funding from three main sources:

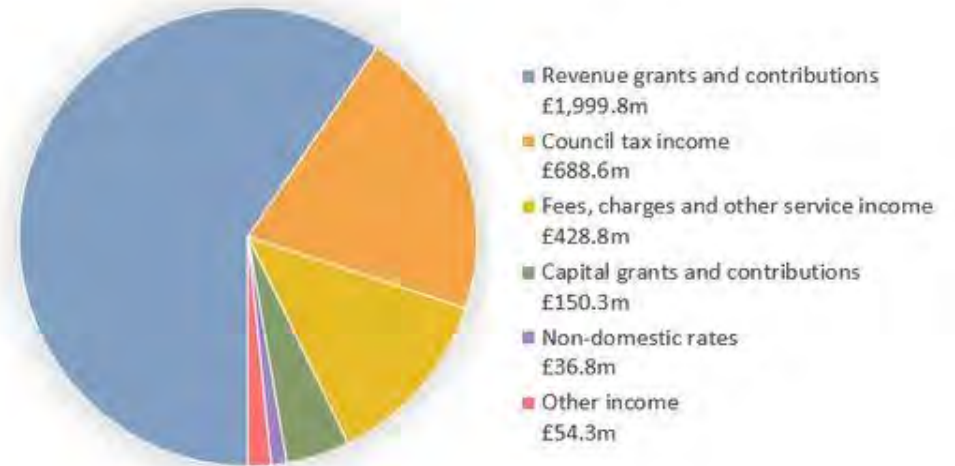
- Government grants
- Council tax
- Business rates

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.

Gross expenditure by service 2025/26 (£m)
Total £3,203.0m



Sources of funding 2025/26 (£m)
Total £3,358.6m



Revenue outturn

In February 2025, the council approved a net revenue budget of £1,243.075 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 (ASHW)	524.232	525.318	1.087
Education and children's services (ECS)	331.846	340.414	8.568
Place	195.630	193.332	(2.298)
Resources and chief executive services	191.367	187.004	(4.363)
Sub total	1,243.075	1,246.068	2.994
Schools	0	89.000	89.000
Total	1,243.075	1,335.068	91.994

The overspend for the council (excluding schools) of £2.994 million is 0.24% of the 2025/26 budget. The most significant area of overspending relates to ECS and ASHW, which is attributed to continued demand and price pressures with challenges in delivering the planned cost savings in this context.

Schools have overspent against their grant for 2025/26 by £89 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 increased significantly. An impact of the overspend is to increase the cumulative DSG deficit by £79.2 million. Further information can be found in Note 9.

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 2025, the council approved an initial capital budget of £299.635 million for 2025/26. The final capital programme for the year following review and subsequent investment decisions totalled £306.005 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;
- Investment in anaerobic digestion systems in line with government initiatives;
- Delivery of the awarded East Lancs Levelling Up Fund and Transforming cities programmes;
- Support for schemes to deliver economic growth in the county.

The total spend on capital works in 2025/26 was £193.229 million which represents approximately 63% of the budgeted programme.

Capital expenditure by service 2025/26:

	Budget	Expenditure	Variation
	£m	£m	£m
Schools (Excluding DFC*)	54.391	25.438	(28.953)
Schools *DFC	2.172	3.487	1.315
Corporate Property	32.919	10.160	(22.759)
Children's Social Care	2.459	3.380	0.921
Central Systems & ICT	4.885	2.035	(2.850)
Vehicles	5.043	3.680	(1.363)
Transforming Cities	2.784	2.361	(0.423)
East Lancs Levelling Up Fund	41.060	5.041	(36.019)
Bus Service Improvement Plan	11.679	13.650	1.971
Economic Development	25.447	13.805	(11.642)
Highways and Transport	95.607	85.472	(10.135)
Adults Social Care	22.199	22.199	0.000
Waste Processing	5.360	2.521	(2.839)
Total	306.005	193.229	(112.776)

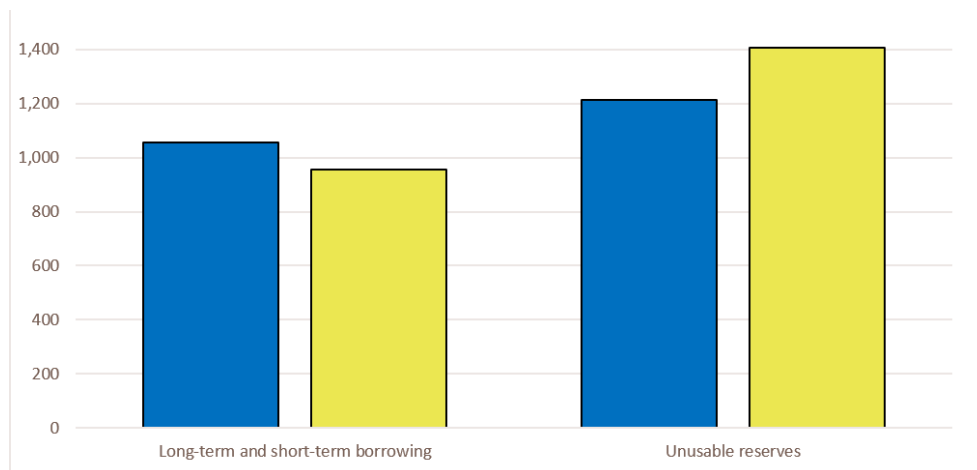
* Devolved Formula Capital

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 shows what the council owns and owes. The net assets of the council have increased by £194.5 million from £1,857.0 million at 31 March 2025 to £2,051.5 million at 31 March 2026 with the main balance sheet variations shown in the following chart:

Summary financial position	31 March 2025	31 March 2026	Movement
	restated ¹		
	£m	£m	£m
What we own (assets)	3,519.4	3,739.4	220.0
What we owe (liabilities)	(1,662.4)	(1,687.9)	(25.5)
Net financial position (assets less liabilities)	1,857.0	2,051.5	194.5
The net financial position is held in reserves as follows:			
General reserves available to the council (usable)	(642.0)	(646.3)	(4.3)
Other reserves held for statutory or specific purposes (unusable)	(1,215.0)	(1,405.2)	(190.2)
Total reserves	(1,857.0)	(2,051.5)	(194.5)

¹The 2024/25 figures have been assessed for restatement to reflect service movements between directorates. The adjustments are shown in detail in Note 41 – Prior period adjustments.



The most significant movements on the balance sheet are attributable to an upward revaluation of the council's waste recycling facilities, affecting both long term asset and the revaluation reserve balance.

The total amount of long-term borrowing has reduced, reflecting changes in the long-term borrowing interest rate environment.

Pension fund asset/liability

The Council has adopted an accounting approach of capping the actuarial asset surplus recognised for the local government pensions fund. However, there is a current year net liability of £124.2 million (£91.5 liability as at 31 March 2025) for the teachers' pensions and unfunded benefit obligations. The uncapped asset surplus for the local government pension scheme is £1,422.2 million (£1,514.4 million as at 31 March 2025) which has not been recognised in the Council's accounts and is in line with current consensus in interpreting International Accounting Standard (IAS) 19.

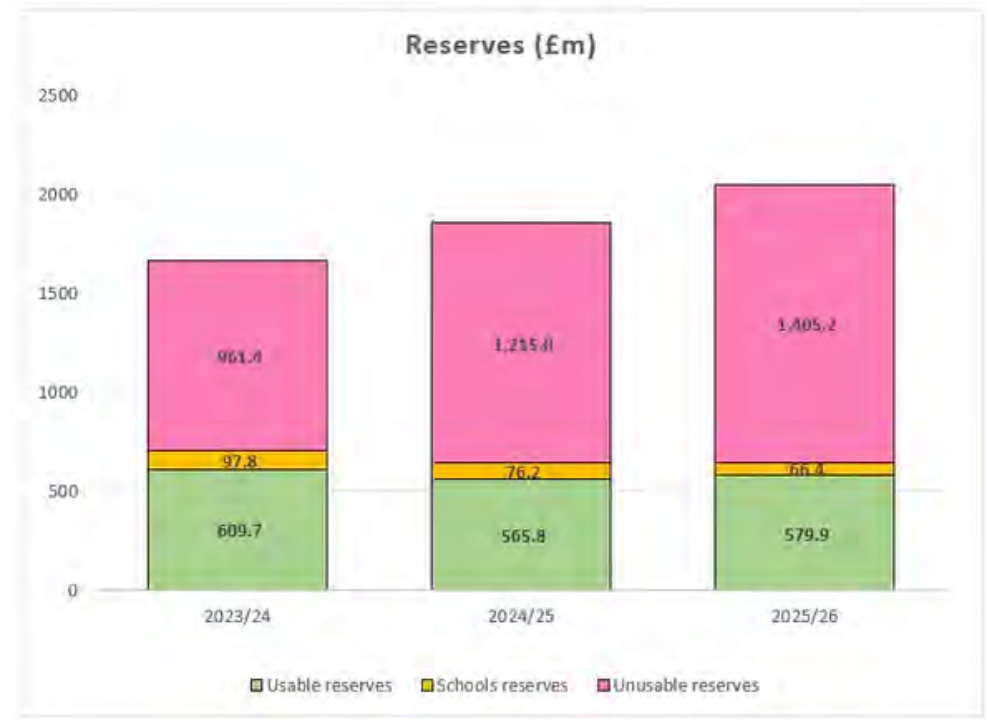
Actuarial valuations are carried out every three years. The last actuarial valuation of the Lancashire County Pension Fund was carried out as at 31 March 2025 by an independent firm of actuaries. The pension figures are revised annually based on updated assumptions.

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 pink 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
Statutory Joint Governing Body	1

In 2025/26, 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 2025	31 March 2026	Movement
	restated ¹		
	£m	£m	£m
What we own (assets)	3,599.5	3,822.4	222.9
What we owe (liabilities)	(1,672.5)	(1,696.7)	(24.2)
Net financial position (assets less liabilities)	1,927.0	2,125.7	198.7
The net financial position is held in reserves as follows:			
General reserves available to the council (usable)	(642.0)	(646.3)	(4.3)
Other reserves held for statutory or specific purposes (unusable)	(1,215.0)	(1,405.2)	(190.2)
Subsidiary reserves	(70.0)	(74.2)	(4.2)
Total reserves	(1,927.0)	(2,125.7)	(198.7)

¹The 2024/25 figures have been assessed for restatement to reflect service movements between directorates. The adjustments are shown in detail in Note 41 – Prior period adjustments.

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 2026. They were authorised for issue by the Section 151 Officer on 24 June 2026 and do not reflect any events occurring after this date.

Gary Fielding

Gary Fielding
Corporate Director of Finance
Section 151 Officer
24 June 2026

Financial Statements

Comprehensive income and expenditure statement

2024/25				2025/26		
Gross expenditure restated ¹	Gross income restated ¹	Net expenditure restated ¹		Gross expenditure	Gross income	Net expenditure
£m	£m	£m		£m	£m	£m
935.8	(523.9)	411.9		Adult services and health and wellbeing ¹	970.5	(532.6)
353.1	(74.5)	278.6	Education and children's services ¹	394.0	(74.0)	320.0
384.3	(129.0)	255.3	Place ¹	286.8	(140.2)	146.6
137.3	(33.3)	104.0	Resources and chief executive services ¹	127.5	(48.8)	78.7
1,330.0	(1,202.5)	127.5	Schools	1,424.2	(1,285.9)	138.3
3,140.5	(1,963.2)	1,177.3	Cost of services ¹	3,203.0	(2,081.5)	1,121.5
100.4	(3.1)	97.3	Other operating income and expenditure (Note 5) ¹	45.8	(12.1)	33.7
86.8	(69.6)	17.2	Financing and investment income and expenditure (Note 6)	61.9	(42.2)	19.7
0.0	(1,148.8)	(1,148.8)	Taxation and non-specific grant income and expenditure (Note 7)	0.0	(1,222.8)	(1,222.8)
3,327.7	(3,184.7)	143.0	(Surplus)/deficit on provision of services ¹	3,310.7	(3,358.6)	(47.9)
		(287.1)	(Surplus)/deficit on revaluation of non-current assets (Note 30) ¹			(157.2)
		(74.2)	Re-measurement of the net defined benefit pension liability/(asset) (Note 30)			4.3
		36.6	(Surplus)/deficit on financial assets measured at fair value through other comprehensive income			6.3
		(324.7)	Other comprehensive (income) and expenditure ¹			(146.6)
		(181.7)	Total comprehensive (income) and expenditure ¹			(194.5)

¹ The 2024/25 figures have been assessed for restatement to reflect service movements between directorates. The adjustments are shown in detail in Note 41 – Prior period adjustments.

Movement in reserves statement

2025/26

	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
Balance at 1 April 2025	(435.4)	(18.3)	(188.3)	(642.0)	(1,215.0)	(1,857.0)
<u>Movement in reserves during 2025/26</u>						
Total comprehensive income and expenditure (Note 4)	(47.9)	0.0	0.0	(47.9)	(146.6)	(194.5)
Adjustment between accounting basis and funding basis under regulations (Note 13)	44.1	0.9	(1.4)	43.6	(43.6)	0.0
(Increase)/decrease in year	(3.8)	0.9	(1.4)	(4.3)	(190.2)	(194.5)
Balance at 31 March 2026	(439.2)	(17.4)	(189.7)	(646.3)	(1,405.2)	(2,051.5)

2024/25

	General fund / earmarked reserves restated ¹	Capital receipts reserve	Capital grants unapplied	Total usable reserves (Note 30)	Unusable reserves (Note 30) restated ¹	Total reserves restated ¹
	£m	£m	£m	£m	£m	£m
Balance at 1 April 2024	(490.4)	(24.3)	(196.5)	(711.2)	(964.0)	(1,675.2)
<u>Movement in reserves during 2024/25</u>						
Total comprehensive income and expenditure (Note 4)	143.0	0.1	0.0	143.1	(324.9)	(181.8)
Adjustment between accounting basis and funding basis under regulations (Note 13)	(88.0)	5.9	8.2	(73.9)	73.9	0.0
(Increase)/decrease in year	55.0	6.0	8.2	69.2	(251.0)	(181.8)
Balance at 31 March 2025	(435.4)	(18.3)	(188.3)	(642.0)	(1,215.0)	(1,857.0)

¹ The 2024/25 figures have been assessed for restatement to reflect service movements between directorates. The adjustments are shown in detail in Note 41 – Prior period adjustments

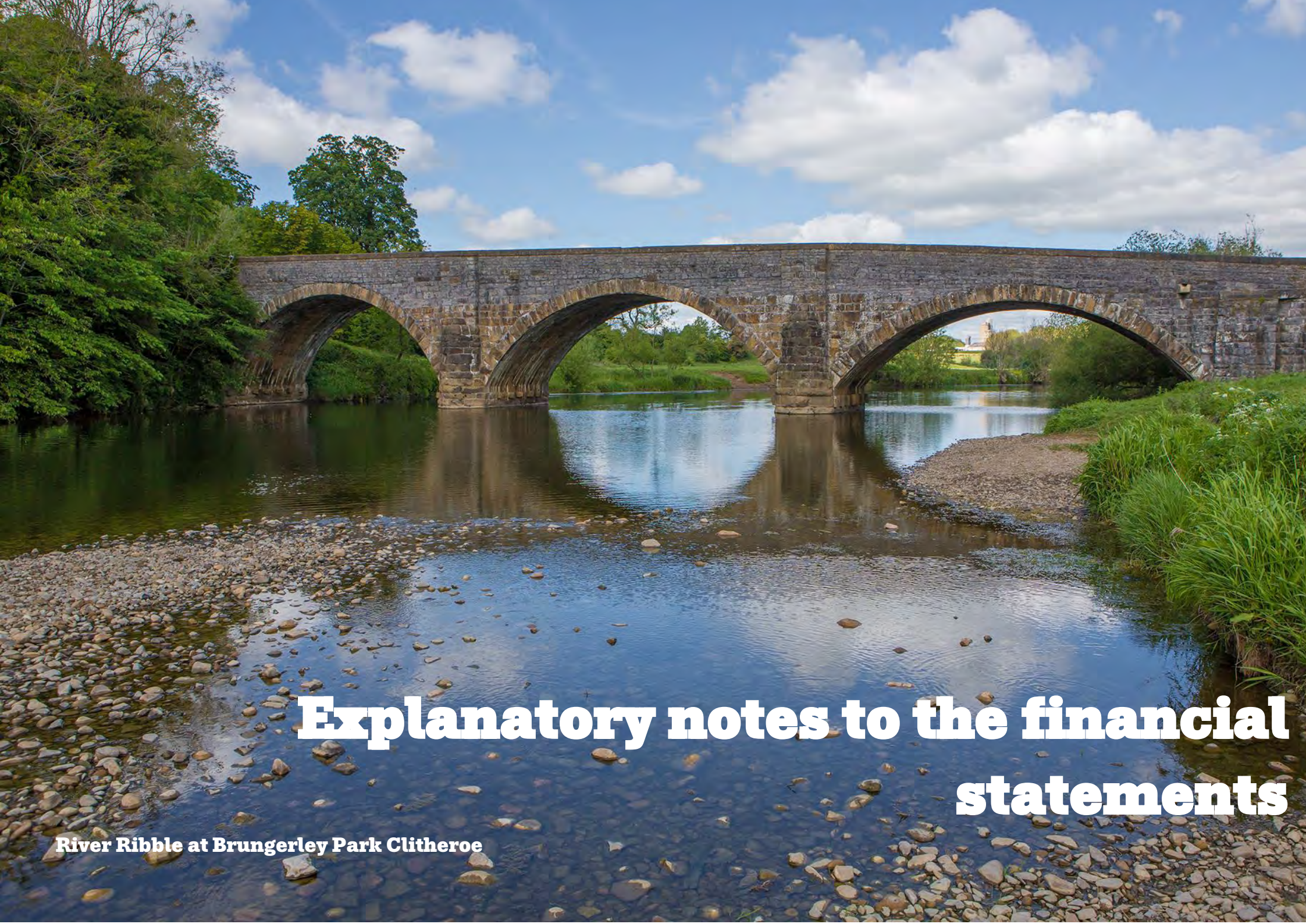
31 March 2025 restated ¹		Note	31 March 2026
£m			£m
2,830.3	Property, plant and equipment ¹	17	3,067.4
28.7	Heritage assets	19	28.7
14.0	Intangible assets		9.4
201.6	Long term investments ¹	25	182.3
34.1	Long term debtors	20	32.2
3,108.7	Long term assets ¹		3,320.0
16.4	Short term investments	25	16.2
4.6	Inventories		4.5
309.8	Short term debtors	21	269.4
28.7	Payments in advance	21	31.4
51.2	Cash and cash equivalents	22	97.9
410.7	Current assets		419.4
(559.7)	Short term borrowing	25	(586.7)
(254.6)	Short term creditors	23	(294.2)
(14.0)	Other Receipts in advance	23	(15.6)
(72.2)	Government Grants Receipts in advance	23	(134.8)
(8.5)	Short term provisions	24	(7.1)
(10.0)	Other current liabilities	26	(13.7)
(919.0)	Current liabilities		(1,052.1)
(40.5)	Long term provisions	24	(40.9)
(496.3)	Long term borrowing	25	(368.4)
(1.3)	Long term creditors	25	(1.3)
(205.3)	Other long-term liabilities	27	(225.2)
(743.4)	Long term liabilities		(635.8)
1,857.0	Net assets		2,051.5
(642.0)	Usable reserves	30	(646.3)
(1,215.0)	Unusable reserves ¹	30	(1,405.2)
(1,857.0)	Total reserves ¹		(2,051.5)

¹ Restated to adjust for unadjusted misstatement in 2024/25. The adjustments are shown in detail in Note 41 – Prior period adjustments.

Cash flow statement

2024/25 restated ¹		Note	2025/26
£m			£m
(143.0)	Net surplus/(deficit) on the provision of services ¹		47.9
318.1	Adjustments to net surplus/deficit on the provision of services for non-cash movements ¹	31	237.5
(198.8)	Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities	31	(181.8)
(23.7)	Net cash flows from operating activities		103.6
108.4	Investing activities	32	12.1
(102.0)	Financing activities	33	(69.0)
(17.3)	Net increase/(decrease) in cash and cash equivalents		46.7
68.5	Cash and cash equivalents at the beginning of the reporting period		51.2
51.2	Cash and cash equivalents at the end of the reporting period	22	97.9

¹ The 2024/25 figures have been assessed for restatement to reflect service movements between directorates. The adjustments are shown in detail in Note 41 – Prior period adjustments.



Explanatory notes to the financial statements

River Ribble at Brungerley Park Clitheroe

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 2026/27 Code, as outlined in the CIPFA/LASAAC Invitation to Comment (ITC), contains relatively few changes to accounting standards that are expected to have a significant impact on local authority reporting. The 2026/27 Code will introduce the following amendments:

1. Amendments to IFRS 7 and IFRS 9 – Classification and Measurement of Financial Instruments

The Exposure Draft for the 2026/27 Code includes amendments to:

- **IFRS 9 – Financial Instruments**
- **IFRS 7 – Financial Instruments: Disclosures**

These amendments relate to updated requirements for classification, measurement and enhanced disclosures. They are proposed for adoption *without adaptation*, reflecting the approach taken in the Whole of Government Accounts (WGA). Since final adoption awaits approval of the 2026/27 Code, these amendments are considered “issued but not yet adopted.”

The Council does not anticipate a material impact on its financial statements given the nature of its financial instrument holdings.

The 2026/27 Code is more about Structural Reform than standards adoption.

Reporting Reform: -

1. Proposed Removal of the Expenditure and Funding Analysis (EFA)
2. Proposed Decoupling of the LGPS Pension Fund Accounts from the Administering Authority Accounts.
3. Early Adoption of sustainability reporting.

These are not standards issued but not yet adopted. But they are major structural changes. Unlike 2025/26, the year 2026/27 does not include major new standards. For example, there are no changes on the scale of IFRS17 Insurance Contracts or PPE Revaluation reforms for Indexation. CIPFA / LASAAC confirm that relatively few new accounting standards that will materially impact 2026/27 Statement of 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 £70.4 million as at 31 March 2026 (31 March 2025: £72.6 million).

School assets

In 2024/25, the Council revised its accounting policy to recognise only those schools where strict ownership and control rest with the Council. Following a review, school assets with a carrying value of £879.6 million were derecognised from the balance sheet. No such assets have been derecognised in 2025/26. Further details are provided in Note 18.

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 2026 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
Property, plant and equipment valuations	<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 £151.3 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
Fair value measurement	<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"> • For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date; • For level 3 inputs, valuations based on most recent valuations adjusted to current valuation by the use of indexation and impairment review. <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. All valuations are undertaken by expert valuers in accordance with the methodologies and bases for estimation set out in professional standards.</p> <p>A variation of 10% in the value of the council's investment properties would be approximately £9.3 million. Any increase or decrease in the fair value of investment properties is recognised in the Comprehensive Income and Expenditure Statement and subsequently reversed through the Movement in Reserves Statement to the Capital Adjustment Account.</p>
Pensions liability/asset	<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"> • a 0.5% increase in the discount rate assumption would reduce the value of the net pension amount by approximately £224.8 million; • a 0.25% increase in assumed earnings inflation would increase the value of the net pension amount by approximately £19.5 million; • an increase of one year in assumed life expectancy would increase the net pension amount by approximately £69.7 million.

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 - 2025/26

	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	525.3	(108.5)	416.8	21.1	437.9
Education and children's services	340.4	(23.9)	316.6	3.5	320.0
Place	193.3	(30.3)	163.1	(16.4)	146.6
Resources and chief executive services	187.0	(101.4)	85.6	(6.9)	78.7
Schools	89.0	0.0	89.0	49.3	138.3
Net cost of services	1,335.1	(264.1)	1,071.0	50.6	1,121.5
Other income and expenditure	(1,243.1)	168.3	(1,074.8)	(94.7)	(1,169.5)
(Surplus)/deficit	92.0	(95.8)	(3.8)	(44.1)	(47.9)
Opening general fund balance at 1 April			(435.4)		
(Surplus)/deficit			(3.8)		
Closing general fund balance at 31 March			(439.2)		

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

Notes supporting the comprehensive income and expenditure statement

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
	restated ¹	restated ¹	restated ¹	restated ¹	restated ¹
	£m	£m	£m	£m	£m
Adult services, health and wellbeing	489.4	(90.0)	399.4	12.5	411.9
Education and children's services	303.0	(19.7)	283.3	(4.8)	278.6
Place	184.8	(17.5)	167.3	88.1	255.4
Resources and chief executive services	145.1	(80.9)	64.2	39.9	104.0
Schools	43.9	(0.0)	43.9	83.5	127.4
Net cost of services	1,166.2	(208.1)	958.1	219.2	1,177.3
Other income and expenditure	(1,111.8)	208.5	(903.2)	(131.2)	(1,034.3)
(Surplus)/deficit	54.4	0.6	55.0	88.00	143.0
Opening general fund balance at 1 April			(490.4)		
(Surplus)/deficit			55.0		
Closing general fund balance at 31 March			(435.4)		

¹ The 2024/25 figures have been assessed for restatement to reflect service movements between directorates. The adjustments are shown in detail in Note 41 – Prior period adjustments

* 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.

2024/25				2025/26		
Adjustments relating to other income and expenditure restated ¹	Adjustments relating to transfers to and from reserves restated ¹	Total adjustments restated ¹		Adjustments relating to other income and expenditure	Adjustments relating to transfers to and from reserves	Total adjustments
£m	£m	£m		£m	£m	£m
(118.5)	28.7	(89.8)	Adult services, health and wellbeing ¹	(115.9)	7.4	(108.5)
(24.4)	4.7	(19.7)	Education and children's services ¹	(28.6)	4.8	(23.8)
(13.1)	(4.4)	(17.5)	Place ¹	(12.2)	(18.1)	(30.3)
18.0	(99.0)	(81.0)	Resources and chief executive services ¹	(22.6)	(78.9)	(101.5)
0.0	0.0	0.0	Schools	0.0	0.0	0.0
(138.0)	(70.0)	(208.0)	Net cost of services	(179.3)	(84.8)	(264.1)
138.1	70.4	208.5	Other income and expenditure ¹	179.3	(11.0)	168.3
0.1	0.4	0.6	(Surplus)/deficit	0.0	(95.8)	(95.8)

¹The 2024/25 figures have been assessed for restatement to reflect service movements between directorates. The adjustments are shown in detail in Note 41 – Prior period adjustments.

Notes supporting the comprehensive income and expenditure statement

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 - 2025/26

	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	17.7	3.9	(0.5)	21.1
Education and children's services	7.0	(3.2)	(0.3)	3.5
Place	(20.4)	4.1	(0.1)	(16.4)
Resources and chief executive services	28.7	(35.2)	(0.4)	(6.9)
Schools	41.4	7.9	0.0	49.3
Net cost of services	74.4	(22.5)	(1.3)	50.6
Other income and expenditure from the expenditure and funding analysis	(160.2)	3.9	61.6	(94.7)
Difference between general fund surplus or deficit and comprehensive income and expenditure statement surplus or deficit on the provision of services	(85.8)	(18.6)	60.3	(44.1)

Notes supporting the comprehensive income and expenditure statement

Adjustments between the funding and accounting basis - 2024/25

	Adjustments for capital purposes restated ¹	Net change for the pensions adjustments restated ¹	Other statutory differences restated ¹	Total statutory adjustments restated ¹
	£m	£m	£m	£m
Adult services, health and wellbeing	11.3	1.4	(0.3)	12.4
Education and children's services	1.4	(6.1)	(0.1)	(4.8)
Place	86.6	1.7	(0.2)	88.2
Resources and chief executive services	30.2	9.8	0.0	39.9
Schools	80.5	3.0	0.0	83.5
Net cost of services	210.0	9.8	(0.6)	219.2
Other income and expenditure from the expenditure and funding analysis	(105.2)	4.1	(30.1)	(131.2)
Difference between general fund surplus or deficit and comprehensive income and expenditure statement surplus or deficit on the provision of services	104.8	13.9	(30.7)	88.0

¹ The 2024/25 figures have been assessed for restatement to reflect service movements between directorates. The adjustments are shown in detail in Note 41 – Prior period adjustments

Notes supporting the comprehensive income and expenditure statement

Expenditure and income analysed by nature

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

2024/25 restated ¹		2025/26
£m		£m
1,011.6	Employee expenses (excluding voluntary aided schools)	1,043.6
274.6	Employee expenses for voluntary aided schools	279.0
1,691.6	Other service expenses	1,850.7
162.7	Depreciation, amortisation and impairment	29.8
82.7	Interest payments	57.9
1.9	Precepts and levies	1.4
4.1	Net pension interest costs	3.9
98.6	Loss on disposal of non-current assets	44.4
3,327.8	Total expenditure	3,310.7
(412.7)	Fees, charges and other service income	(428.8)
(69.6)	Interest and investment income	(42.2)
(647.5)	Income from council tax precept	(688.6)
(34.2)	Income from business rates precept	(36.8)
(2,017.6)	Government grants and contributions	(2,150.1)
(3.1)	Gain on disposal of non-current assets	(12.1)
(3,184.7)	Total income	(3,358.6)
143.1	(Surplus)/deficit on the provision of services	(47.9)

¹ The 2024/25 figures have been assessed for restatement to reflect service movements between directorates. The adjustments are shown in detail in Note 41 – Prior period adjustments

Notes supporting the comprehensive income and expenditure statement

Note 5 - Other operating income and expenditure

2024/25		2025/26
£m		£m
1.9	Levies for flood defences and inshore fisheries and conservation authorities	1.4
2.2	(Gain) or loss on disposal of non-current assets	17.9
93.2	Loss on transfer of schools to academy status	14.3
97.3	Total	33.6

Note 6 - Financing and investment income and expenditure

2024/25		2025/26
£m		£m
51.6	Interest payable and other similar charges	42.0
11.7	Interest payable on PFI unitary payments	11.0
19.4	Impairment of financial instruments	4.9
4.1	Net interest of the net defined benefit liability	3.9
(27.1)	Interest receivable and similar income	(17.8)
(42.5)	Discount on early repayment of debt	(24.4)
17.2	Total	19.6

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.

2024/25		2025/26
£m Restated ¹		£m
(311.3)	Non-ringfenced Government grants ¹	(347.1)
(155.8)	Capital grants and contributions	(150.3)
(467.1)	Total non-specific grant income	(497.4)
(647.5)	Council tax income	(688.6)
(34.2)	Non-domestic rates income	(36.8)
(1,148.8)	Total	(1,222.8)

¹ Restated to adjust for unadjusted misstatement in 2024/25

Non-ringfenced government grants

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

2024/25		2025/26
£m Restated ¹		£m
(40.7)	Revenue support grant	(43.1)
(169.5)	Top-up grant (business rates retention scheme)	(171.3)
(48.4)	S31 grant	(49.1)
(47.1)	Improved better care	(67.8)
0.0	Recovery Grant	(5.0)
0.0	Employers National Insurance Contributions Grant	(8.1)
(1.5)	New homes bonus	(1.4)
(4.1)	Other ¹	(1.3)
(311.3)	Total	(347.1)

¹ Restated to adjust for unadjusted misstatement in 2024/25

Notes supporting the comprehensive income and expenditure statement

Capital grants and contributions

2024/25		2025/26
£m		£m
(61.3)	Department for Education	(65.8)
(41.5)	Department for transport	(67.0)
(37.7)	Department for Levelling Up, Housing and Communities	(14.2)
(10.7)	Other government grants	(1.3)
0.0	Department of health and social care	0.0
(4.6)	Other grants	(2.0)
(155.8)	Total	(150.3)

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.

2024/25		2025/26
£m		£m
(1,014.9)	Dedicated schools grant	(1,117.2)
(46.7)	Pupil premium grant	(43.9)
(203.0)	Other Government grants	(205.3)
(21.9)	PFI grant	(21.9)
(76.7)	Public health grant	(81.7)
(0.8)	Other grants	(0.9)
(13.3)	Teachers' pension employer contribution grant	(0.2)
(123.1)	Adults social care	(144.8)
(46.2)	Other contributions	(36.9)
(4.0)	Covid-19 grants	0.0
(1,550.6)	Total	(1,652.8)

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.

2024/25		2025/26
£m		£m
(4.0)	Recovery Premium funding	0.0
(4.0)	Total	0.0

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 2025/26 before academy recoupment			(1,491.6)
Academy figure recouped for 2025/26			374.2
Total DSG after academy recoupment for 2025/26			(1,117.4)
Brought forward from 2024/25			0.0
Carry forward to 2026/27 agreed in advance			0.0
Agreed initial budgeted distribution for 2025/26	(179.4)	(938.0)	(1,117.4)
In-year adjustments	0.0	0.2	0.2
Final budget distribution for 2025/26	(179.4)	(937.8)	(1,117.2)
Actual central expenditure relating to DSG	260.1	0.0	260.1
Actual ISB deployed to schools	0.0	936.3	936.3
Local authority contribution for 2025/26	0.0	0.0	0.0
2025/26 (under)/overspend	80.7	(1.5)	79.2
Brought forward from 2024/25			22.4
Carry forward to 2026/27			101.6

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 in year overspend on the dedicated schools grant of £79.2m has resulted in a net deficit position at year end of £101.6m.

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.

2025/26

Post holder	Note	Salary, fees and allowances	Relocation allowances	Benefits in kind	Pension contributions	Total
		£	£	£	£	£
Chief Executive - M Wynn		252,257	9,364	0	40,253	301,874
Executive Director of Adult Services and Health & Wellbeing	1	48,237	0	0	7,321	55,558
Executive Director of Education and Children's Services - J Old		183,142	0	0	28,988	212,130
Executive Director of Resources - L Ainsworth	2	157,605	0	0	24,826	182,431
Executive Director of Place - P Green		164,946	0	0	26,022	190,968
Director of Public Health, Wellbeing and Communities		147,631	0	0	20,256	167,887
Director of Law and Governance	3	130,709	0	0	20,442	151,151
Director of Investment		123,694	0	0	19,596	143,290

Notes

1. The postholder was Interim Executive Director of Adult Services and Health & Wellbeing between 1 April 2025 and 31 December 2025. Costs for services rendered were being paid to Penna during this period and are included in the Related Party note.

Appointment to permanent Executive Director of Adult Services and Health & Wellbeing was effective from 1 January 2026.

2. The salary includes remuneration relating to the post holder's previous role as Director of Strategy and Transformation for the period from 1 April 2025 to 31 July 2025 and includes an honorarium in recognition of additional duties undertaken while the existing Executive Director of Resources post was vacant.

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

Notes supporting the comprehensive income and expenditure statement

2024/25

Post holder	Notes	Salary, fees and allowances	Benefits in kind	Pension contributions	Total
		£	£	£	£
Chief Executive - M Wynn	1	161,507	0	25,971	187,478
Chief Executive	2	117,765	0	0	117,765
Executive Director of Adult Services and Health & Wellbeing	3 & 4	134,566	0	21,286	155,852
Executive Director of Education and Children's Services – J Old		177,628	0	28,089	205,717
Executive Director of Resources (S151) – M Wynn	5	57,519	0	8,866	66,385
Executive Director of Growth, Environment, Transport & Health – P Green		159,488	0	25,133	184,621
Director of Public Health, Wellbeing and Communities		143,218	0	19,550	162,768
Director of Law and Governance	6	123,511	0	19,268	142,779
Director of Investment – M Jensen		169,906	0	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

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 £	2025/26				2024/25			
	LCC non-schools staff ¹	Schools ²	Total	Redundancies	LCC non-schools staff ¹	Schools ²	Total	Redundancies
50,000 to 54,999	564	1,252	1,816	6	438	872	1,310	9
55,000 to 59,999	280	681	961	7	204	567	771	1
60,000 to 64,999	115	452	567	1	62	297	359	2
65,000 to 69,999	45	203	248	1	50	209	259	2
70,000 to 74,999	35	193	228	0	28	161	189	0
75,000 to 79,999	23	137	160	0	23	138	161	1
80,000 to 84,999	16	117	133	1	23	54	77	0
85,000 to 89,999	11	49	60	0	1	36	37	0
90,000 to 94,999	2	27	29	2	1	20	21	0
95,000 to 99,999	2	16	18	1	1	13	14	0
100,000 to 104,999	4	20	24	1	1	16	17	0
105,000 to 109,999	1	11	12	0	2	10	12	0
110,000 to 114,999	2	8	10	0	2	4	6	0
115,000 to 119,999	3	9	12	0	1	6	7	0
120,000 to 124,999	0	1	1	0	4	1	5	1
125,000 to 129,999	1	3	4	0	0	1	1	0
130,000 to 134,999	1	2	3	0	2	1	3	0
135,000 to 139,999	1	0	1	0	0	0	0	0
140,000 to 144,999	0	1	1	0	0	0	0	0
145,000 to 174,999	2	0	2	1	1	0	1	0
Total	1,108	3,182	4,290	21	844	2,406	3,250	16

¹ 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.

² 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 *	
	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25
0 to 20,000	24	26	264	208	288	234	1,644	1,125
20,001 to 100,000	5	1	13	11	18	12	591	358
100,001 to 450,000	5	1	0	3	5	4	1,317	808
Total	34	28	277	222	311	250	3,552	2,291

* 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 2025/26, the council terminated the contracts of a number of employees, incurring liabilities of £3.6 million (2024/25: £2.3 million). Of the £3.6 million, £1.3 million is enhanced pension benefits and £2.3 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

2024/25		2025/26
£000		£000
1,764.4	Allowances payable to Members	1,740.0
25.7	Expenses payable to Members	21.4
1,790.1	Total	1,761.4

Note 12 - Fees payable to auditors

The council incurred the following fees relating to external audit.

2024/25		2025/26
£000		£000
362.1	Fees incurred with regard to external audit services provided by Grant Thornton	372.2
15.0	Fees incurred for certification work undertaken by Grant Thornton	13.1
3.0	Fees incurred for other audit work undertaken by Grant Thornton	0.0
0.8	Fees payable in respect of other services provided by Grant Thornton	10.0
3.0	Fees payable in respect of additional prior year statutory audit work	15.9
383.9	Total	411.2

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 - 2025/26

	Usable reserves				Unusable reserves
	General fund balance	Capital receipts reserve	Capital grants unapplied	Total	
	£m	£m	£m	£m	£m
Adjustments to the revenue resources					
Amounts by which income and expenditure included in the comprehensive income and expenditure statement are different from revenue for the year calculated in					
Pensions costs (transferred to or from the pensions reserve)	18.5	0.0	0.0	18.5	(18.5)
Financial instruments (transferred to the financial instruments adjustments account)	19.9	0.0	0.0	19.9	(19.9)
Council tax and NDR (transferred to or from the collection fund)	(2.3)	0.0	0.0	(2.3)	2.3
Holiday pay (transferred to the accumulated absences adjustment account)	1.3	0.0	0.0	1.3	(1.3)
Deficit relating to schools' budget transferred to Dedicated Schools' Grant Adjustment account	(79.2)	0.0	0.0	(79.2)	79.2
Reversal of entries included in the surplus or deficit on the provision of services in relation to capital	(20.7)	0.0	53.9	33.2	(33.2)
Total adjustments to revenue resources	(62.5)	0.0	53.9	(8.6)	8.6
Adjustments between revenue and capital resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	12.1	(12.1)	0.0	0.0	0.0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	44.3	0.0	0.0	44.3	(44.3)
Use of the capital receipts reserve to finance new revenue expenditure	(5.0)	5.0	0.0	0.0	0.0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0.0	8.0	0.0	8.0	(8.0)
Total adjustments between revenue and capital resources	51.4	0.9	0.0	52.3	(52.3)
Adjustments to capital resources					
Capital grants received not used in year	55.3	0.0	(55.3)	0.0	0.0
Total adjustments to capital resources	55.3	0.0	(55.3)	0.0	0.0
Total adjustments	44.2	0.9	(1.4)	43.6	(43.6)

Notes supporting the movement in reserves statement

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
Adjustments to the revenue resources					
Amounts by which income and expenditure included in the comprehensive income and expenditure statement are different from revenue for the year calculated.					
Pensions costs (transferred to or from the pensions reserve)	(13.9)	0.0	0.0	(13.9)	13.9
Financial instruments (transferred to the financial instruments adjustments account)	40.6	0.0	0.0	40.6	(40.6)
Council tax and NDR (transferred to or from the collection fund)	7.7	0.0	0.0	7.7	(7.7)
Holiday pay (transferred to the accumulated absences adjustment account)	0.6	0.0	0.0	0.6	(0.6)
Deficit relating to schools' budget transferred to Dedicated Schools' Grant Adjustment account	(22.4)	0.0	0.0	(22.4)	22.4
Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (funded by application of capital grants unapplied from previous years)	(202.5)	0.0	68.7	(133.8)	133.8
Total adjustments to revenue resources	(189.8)	0.0	68.7	(121.1)	121.1
Adjustments between revenue and capital resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	3.1	(3.1)	0.0	0.0	0.0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	43.1	0.0	0.0	43.1	(43.1)
Use of the capital receipts reserve to finance new revenue expenditure	(5.0)	5.0	0.0	0.0	0.0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0.0	4.1	0.0	4.1	(4.1)
Total adjustments between revenue and capital resources	41.3	6.0	0.0	47.3	(47.3)
Adjustments to capital resources					
Capital grants received not used in year	60.5	0.0	(60.5)	0.0	0.0
Total adjustments to capital resources	60.5	0.0	(60.5)	0.0	0.0
Total adjustments	(88.0)	6.0	8.2	(73.8)	73.8

Notes supporting the movement in reserves statement

Note 14 - Transfers to and from earmarked reserves

	Balance at 31 March 2024	Transfers out 2024/25	Transfers in 2024/25	Balance at 31 March 2025	Transfers out 2025/26	Transfers in 2025/26	Balance at 31 March 2026
	£m	£m	£m	£m	£m	£m	£m
General fund	(23.4)	0.0	(32.6)	(56.0)	0.0	(10.3)	(66.3)
Reserves held to deliver corporate priorities							
Strategic investment reserve	(0.4)	4.0	(32.4)	(28.8)	16.3	(14.1)	(26.6)
Lancashire Economic Growth & Development Investment Fund (LEGDIF)	(2.9)	0.0	(9.9)	(12.8)	2.1	0.0	(10.7)
Treasury management reserve	(20.6)	0.0	(15.1)	(35.7)	2.7	(11.1)	(44.1)
Business rates volatility	(5.0)	0.0	0.0	(5.0)	0.0	0.0	(5.0)
Statutory override reserves	0.0	0.0	(10.0)	(10.0)	0.0	(10.0)	(20.0)
Directorate Grants & Partnerships Reserve	(140.4)	108.0	(43.7)	(76.1)	31.4	(35.2)	(79.9)
Election reserve	(2.0)	0.0	(0.4)	(2.4)	2.7	(0.3)	0.0
Reserves held to deliver organisational change							
Downsizing reserve	(4.0)	0.3	(0.3)	(4.0)	0.0	0.0	(4.0)
Transitional reserve	(181.1)	66.4	(7.2)	(121.9)	27.3	(12.9)	(107.5)
School reserves							
Individual school reserves	(69.8)	13.7	(10.8)	(66.9)	18.5	(9.3)	(57.7)
Other school reserves	(28.0)	19.3	(0.6)	(9.3)	1.0	(0.3)	(8.7)
Centrally managed schools maintenance reserve	(8.4)	8.4	(6.5)	(6.5)	6.5	(8.7)	(8.7)
Total earmarked reserves	(486.0)	220.1	(169.5)	(435.4)	108.5	(112.2)	(439.2)

Notes supporting the movement in reserves statement

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 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

2024/25		2025/26
£m		£m
1,141.0	Opening capital financing requirement	1,150.6
14.2	Adoption of IFRS 16	0.0
	Capital investment	
150.9	Property, plant and equipment	148.0
12.5	Capitalisation of borrowing interest	0.6
0.7	Intangible assets	0.8
47.5	Revenue expenditure funded from capital under statute	44.5
211.6	Total capital investment	193.9
	Sources of finance	
(4.1)	Capital receipts	(8.1)
(155.6)	Government grants and other contributions	(148.9)
	Sums set aside from revenue:	
(6.6)	Direct revenue contributions	(2.9)
(8.9)	Write down of PFI liability	(9.2)
(34.2)	Minimum revenue provision (MRP) for debt repayment	(35.0)
1,157.4	Closing capital financing requirement	1,140.4
	Explanation of movement in year	
25.3	Increase in underlying need to borrow (unsupported by Government financial assistance)	(1.0)
(8.9)	Write down of PFI liability	(9.2)
16.4	Total movement	(10.2)

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 2026 the council had not entered into any contracts for the construction or enhancement of property, plant and equipment in 2025/26 or future years. (2024/25: £nil)

Note 17 - Property, plant and equipment

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

	Land and Buildings	Right-of-use assets	Vehicles, Plant, Furniture and Equipment	Assets Under Construction	Surplus	Total
	£m	£m	£m	£m	£m	£m
Carried at historical cost	18.2	0.0	58.4	5.8	0.0	82.4
31-Mar-2026	1,140.0	76.5	0.0	0.0	17.5	1,234.0
31-Mar-2025	16.5	5.8	0.0	0.0	0.4	22.7
31-Mar-2024	222.2	0.0	0.0	0.0	0.5	222.7
31-Mar-2023	8.5	0.0	0.0	0.0	0.0	8.5
31-Mar-2022	6.4	0.0	0.0	0.0	0.0	6.4
Total cost or valuation	1,411.8	82.3	58.4	5.8	18.4	1,576.7

Notes supporting the balance sheet

Property, plant and equipment - movements in 2025/26

	Land and buildings	Right of use asset (including PFI)	Vehicles, plant, furniture and equipment	Assets under construction	Surplus assets	Total	PFI assets included in property
	£m	£m	£m	£m	£m	£m	£m
Cost or valuation							
At 1 April 2025	1,225.3	81.4	84.1	16.1	19.9	1,426.8	72.6
Additions	29.9	0.9	4.9	4.5	0.0	40.2	0.9
Donated Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
De-recognition – disposals	(45.4)	0.0	(30.7)	0.0	(1.4)	(77.5)	0.0
Revaluation increases/(decreases) recognised in the revaluation reserve	119.2	6.1	0.0	0.0	0.5	125.8	6.1
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	71.6	3.5	0.0	0.0	(0.6)	74.6	(1.7)
Assets reclassified	11.3	3.0	0.0	(14.8)	0.0	(0.6)	0.0
Right of use assets	0.0	(12.5)	0.0	0.0	0.0	(12.5)	(5.7)
At 31 March 2026	1,411.9	82.4	58.3	5.8	18.4	1,576.8	72.2
Depreciation and impairment							
At 1 April 2025	(9.5)	(0.1)	(56.3)	0.0	0.0	(66.0)	(1.8)
Depreciation charge	(30.6)	(2.2)	(5.9)	0.0	(0.1)	(38.8)	(1.9)
Depreciation written out to revaluation reserve	30.2	1.1	0.0	0.0	0.1	31.4	0.9
Depreciation written out to the surplus/deficit on provision of services	4.0	1.0	0.0	0.0	0.0	5.0	1.0
De-recognition	2.5	0.0	30.7	0.0	0.0	33.2	0.0
Reclassification	(0.1)	0.1	0.0	0.0	0.0	0.0	0.0
At 31 March 2026	(3.5)	(0.1)	(31.5)	0.0	0.0	(35.2)	(1.8)
Net Book Value at 31 March 2025	1,215.8	81.3	27.8	16.1	19.9	1,360.8	70.8
Net Book Value at 31 March 2026	1,408.5	82.3	26.8	5.8	18.4	1,541.6	70.4

Notes supporting the balance sheet

Property, plant and equipment - movements in 2024/25

	Land and buildings Restated ¹	Right of use assets ²	Vehicles, plant, furniture and equipment	Assets under construction	Surplus assets	Total	PFI assets included in property Restated ¹
	£m		£m	£m	£m	£m	£m
Cost or valuation							
At 1 April 2024	1,381.9	0.0	73.7	1.4	25.4	1,482.4	84.4
Adoption of IFRS 16- reclassification to right of use assets	(91.3)	91.3	0.0	0.0	0.0	0.0	0.0
Revised balance at 1 April 2024	1,290.6	91.3	73.7	1.4	25.4	1,482.4	84.4
Additions	31.4	0.6	10.4	12.2	0.8	55.4	0.3
Donated Assets	0.0	0.0	0.0	0.0	0.0	0.0	(3.6)
De-recognition – disposals	(100.6)	(3.6)	0.0	0.0	(0.1)	(104.3)	0.0
Revaluation increases/(decreases) recognised in the revaluation reserve	22.6	(4.7)	0.0	0.0	0.1	18.0	(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)	(51.6)	(26.1)
Assets reclassified	0.0	0.0	0.0	2.5	(2.5)	0.0	0.0
Right of use assets	0.0	26.9	0.0	0.0	0.0	26.9	26.9
At 31 March 2025	1,225.3	81.4	84.1	16.1	19.9	1,426.8	72.6
Depreciation and impairment							
At 1 April 2024	(7.2)	0.0	(50.6)	0.0	(0.1)	(57.9)	(1.8)
Adoption of IFRS 16- reclassification to right of use assets	0.3	(0.3)	0.0	0.0	0.0	0.0	0.0
Revised balance at 1 April 2024	(6.8)	(0.3)	(50.6)	0.0	(0.1)	(57.9)	(1.8)
Depreciation charge	(29.3)	(2.5)	(5.7)	0.0	(0.1)	(37.6)	(2.4)
Depreciation written out to revaluation reserve	23.5	1.0	0.0	0.0	0.2	24.7	1.0
Depreciation written out to the surplus/deficit on provision of services	2.0	1.7	0.0	0.0	0.0	3.7	1.4
De-recognition	1.1	0.0	0.0	0.0	0.0	1.1	0.0

Notes supporting the balance sheet

Reclassification	0.0	0.0	0.0	0.0	0.0	0.0	0.0
At 31 March 2025	(9.5)	(0.1)	(56.3)	0.0	0.0	(66.0)	(1.8)
Net Book Value at 31 March 2024	1,374.7	0.0	23.1	1.4	25.3	1,424.5	82.6
Revised Net Book Value at 31 March 2024	1,283.7	91.0	23.1	1.4	25.3	1,424.5	82.6
Net Book Value at 31 March 2025	1,215.8	81.3	27.8	16.1	19.9	1,360.8	70.8

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

² Right-of-use assets have been separated from the Land and buildings figures in line with IFRS 16 adoption.

Indexation

From 1 April 2025, the Code of Practice on Local Authority Accounting in the UK (the Code) introduced changes to the treatment of indexation in respect of revaluations of Property, Plant and Equipment (PPE). Reflecting this, the council operates a five-year rolling programme of revaluations with indexation or year three desktop valuation being undertaken in the intervening years, as per the Code.

Notes supporting the balance sheet

Reconciliation of property, plant and equipment

31 March 2025		31 March 2026
£m		£m
1,469.5	Infrastructure assets	1,525.8
1,360.8	Other property, plant and equipment assets	1,541.6
2,830.3	Total property, plant and equipment assets	3,067.4

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 2025		31 March 2026
£m		£m
1,185.8	Net book value at 1 April	1,469.5
106.9	Additions	108.3
244.5	Revaluations	0.0
(67.7)	Depreciation	(52.1)
1,469.5	Net book value at 31 March	1,525.7

Note 18 - School assets

Schools included on the council's balance sheet

31 March 2025			31 March 2026	
Number of school assets	Value of land and buildings		Number of school assets	Value of land and buildings
	£m			£m
227	830.8	Community schools	221	914.8
3	9.9	Foundation schools	0	0.0
160	21.0	Voluntary aided schools	154	14.9
31	3.8	Voluntary controlled schools	31	3.1
421	865.5	Total	406	932.8
8	70.8	Schools subject to PFI contracts	8	70.40

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

During the year 10 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.

*The 2024/25 comparative figures include VAVC schools derecognised in that year; there are no VAVC schools recognised in 2025/26.

Note 19 - Heritage assets

	Paintings and furniture	Other museum artefacts	Manuscripts and books	Total
	£m	£m	£m	£m
Cost or valuation				
At 31 March 2026	3.0	11.1	14.6	28.7
At 31 March 2025	3.0	11.1	14.6	28.7

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 2025		31 March 2026
£m		£m
10.9	Transferred Debt ¹	10.4
23.2	Finance Lease Debtor ²	21.8
34.1	Total	32.2

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

² 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 2025		31 March 2026
£m		£m
36.8	Council tax	40.9
0.8	Non-domestic rates	0.8
39.5	Other receivables	18.4
262.9	Trade receivables	244.4
(30.2)	Less impairment allowance	(35.1)
309.8	Total	269.4

31 March 2025		31 March 2026
£m		£m
28.7	Payments in advance	31.4
28.7	Total	31.4

Note 22 - Cash and cash equivalents

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

31 March 2025		31 March 2026
£m		£m
0.4	Cash held by the council	0.5
23.8	Bank current accounts	38.4
27.0	Short term deposits under 3 months	59.0
51.2	Total	97.9

Note 23 - Short term creditors and receipts in advance

31 March 2025		31 March 2026
£m		£m
(178.2)	Trade payables	(207.8)
(33.0)	Council tax	(40.8)
(1.0)	Non-domestic rates	(1.5)
(42.4)	Other payables	(44.1)
(254.6)	Total	(294.2)

31 March 2025		31 March 2026
£m		£m
(14.0)	Other receipts in advance	(15.6)
(5.4)	Government grants receipts in advance (revenue)	(2.1)
(66.8)	Government grants receipts in advance (capital)	(132.7)
(86.2)	Total	(150.4)

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 2025	Additional provision made	Spending met from the provision	Unused amounts reversed	Balance at 31 March 2026
	£m	£m	£m	£m	£m
Insurance provision	(34.7)	(8.8)	3.2	5.6	(34.7)
MMI provision	(2.7)	0.0	0.0	0.0	(2.7)
Other long-term provisions	(3.1)	(0.4)	0.0	0.0	(3.5)
Total long-term provisions	(40.5)	(9.2)	3.2	5.6	(40.9)
Business rates appeals	(4.0)	(3.5)	0.0	4.0	(3.5)
Early retirement	0.0	0.0	0.0	0.0	0.0
Other short-term provisions	(4.5)	0.0	0.9	0.0	(3.6)
Total short-term provisions	(8.5)	(3.5)	0.9	4.0	(7.1)
Total provisions	(49.0)	(12.7)	4.1	9.6	(48.0)

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 2025			Category	31 March 2026		
Long term Restated ¹	Short term	Total Restated ¹		Long term	Short term	Total
£m	£m	£m		£m	£m	£m
16.0	0.0	16.0	Amortised cost	16.0	0.0	16.0
185.7	0.0	185.7	Financial assets at fair value through other comprehensive income	166.2	0.0	166.2
0.0	16.3	16.3	Financial assets at fair value through profit and loss	0.0	16.2	16.2
201.7	16.3	218.0	Total investments	182.2	16.2	198.4
0.0	51.2	51.2	Cash and cash equivalents	0.0	97.9	97.9
23.2	232.8	256.0	Debtors [*]	21.8	209.4	231.2
224.9	300.3	525.2	Total financial assets	204.0	323.5	527.5
<i>* 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>						
10.9	77.0	87.9	Debtors which do not meet the definition of a financial instrument	10.3	60.1	70.4
34.1	309.8	343.9	Balance sheet total	32.1	269.5	301.6

¹ Restated to adjust for unadjusted misstatement in 2024/25

Notes supporting the balance sheet

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 2025			Category	31 March 2026		
Long term	Short term	Total		Long term	Short term	Total
£m	£m	£m		£m	£m	£m
(496.3)	(559.7)	(1,056.0)	Financial liabilities at amortised cost	(368.4)	(586.7)	(955.1)
0.0	0.0	0.0	Financial liabilities at fair value through profit and loss	0.0	0.0	0.0
(1.3)	(190.3)	(191.6)	Creditors *	(1.3)	(218.7)	(220.0)
(113.8)	(10.0)	(123.8)	Other financial liabilities (PFI) at amortised cost	(100.9)	(13.7)	(114.6)
(611.4)	(760.0)	(1,371.4)	Total financial liabilities	(470.6)	(819.1)	(1,289.7)
<ul style="list-style-type: none"> • <i>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</i> 						
0.0	(64.3)	(64.3)	<i>Creditors which do not meet the definition of a financial instrument</i>	0.0	(75.5)	(75.5)
(1.3)	(254.6)	(255.9)	<i>Balance sheet total</i>	(1.3)	(294.2)	(295.5)

Note 26 – Other current liabilities

31 March 2025		31 March 2026
£m		£m
(10.0)	PFI Liability	(13.7)
(10.0)	Total	(13.7)

Note 27 – Other long-term liabilities

31 March 2025		31 March 2026
£m		£m
(91.5)	Pension liability	(124.2)
(113.8)	PFI liability	(101.0)
(205.3)	Total	(225.2)

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 2026/27	1.5	1.6	0.2	3.3
Payment within 2 to 5 years	0.7	0.8	0.1	1.6
Total	2.2	2.4	0.3	4.9

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 2026/27	12.4	13.1	9.9	35.4
Payment within 2 to 5 years	69.6	39.5	31.3	140.4
Payment within 6 to 10 years	56.7	59.9	12.8	129.4
Total	138.7	112.5	54.0	305.2

Outstanding PFI liability

31 March 2025		31 March 2026
£m		£m
(118.5)	Balance outstanding at start of year	(123.8)
8.9	Payments during the year	9.1
(14.2)	IFRS 16 transition adjustment	0.0
(123.8)	Balance outstanding at year end	(114.7)

Note 29 – IFRS 16 Leases

Council as lessor – finance leases

Finance lease debtor

31 March 2025		31 March 2026
£m		£m
1.3	Current	1.3
23.2	Non-current	21.8
8.1	Unearned finance income	7.3
32.6	Gross investment in the finance lease	30.4

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 2025			31 March 2026	
Gross investment	Minimum lease payments		Gross investment	Minimum lease payments
£m	£m		£m	£m
2.2	1.3	Not later than one year	2.2	1.3
8.9	5.7	Later than one year and not later than 5 years	9.0	5.9
21.5	17.5	Later than 5 years	19.2	15.9
32.6	24.5	Total	30.4	23.1

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 IFRS 16 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 2025		31 March 2026
£m		£m
2.5	Depreciation expense on right-of-use assets	0.0
11.7	Interest expense on lease liabilities	0.0
18.6	Expense relating to low value, short-term leases	0.0
32.8	Total	0.0

Note 30 - Reserves

Usable reserves

31 March 2025		31 March 2026
£m		£m
(56.0)	General fund	(66.3)
(303.2)	Earmarked reserves	(306.5)
(76.2)	School reserves	(66.4)
(435.4)	Total earmarked reserves	(439.2)
(188.3)	Capital grants unapplied reserve ¹	(189.7)
(18.3)	Capital receipts reserve	(17.4)
(642.0)	Total usable reserves	(646.3)

¹ Restated to adjust for unadjusted misstatement in 2024/25

Unusable reserves

31 March 2025		31 March 2026
Restated ¹		
£m		£m
(5.3)	Financial instruments adjustment account	(25.2)
349.9	Financial instruments revaluation reserve	356.2
(873.5)	Revaluation reserve ¹	(984.4)
(849.0)	Capital adjustment account ¹	(980.7)
137.2	Pensions reserve	123.1
(5.8)	Collection fund adjustment account ¹	(3.5)
9.7	Accumulated absences adjustment account	8.4
(0.6)	Business rates collection fund adjustment account	(0.8)
22.4	Dedicated Schools Grant adjustment account	101.6
(1,215.0)	Total	(1,405.2)

¹ Restated to adjust for unadjusted misstatement in 2024/25

Financial instruments adjustment account

2024/25		2025/26
£m		£m
35.3	Balance at 1 April	(5.3)
(40.6)	Proportion of premiums incurred in previous financial years to be charged against general fund balance	(19.9)
(5.3)	Balance at 31 March	(25.2)

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

2024/25		2025/26
£m		£m
313.3	Balance at 1 April	349.9
(0.6)	Amounts recycled to the surplus/deficit on the provision of services	(0.6)
37.2	Downward revaluation of investments not charged to the surplus/deficit on the provision of services	6.9
349.9	Balance at 31 March	356.2

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

2024/25 Restated ¹		2025/26
£m		£m
(666.4)	Balance at 1 April	(873.5)
(550.9)	Upward revaluation of assets	(211.3)
263.8	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	54.1
(287.1)	(Surplus) or deficit on the revaluation of non-current assets not posted to the surplus or deficit on the provision of services	(157.2)
15.5	Difference between fair value depreciation and historical cost depreciation	27.2
56.1	Accumulated gains on assets sold or scrapped	19.3
8.4	IFRS 16 peppercorn lease transition adjustment	0.0
80.0	Amount written off to the capital adjustment account	46.5
(873.5)	Balance at 31 March	(984.2)

¹ Restated to adjust for unadjusted misstatement in 2024/25

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

2024/25		2025/26
Restated ¹ £m		£m
(852.6)	Balance at 1 April ¹	(849.0)
	Reversal of items relating to capital expenditure charged to the comprehensive income and expenditure statement	
105.3	Charges for depreciation and impairment of non-current assets ¹	91.0
47.8	Revaluation losses/(gains) on property, plant and equipment including assets held for sale ¹	(79.5)
9.5	Amortisation of intangible assets	5.8
47.5	Revenue expenditure funded from capital under statute	44.5
103.3	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	44.4
(8.9)	Write down of PFI liability	(9.2)
(21.0)	IFRS 16 transition adjustments	12.5
(71.6)	Adjusting amount written out of the revaluation reserve ¹	(46.5)
(640.7)	Net written out amount of the cost of non-current assets consumed in the year ¹	(786.0)
	Capital financing applied in the year	
(164.5)	Capital grants and contributions credited to the comprehensive income and expenditure statement ¹	(147.6)
8.2	Application of capital grants to capital financing from the capital grants unapplied account	(1.4)
(4.1)	Application of capital receipts to capital financing from the capital receipts reserve	(8.1)
(34.2)	Statutory provision for the financing of capital investment charged against the general fund	(35.0)
(7.0)	Capital Contribution to LCDL	0.0
(6.7)	Capital expenditure charged against the general fund	(2.9)
(208.3)		(195.0)
(849.0)	Balance at 31 March ¹	(981.0)

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.

¹ Restated to adjust for unadjusted misstatement in 2024/25

Pensions reserve

2024/25		2025/26
£m		£m
197.6	Balance at 1 April	137.3
(74.2)	Re-measurement of the net defined benefit liability/(asset)	4.3
108.7	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	35.5
(94.8)	Employer's pension contributions and direct payments to pensioners payable in the year	(54.0)
137.3	Balance at 31 March	123.1

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

2024/25		2025/26
£m		£m
10.3	Balance at 1 April	9.7
(10.3)	Settlement or cancellation of accrual made at the end of the preceding year	(9.7)
9.7	Amounts accrued at the end of the current year	8.4
(0.6)	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	(1.3)
9.7	Balance at 31 March	8.4

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

2024/25		2025/26
£m		£m
0.0	Balance at 1 April	22.4
22.4	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	79.2
22.4	Balance at 31 March	101.6

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 1st April 2020 to 31st March 2026 must be transferred into the dedicated schools grant adjustment account and may not be charged to the revenue account. It is expected that the statutory override will be extended to 31st March 2028.

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:

2024/25		2025/26
£m		£m
(24.3)	Interest received	(14.6)
63.5	Interest paid	53.9

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

2024/25		2025/26
£m		£m
105.2	Depreciation	91.0
47.8	Impairment and downward/(upward) valuations	(79.6)
9.5	Amortisation of intangible assets	5.8
(27.2)	Increase/(decrease) in impairment for bad debts	(11.8)
(96.1)	Increase/(decrease) in creditors	200.3
128.7	(Increase)/decrease in debtors	9.1
(0.1)	(Increase)/decrease in inventories	0.1
60.7	Movement in pension liability	(18.5)
98.7	Carrying amount of non-current assets sold	44.5
(13.6)	Other non-cash items charged to the surplus or deficit on the provision of services	(3.4)
313.6	Total	237.5

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:

2024/25		2025/26
£m		£m
(2.4)	Proceeds from short term (not considered to be cash equivalents) and long term investments (includes investments in associates, joint ventures and subsidiaries)	(0.0)
1.9	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7.1)
(42.5)	Premiums or (Discounts) on the repayment of financial liabilities	(24.4)
(155.8)	Capital grants credited to the surplus on the provision of services	(150.3)
(198.8)	Total	(181.8)

Note 32 - Cash flows from investing activities

2024/25		2025/26
£m		£m
(164.1)	Purchase of property, plant and equipment, investment property and intangible assets	(157.9)
(522.0)	Purchase of short term and long term investments	(91.3)
(1.9)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7.1
638.8	Proceeds from the sale of short term and long term investments	91.4
157.6	Other capital grants and receipts from investing activities	162.8
108.4	Net cash flows from investing activities	12.1

Notes supporting the cash flow statement

Note 33 - Cash flows from financing activities

2024/25		2025/26
£m		£m
1,287.0	Cash receipts from short term and long term borrowing	869.7
(7.7)	Appropriation to/from Collection Fund Adjustment Account	2.3
(1,372.4)	Repayment of short term and long term borrowing	(931.8)
0.0	Other payments for financing activities	0.0
(8.9)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(9.2)
(102.0)	Net cash flows from financing activities	(69.0)

Note 34 - Reconciliation of liabilities arising from financing activities

	1 April 2025	Financing cash flows		Non-cash changes	31 March 2026
		Acquisitions	Repayments		
	£m	£m	£m	£m	£m
Long term borrowing	496.3	275.0	(30.0)	(372.9)	368.4
Short term borrowing *	559.7	594.7	(901.8)	334.0	586.6
PFI liabilities *	123.8	0.0	(9.2)	0.1	114.7
Total	1,179.8	869.7	(941.0)	(38.8)	1,069.7

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

	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	(8.9)	14.2	123.8
Total	1,304.0	1,287.1	(1,381.2)	(30.1)	1,179.8

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

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 2025/26 there were related party transactions totalling (£305,773) with the University Hospitals of Morecambe Bay NHS Foundation Trust, 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 2025/26 there were related party transactions totalling £ 2,051,204 to 21 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	*£
Other	5	1,223,904
Chair/Vice Chair/Trustee	10	95,602
Director	5	731,498
President	1	200

*This is the council's spend with the related parties

Lancashire County Pension Fund

2024/25		2025/26
£m		£m
4.9	Payments made during the year to Lancashire County Pension Fund	7.0
(1.3)	Income received during the year from Lancashire County Pension Fund	(1.3)
1.1	Amounts owed at the year end from Lancashire County Pension Fund	1.7
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.

Lancashire County Pension Fund 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 members of the pension fund and contributed £77.0 million to the fund in 2025/26.

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 and Director of Resources are 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 Executives' salary.

Other notes to the financial statements

Penna plc

2024/25		2025/26
£m		£m
0.7	Payments made during the year to Penna PLC	0.1

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

Allen Lane Recruitment

2024/25		2025/26
£m		£m
0.0	Payments made during the year to Allen Lane Recruitment	0.1

The council paid Allen Lane Recruitment for the provision of key management personnel.

Starfish Agency

2024/25		2025/26
£m		£m
0.0	Payments made during the year to Starfish Agency	0.1

The council paid Starfish Agency for the provision of key management personnel.

Other notes to the financial statements

Altech Group

2024/25		2025/26
£m		£m
0.0	Payments made during the year to Altech Group	0.1

The council paid Altech Group 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 Combined County Authority	N/A	Statutory Joint Governing Body
Lancashire Renewables Limited	87.5%	Subsidiary
Active Lancashire Limited	100%	Subsidiary
Lancashire Environmental Fund Limited	25%	Associate
Local Pensions Partnership Limited	50%	Joint venture
Lancashire Partnership Against Crime Limited	25%	Associate
Lancashire County Developments Limited	100%	Subsidiary
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 Combined County Authority (LCCA)

The Lancashire Combined County Authority is a statutory joint governance body bringing together Blackpool Council, Blackburn with Darwen Borough Council, and Lancashire County Council, working in partnership with the district councils across Lancashire.

2024/25		2025/26
£m		£m
0.0	Payments made during the year to LCCA	7.0
0.0	Income received during the year from LCCA	(0.1)
0.0	Amounts owed at the year end LCCA	0.0
0.0	Amounts owed at the year end to LCCA	0.0

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.

2024/25		2025/26
£m		£m
37.1	Payments made during the year to Lancashire Renewables Limited	38.7
(3.6)	Income received during the year from Lancashire Renewables Limited	(4.5)
(0.2)	Amounts owed at the year end from Lancashire Renewables Limited	0.4
0.4	Amounts owed at the year end to Lancashire Renewables Limited	(1.0)

Active Lancashire Limited

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

2024/25		2025/26
£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.

2024/25		2025/26
£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.

2024/25		2025/26
£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.

2024/25		2025/26
£m		£m
0.9	Payments made during the year to LCDL	0.9
(4.4)	Income received during the year from LCDL	(4.9)
0.1	Amounts owed at the year end from LCDL	0.2
(0.4)	Amounts owed at the year end to LCDL	0.0

Note 36 - Pooled budgets

Better care fund

2024/25		2025/26
£m	Funding provided to the pooled budget	£m
(20.7)	Lancashire County Council (Disabled facilities grant)	(22.2)
(123.8)	NHS Integrated Care Board	(126.3)
(144.5)	Total	(148.5)
	Expenditure met from the pooled budget	
46.0	Lancashire County Council (Social care)	36.8
77.8	NHS Integrated Care Board	89.5
20.7	Lancashire County Council (Disabled facilities grant)	22.2
144.5	Total	148.5
0.0	Net surplus/(deficit) arising on the pooled budget during the year	0.0

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

2024/25		2025/26
£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)
(123.3)	Total	(123.3)
	Expenditure met from the pooled budget	
184.9	Lancashire County Council	191.3
15.2	NHS Lancashire & South Cumbria Integrated Care Board	15.7
200.1	Total	207.0
76.8	Net (surplus)/deficit arising on the pooled budget during the year	83.7
70.9	Council share of the net (surplus)/deficit	77.3

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.

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

2024/25		2025/26
£m		£m
(12.7)	City deal *	(23.0)
(0.8)	LEP core activity funding	0.0
(4.7)	LEP Skills Projects	(0.9)
(18.2)	Total income	(23.9)

*The City deal total includes contributions of £13.0 million from Lancashire County Council in 2025/26

Expenditure

2024/25		2025/26
£m		£m
11.0	City deal	0.3
0.8	LEP core activity funding	0.2
4.4	LEP additional projects	0.3
16.2	Total expenditure	0.8

In 2025/26, expenditure totalling £2.108 million was spent on LCC schemes. (2024/25: £10.9 million)

Growing places

2024/25		2025/26
£m		£m
3.2	Payments out	6.4
(1.8)	Repayments	(1.8)
(0.2)	Loan interest	(0.3)
1.2	Total	4.3

Reserves

2024/25		2025/26
£m		£m
(17.1)	Balance at 1 April	(17.8)
(18.2)	Income	(23.9)
16.2	Expenditure	0.8
1.2	Growing places	4.3
0.0	Employment liabilities	0.0
0.0	Transfer of reserves	(0.2)
(17.8)	Balance at 31 March	(36.8)

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 other operating 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, ten schools transferred to academy status. The value of the disposals totalled £14.3 million.

School	Value
	£m
Applebee Wood Community Specialist School	6.1
Chadwick High School	2.5
Holy Family Catholic Primary School Ingol	0.0
McKee College House	0.9
St Charles' Roman Catholic Primary School	0.0
St John's Catholic Primary School Poulton-le-Fylde	0.2
St Maria Goretti Catholic Primary School	0.0
St Mary and St Michael's Catholic Primary School Garstang	0.0
Strike Lane Primary School Freckleton	2.3
Woodlea Junior School	2.3
Total	14.3

Note 39 – Events after the reporting period

The statement of accounts was authorised for issue by the Corporate Director of Finance (Section 151 Officer) on 24 June 2026. Events taking place after this date are not reflected in the financial statements or notes.

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.

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.

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.

Accounting Policies for Income & Expenditure

Accruals for Income and Expenditure Recognition

Income and Expenditure of 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.

Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest payable on borrowings is accounted for as expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where expenditure has been recognised but cash has not been paid, a creditor for the relevant amount is recorded in the balance sheet.

Taxation and non-specific grant income

To reflect that billing authorities act as agents for major preceptors in collecting their share of Council Tax and Non-Domestic Rating income, transactions and balances will be allocated between billing authorities and major preceptors. Thus, the risks and rewards that the amount of Council Tax and Non-Domestic Rates collected could vary from that predicted will be shared proportionately by the billing authorities and major preceptors.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

Revenue relating to such things as Council Tax and Non-Domestic Rates, are measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates. A debtor/creditor position between billing authorities and major preceptors is required to be recognised for the cash collected by the billing Council from Council Tax and Non-Domestic Rates debtors that belongs proportionately to the billing Council and the major preceptors. The effect of any bad debts written off, or movement in the impairment provision, are also shared proportionately.

Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Charges to revenue for non-current assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service,
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off,
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Employee benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and nonmonetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Service lines within the Comprehensive Income and Expenditure Statement but is then reversed out through the Movement in Reserves Statement, so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Provisions

Provisions are made where an event has taken place on or before the Balance Sheet date:

- that gives the authority a present obligation
- that probably requires settlement by a transfer of economic benefits or service potential, and
- where a reliable estimate can be made of the amount of the obligation.

If it is not clear whether an event has taken place on or before the Balance Sheet date, it is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the Balance Sheet date. The present obligation can be legal or constructive.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the authority has an obligation and are measured at the best estimate at the Balance Sheet

date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund balance to the capital adjustment account then reverses out the amounts charged so that there is no impact on the level of council tax.

Value added tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income.

Accounting policies for assets and liabilities

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid short-term investments that mature or are available for recall in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. They comprise call and business accounts.

In the Cashflow Statement, cash and cash equivalents are shown net of bank overdrafts and form an integral part of the council's cash management strategy.

Investment property (Group)

Investment properties are those assets that are used solely to earn rentals and/or for capital appreciation. They are not used for service delivery.

Investment properties are measured initially at cost and subsequently at fair value based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Investment properties are not depreciated, and an annual valuation programme ensures that they are held at highest and best use value at the balance sheet date. Gains and losses on revaluation and disposal are charged to the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

Rental income is credited to the financing and investment income line in the comprehensive income and expenditure statement.

Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund. The gains and losses are therefore reversed out of the general fund in the movement in reserves statement and posted to the capital adjustment account.

Other notes to the financial statements

Reserves

Usable reserves

The Council holds general fund reserves as a consequence of income exceeding expenditure, budgeted contributions to reserves or where money has been earmarked for a specific purpose. These reserves are set at a level appropriate to the size of the budget and the level of assessed risk.

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Unusable Reserves

The Council keeps a number of reserves in the Balance Sheet for technical accounting purposes for non-current asset - revaluations, financial instruments and employee benefits (Pension). Some are required to be held for statutory reasons; some are needed to comply with proper accounting practice.

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

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accrual's basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and, the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as a revenue expense when it is incurred.

Property, plant and equipment is recognised where the initial cost or value exceeds £10,000.

Measurement

Assets are initially recognised at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income and expenditure line of the comprehensive income and expenditure statement.

Where gains are credited to the comprehensive income and expenditure statement, they are reversed out of the general fund balance to the capital adjustment account in the movement in reserves statement.

Assets are then carried in the balance sheet using the following measurement bases:

Category	Measurement basis
Community assets and assets under construction	Depreciated historical cost
Surplus assets and investment properties	Fair value – highest and best
Operational property, plant and equipment	Current value - existing use value

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

For non-property assets, principally furniture and equipment, which have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Most assets are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end but as a minimum every five years. Low value assets below a materiality threshold are not revalued.

Valuations are undertaken internally by Lancashire County Council's estates service with valuations for specialist operational properties undertaken by external professional valuers.

Other notes to the financial statements

Valuations are provided as at 31 March and are undertaken by qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques.

Revaluation gains and losses

Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains, unless the gain reverses a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the comprehensive income and expenditure statement.

The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

Depreciation

Depreciation is an accounting estimate used to charge the cost of an asset to services over its useful economic life.

Depreciation is calculated on the following bases:

Category	Period over which assets are depreciated
Carriageways	20-30 years
Footways and cycle tracks	20-30 years
Structures (e.g. bridges)	120 years
Street lighting	40 years
Street furniture	20-50 years
Buildings	5-50 years
Vehicles, plant and equipment	10 years unless the life of the asset is considered to be less
IT equipment	7-10 years

Depreciation is not charged on land, community or heritage assets, as they do not have a determinable finite useful life. Assets under construction are not depreciated until they are available for use. Assets held for sale and investment properties are revalued every year and therefore depreciation is not charged on these assets.

Depreciation is calculated on a straight-line basis meaning that the asset's value reduces equally each year over its life.

Depreciation is charged from the month of acquisition until the month of disposal.

Depreciation is generally charged on buildings as a single asset. However, where an asset has major components, whose cost is significant in relation to the overall cost of the asset, and the lifetime of the component is significantly shorter than that of the asset, the major component is depreciated separately.

Other notes to the financial statements

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for the same way as revaluation losses.

Minimum revenue provision

The county council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual charge to revenue towards the reduction in its overall borrowing requirement, which is calculated on a prudent basis determined in accordance with statutory guidance. This contribution is known as the minimum revenue provision (MRP). Depreciation, revaluation and impairment losses and amortisations are replaced by the MRP in the earmarked reserves balance, by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement, for the difference between the two.

Non-current assets held for sale

Where it is highly probable that property assets will be disposed of within the next 12 months the asset is reclassified as assets held for sale. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of:

- Their carrying amount before they were classified as held for sale. In this case the carrying amount is adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale.
- Their recoverable amount at the date of the decision not to sell.

Disposal of assets

When an asset is disposed of, the carrying amount of the asset in the balance sheet is written off to the other operating expenditure line in the comprehensive income and expenditure statement, as part of the gain or loss on disposal. Receipts from disposal are credited to the same line in the comprehensive income and expenditure statement as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account.

The net loss or gain on disposal is not a charge against council tax, as the cost of property, plant and equipment is fully provided for under separate arrangements for capital financing. The gains and losses are therefore reversed out of the general fund in the movement in reserves statement

Other notes to the financial statements

and posted to the capital adjustment account (for any sale proceeds greater than £10,000) the capital receipts reserve.

Capital receipts can only be used to fund new capital investment or, be set aside to reduce the council's underlying need to borrow (the capital financing requirement). However, the flexible use of capital receipts allows revenue expenditure to be funded from capital receipts where it generates ongoing revenue savings or transforms service delivery to reduce costs.

Where a part of the highways network is replaced, an adaptation provided in a separate update to the Code assumes that from the introduction of the IFRS based Code when parts of an asset are replaced or restored the carrying amount of the derecognised part will be zero because parts of infrastructure assets are rarely replaced before the part has been fully consumed.

Heritage assets

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

The collection has an indeterminate life and is subject to appropriate conservation measures, therefore, depreciation is not charged on heritage assets.

The valuation of the county council's heritage assets has included a degree of estimation. With respect to the museum's collection, those assets considered to have a value of £50,000 or over have been identified and valued as separate items. The rest of the collection involves a large quantity of small value items for which is not considered economic to value each item

separately. Therefore, a sample of items was valued by the museums staff. The resulting value was then used to give an estimated value of the whole collection. It is considered that the result provides a fair reflection of the value of the county council's holding.

The county council has a detailed acquisitions and disposal policy, further information on which can be obtained from the county council. Disposals will not be made with the principal aim of generating funds.

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.

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

Other notes to the financial statements

Council's share of assets, liabilities, income, and expenditure recognised in the accounts.

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.

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

The liabilities of the Lancashire County Pension Fund attributable to the county council are included in the balance sheet on an actuarial basis using the projected unit method (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projected earnings for current employees.)

Liabilities are discounted to their value at current prices using a discount rate.

The assets of the local government pension fund attributable to the county council are included in the balance sheet at their fair value:

- Quoted securities – current bid market price.
- Unquoted securities – professional estimate of market value.
- Unitised securities – current bid price.
- Property – market value.

The change in the net pension liability is analysed into the following components:

Service costs:

Current service cost is the increase in liabilities as a result of years of service earned this year and is allocated in the comprehensive income and expenditure statement to the services for which the employees worked.

Past service cost is the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years this is charged to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement.

Net interest on the net defined benefit liability:

The expected increase in the present value of liabilities during the year as they move one year closer to being paid, offset by the interest on assets; which is the interest on assets held at the start of the year and cash flows occurring during the period. The result is debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

Other notes to the financial statements

Re-measurements:

These comprise the return on plan assets (excluding amounts included in net interest) and actuarial gains and losses. Actuarial gains and losses are the changes in the net pension liability, which arise because actuaries have updated their assumptions.

Re-measurements are charged to the pensions reserve as other comprehensive income and expenditure.

Contributions paid to the Lancashire County Pension Fund:

Cash paid as employer's contribution to the pension fund in settlement of liabilities; not accounted for as an expense.

Although pension costs are recognised in the Comprehensive Income and Expenditure Statement in accordance with IAS 19, statutory provisions require that the amount chargeable to the General Fund is limited to the employer contributions payable for the year. Accordingly, the difference between the IAS 19 accounting charges and the statutory amount is adjusted through the Movement in Reserves Statement via the Pensions Reserve so that these transactions have no impact on the General Fund balance.

The teachers' and NHS pension schemes

The arrangements for the teachers' and NHS scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

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.

Other notes to the financial statements

Note 41 – Prior period adjustments

The 2024/25 comparator figures have been adjusted for the new policy restructure of services between directorates in 2025/26 and the CIES report has been restated for minor organisational adjustments between services.

Adjustments to the comprehensive income and expenditure statement

	Gross expenditure original 2024/25	Balance adjustment	Gross expenditure restated 2024/25	Gross income original 2024/25	Balance adjustment	Gross income restated 2024/25	Net expenditure original 2024/25	Balance adjustment	Net expenditure restated 2024/25
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Adult services and health and wellbeing	838.2	(97.6)	935.8	(421.3)	102.6	(523.9)	416.9	5.0	411.9
Education and children's services	312.5	(39)	351.5	(76.8)	(3.9)	(72.9)	235.7	(42.9)	278.6
Place	467.6	81.8	385.8	(193.9)	(63.3)	(130.6)	273.7	18.5	255.3
Resources and chief executive services	192.1	54.9	137.2	(68.7)	(35.4)	(33.3)	123.4	19.5	104.0
Schools	1,329.9	(0.1)	1,330.0	(1,202.5)	0.0	(1,202.5)	127.4	(0.1)	127.5
Cost of services	3,140.3	0.0	3,140.3	(1,963.2)	0.0	(1,963.2)	1,177.1	0.0	1,177.3
Other operating income and expenditure (Note 5)	100.4	0.0	100.4	(3.1)	0.0	(3.1)	97.3	0.0	97.3
Financing and investment income and expenditure (Note 6)	86.8	0.0	86.8	(69.6)	0.0	(69.6)	17.2	0.0	17.2
Taxation and non-specific grant income and expenditure (Note 7)	0.0	0.0	0.0	(1,153.1)	0.0	(1,148.8)	(1,153.1)	4.5	(1,148.8)
(Surplus)/deficit on provision of services	3,327.5	0.0	3,327.5	(3,189.0)	0.0	(3,184.7)	138.5	4.5	143.0
(Surplus)/deficit on revaluation of non-current assets (Note 30)							(273.9)	(13.2)	(287.1)
Re-measurement of the net defined benefit pension liability/(asset) (Note 30)							(74.2)	0.0	(74.2)
(Surplus)/deficit on financial assets measured at fair value through other comprehensive income							36.6	0.0	36.6
Other comprehensive (income) and expenditure							(311.5)	(13.2)	(324.7)
Total comprehensive (income) and expenditure							(173.0)	(8.7)	(181.7)

¹ The 2024/25 figures have been assessed for restatement to reflect service movements between directorates.

Other notes to the financial statements

Adjustments to the movement in reserves statement

	General fund/ earmarked reserves original 2024/25	Balance adjustment	General fund/ earmarked reserves restated 2024/25	Unusable reserves original 2024/25	Balance adjustment	Unusable reserves restated 2024/25
	£m	£m	£m	£m	£m	£m
Balance at 1 April 2024	(486.0)	0.0	(486.0)	(961.4)	15.8	(977.2)
<u>Movement in reserves during 2024/25</u>						
Total comprehensive income and expenditure (Note 4)	138.5	0.0	138.5	(311.5)	0.2	(311.7)
Adjustment between accounting basis and funding basis under regulations (Note 13)	(88.0)	0.0	(88.0)	73.8	(0.1)	73.9
(Increase)/decrease in year	50.5	0.0	50.5	(237.7)	0.1	(237.8)
Balance at 31 March 2025	(435.5)	0.0	(435.5)	(1,199.1)	15.9	(1,215.0)

¹The 2024/25 figures have been assessed for restatement to reflect service movements between directorates.

Adjustments to the balance sheet

	Balance Original 2023/24	Balance Adjustment 2023/24	Balance restated 2023/24	Balance original 2024/25	Balance adjustment	Balance restated 2024/25
	£m	£m	£m	£m	£m	£m
Property, plant and equipment	3,490.0	(879.6)	2,610.4	2,821.8	8.4	2,830.3
Long term investment				194.9	6.8	201.7
Long term assets	3,854.2	(879.6)	2,974.6	3,093.5	15.2	3,108.8
Net assets	2,548.5	(879.6)	1,668.9	1,841.9	(15.2)	1,857.1
Unusable reserves	(1,841.0)	879.6	(961.4)	(1,199.1)	15.2	(1,214.3)
Total reserves	(2,548.5)	879.6	(1,668.9)	(1,841.9)	15.2	(1,857.1)

¹The 2024/25 figures have been assessed for restatement to reflect service movements between directorates.

Other notes to the financial statements

Adjustments to the cash flow statement

	Balance original 2024/25	Balance adjustment	Balance restated 2024/25
	£m	£m	£m
Net surplus/(deficit) on the provision of services	(138.5)	(4.5)	(143.0)
Adjustments to net surplus/deficit on the provision of services for non-cash movements	313.6	4.5	318.1
Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities	(198.8)	0.0	(198.8)
Net cash flows from operating activities	(23.7)	0.0	(23.7)
Investing activities	108.4	0.0	108.4
Financing activities	(102.0)	0.0	(102.0)
Net increase/(decrease) in cash or cash equivalents	(17.3)	0.0	(17.3)
Cash and cash equivalents at the beginning of the reporting period	68.5	0.0	68.5
Cash and cash equivalents at the end of the reporting period	51.2	0.0	51.2

¹The 2024/25 figures have been assessed for restatement to reflect service movements between directorates.

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 17: Property, plant and equipment
- Note 30: Reserves
- Group comprehensive income and expenditure statement
- Group movement in reserves statement
- Group balance sheet
- Group cash flow statement

Technical Annex



St Annes Pier

Financial instruments disclosure notes

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

2025/26

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	52.1	0.0	0.0	0.0	0.0	52.1
Loss on de-recognition	0.0	0.0	0.0	0.0	0.0	0.0
Impairment losses	0.0	0.0	4.9	0.0	0.0	4.9
Fees paid	0.9	0.0	0.0	0.0	0.0	0.9
Interest payable and similar charges	53.0	0.0	4.9	0.0	0.0	57.9
Interest income	0.0	0.0	(31.9)	(9.7)	(0.7)	(42.3)
(Increases)/decreases in fair value	0.0	0.0	0.0	0.0	0.1	0.1
Gain on de-recognition	0.0	0.0	0.0	(0.0)	0.0	(0.0)
Interest and investment income	0.0	0.0	(31.9)	(9.7)	(0.6)	(42.2)
Net impact on the surplus or deficit on provision of services	53.0	0.0	(27.0)	(9.7)	(0.6)	15.7
Amounts recycled to the surplus/deficit on the provision of services	0.0	0.0	0.0	(2.9)	0.0	(2.9)
Loss on revaluation	0.0	0.0	0.0	9.2	0.0	9.2
Impact on other comprehensive income	0.0	0.0	0.0	6.3	0.0	6.3
Net (gain)/loss for the year	53.0	0.0	(27.0)	(3.4)	(0.6)	22.0

Financial instruments disclosure notes

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
Interest payable and similar charges	63.3	0.0	19.4	0.2	0.0	82.9
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)
Interest and investment income	0.0	0.0	(48.7)	(18.9)	(2.2)	(69.8)
Net impact on the surplus or deficit on provision of services	63.3	0.0	(29.3)	(18.7)	(2.2)	13.1
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
Impact on other comprehensive income	0.0	0.0	0.0	36.7	0.0	36.7
Net (gain)/loss for the year	63.3	0.0	(29.3)	18.0	(2.2)	49.8

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 2025				31 March 2026		
Balance sheet value	Fair value	Fair value level		Fair value level	Balance sheet value	Fair value
£m	£m				£m	£m
			Financial assets held at fair value through other comprehensive income			
185.6	185.6	1	Corporate, covered and government bonds	1	166.2	166.2
0.0	0.0	1	Corporate bonds		0.0	0.0
16.4	16.4	2	LOBO loan investment	2	16.2	16.2
16.4	16.4		Total		16.2	16.2
2.1	2.0	2	Local authority bonds	2	2.1	2.0
23.2	20.5	2	Lease receivables	2	21.8	20.2
13.9	11.6	2	Long term loans to companies	2	13.9	11.3
39.2	34.1		Subtotal		37.8	33.5
241.2	236.1		Total		220.3	215.9
284.0			Assets for which fair value is not disclosed #		307.3	
525.2			Total financial assets		527.6	
23.2			Long term debtors		21.8	
201.7			Long term investments		182.3	
232.8			Short term debtors		209.4	
16.3			Short term investments		16.2	
51.2			Cash and cash equivalents		97.9	
525.2			Total financial assets		527.6	

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 2025				31 March 2026		
Balance sheet value	Fair value	Fair value level		Fair value level	Balance sheet value	Fair value
£m	£m				£m	£m
			Financial liabilities held at amortised cost			
(249.6)	(238.7)	2	Long term PWLB loans	2	(159.6)	(153.4)
(1.3)	(1.1)	2	Long term creditors	2	(1.3)	(1.1)
(241.8)	(92.5)	2	Long term loans	2	(203.8)	(77.4)
(5.0)	(5.0)	2	Other long term loans	2	(5.0)	(4.8)
0.0	0.0	2	PFI liabilities		0.0	0.0
(497.7)	(337.3)		Total financial liabilities held at amortised cost		(369.7)	(236.7)
(873.7)	0.0		Liabilities for which fair value is not disclosed		(920.0)	0.0
(1,371.4)	(337.3)		Total financial liabilities		(1,289.7)	(236.7)
(190.3)			Short term creditors		(218.7)	
(559.7)			Short term borrowings		(586.7)	
(10.0)			Other current liabilities		(13.7)	
(1.3)			Long term creditors		(1.3)	
(496.3)			Long term borrowing		(368.4)	
(113.8)			Other long term liabilities		(100.9)	
(1,371.4)			Total financial liabilities		(1,289.7)	

*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 2025		Credit rating	31 March 2026	
Long term	Short term		Long term	Short term
£m	£m		£m	£m
4.7	0.0	AAA	4.3	0.0
113.9	16.3	AA	108.3	0.0
13.5	0.0	A	2.1	16.2
55.7	0.0	BAA1	53.6	0.0
187.8	16.3	Total	168.3	16.2
13.9	0.0	Credit rating not applicable	13.9	0.0
201.7	16.3	Total investments	182.2	16.2
0.0	0.0	Accrued interest excluded	0.0	0.0
201.7	16.3	Total investments	182.2	16.2

The maximum single commercial exposure is to EDF 01/23/2114 bonds at £54 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 2026. Most of the investments held were not below Moody's AA level except for the EDF bonds showing as BAA1.

In 2025/26 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
Balance at 1 April 2025	(30.2)	(30.2)
Impairment allowance for trade debtors	(4.9)	(4.9)
Balance at 31 March 2026	(35.1)	(35.1)

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 – 2025/26

	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	(586.7)	(8.4)	(71.2)	(55.0)	(233.8)	(955.0)
PFI liabilities	(13.7)	(7.3)	(36.1)	(57.5)	0.0	(114.7)
Creditors and other liabilities	(218.7)	0.0	(1.3)	0.0	0.0	(220.0)
Total financial liabilities	(819.1)	(15.7)	(108.6)	(112.5)	(233.8)	(1,289.7)
Liquidity financial assets	59.0	0.0	0.0	2.1	182.4	243.6
Net liquidity risk	(760.1)	(15.7)	(108.6)	(110.4)	(51.4)	(1,046.1)

Financial instruments disclosure notes

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)
Short-term liabilities for short investments	0.0	0.0	0.0	0.0	0.0	0.0
Total financial liabilities	(760.0)	(123.2)	(58.6)	(126.2)	(303.5)	(1,371.5)
Liquidity financial assets	0.0	0.0	0.0	2.1	202.0	204.1
Net liquidity risk	(760.0)	(123.2)	(58.6)	(124.1)	(101.5)	(1,167.4)

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 – 2025/26

	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	(605.7)	(19.1)	(94.9)	(83.8)	(333.6)	(1,137.0)
PFI liabilities	(15.0)	(17.8)	(51.7)	(44.5)	0.0	(129.0)
Creditors and other liabilities	(218.7)	0.0	(1.3)	0.0	0.0	(220.0)
Total financial liabilities	(839.4)	(36.9)	(147.9)	(128.3)	(333.6)	(1,486.0)
Liquidity financial assets	65.5	6.5	19.4	32.3	682.5	806.2
Net liquidity risk	(773.8)	(30.4)	(128.5)	(96.0)	348.9	(679.8)

Financial instruments disclosure notes

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)
Short-term liabilities for short investments	0.0	0.0	0.0	0.0	0.0	0.0
Total financial liabilities	(789.9)	(138.3)	(112.4)	(158.1)	(453.0)	(1,651.7)
Liquidity financial assets	34.0	7.1	21.2	35.3	717.2	814.8
Net liquidity risk	(755.9)	(131.2)	(91.2)	(122.8)	264.2	(836.9)

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.

	2025/26
	£m
Increase in interest payable on variable rate borrowings	3.5
Increase in interest receivable on variable rate investments	(0.6)
Decrease in fair value of traded investments	2.4
Decrease in fair value of borrowings held for trading	0.0
Impact on surplus on the provision of services	5.3
Decrease in fair value of fixed rate other comprehensive income investment assets	34.8
Impact on other comprehensive income and expenditure	40.1
Decrease in fair value of fixed rate loans and investments	2.5
Decrease in fair value of fixed rate borrowings	(26.2)

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

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 2026	Contractual rates 2025/26	Average rate paid 2025/26	Years to maturity at 31 March 2026
	£m	%	%	
Long term borrowing				
Fixed rate funding:				
Public works loan board	(159.6)	4.250 to 4.550	4.403	1 year to 15 years
Long term bonds	(203.8)	1.625	1.625	34 years
Other long term loans	(5.0)	3.800	3.800	6 years
Total fixed rate funding	(368.4)			
Salix funding	0.00	0.000	0.000	0.000
Total long-term borrowing	(368.4)			
Fixed rate Funding:				
Public works loan board	(335.0)	4.360 to 4.830	4.559	Less than 1 year
Other market loans	(200.5)	4.200 to 4.700	4.404	Less than 1 year
Accrued interest	(11.2)			
Total fixed rate funding	(546.7)			
Variable rate funding:				
Shared investment scheme	(16.7)	3.500	3.812	Less than 1 year
Salix funding	(0.1)	0.000	0.000	Less than 1 year
Other variable funding	(23.2)	3.500 to 3.900	3.866	Less than 1 year
Total variable funding	(40.0)			
Total short term borrowing	(586.7)			
Total borrowing	(955.1)			

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 2026 the fair value represented in the comprehensive income and expenditure statement recognised an overall loss of £0.1 million. This related to a LOBO loan investment with another local authority and were valued at 31 March 2026, 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	0.1	0.1

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

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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

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.

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 2025/26 (April-March) £109.4 million was paid to the Department for Education for teachers' pension costs. This represents 32.1% of teachers' pensionable pay (2024/25 £93.6 million and 30.7%).
- In 2025/26, the council paid £0.1 million to the NHS Pension Scheme in respect of former NHS staff retirement benefits representing 16% of pensionable pay (2024/25: £0.1 million and 16%).

- The council is also responsible for all discretionary pension payments awarded to teachers, together with related increases. In 2025/26, these amounted to £8.4 million, representing 2.5% of pensionable pay (2024/25: £9.1 million and 2.7%).

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 £42.0 million (2024/25: £74.2 million gain) was included. The cumulative amount of actuarial gains and losses recognised in the comprehensive income and expenditure statement is a £1,978.8 million gain.

Post-employment benefit disclosure notes

Transactions relating to retirement benefits

	Local Government Pension Scheme		Teachers' Pension Scheme	
	2025/26	2024/25	2025/26 Est	2024/25
	£m	£m	£m	£m
Comprehensive income and expenditure statement				
Cost of services				
Current service cost	67.0	94.0	0.0	0.0
Past service cost	0.0	0.0	0.0	0.0
(Gain)/loss from settlements and curtailments	8.1	7.8	0.0	0.0
Administration expenses	3.5	3.3	0.0	0.0
Financing and investment income and expenditure				
Interest on asset ceiling	89.5	53.0	0.0	0.0
Net Interest expense	(88.9)	(52.2)	3.3	3.3
Total post-employment benefit charged to the surplus or deficit on the provision of services	79.2	105.9	3.3	3.3
Re-measurement of the net defined benefit liability:				
Return on plan assets (excluding the amounts included in net interest expense)	185.5	74.1	0.0	0.0
Experience (gains)/losses on liabilities	26.9	(4.4)	(0.1)	(0.1)
Actuarial (gains)/losses arising on changes in financial assumptions	(48.7)	(536.6)	(3.1)	(3.1)
Actuarial (gains)/losses arising on changes in demographic assumptions	(16.4)	(11.4)	(0.3)	(0.3)
Impact of asset ceiling	(185.9)	407.7	0.0	0.0
Total re-measurement recognised in other comprehensive income	(38.6)	(70.7)	(3.5)	(3.5)
Total post-employment benefit charged to the comprehensive income and expenditure statement	40.6	35.3	(0.2)	(0.2)
Movement in reserves statement				
Reversal of net charges made to the (surplus)/deficit on the provision of services for post-employment benefits in accordance with the Code	79.2	105.9	3.3	3.3
Actual amount charged against the general fund balance for pensions in the year				
Employers' contributions payable to the scheme (excluding early payments)	44.9	39.4	9.1	9.1

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:

2024/25			2025/26	
Local government pension scheme	Teachers' pension scheme		Local government pension scheme	Teachers' pension scheme Estimate
£m	£m		£m	£m
4,916.9	0.0	Fair value of plan assets	4,896.6	0.0
(3,402.5)	(62.9)	Present value of the defined benefit obligation	(3,474.4)	(62.9)
(1,542.8)	0.0	Impact of asset ceiling	(1,446.4)	0.0
(28.4)	(62.9)	Net asset/(liability) arising from defined benefit obligation	(24.2)	(62.9)

Reconciliation of the movements in fair value of the scheme assets

2024/25		2025/26
£m		£m
4,875.7	Opening balance as at 1 April	4,916.9
(74.1)	Re-measurement (assets)	(185.5)
236.1	Interest on plan assets	281.8
(3.3)	Admin expenses	(3.5)
(20.9)	Settlements	(14.8)
39.4	Employer contributions (including early payments)	44.9
33.6	Contributions from scheme participants	35.5
(169.6)	Benefits/transfers paid	(178.6)
4,916.9	Closing balance as at 31 March	4,896.7

Post-employment benefit disclosure notes

Reconciliation of present value of the scheme liabilities

2024/25			2025/26	
Funded liabilities	Unfunded liabilities ¹		Funded liabilities	Unfunded liabilities ¹
£m	£m		£m	£m
3,793.5	104.8	Opening balance as at 1 April	3,374.0	91.3
94.0	0.0	Current service cost	67.0	0.0
182.3	4.8	Interest on pension liabilities	191.4	4.9
33.6	0.0	Contributions from scheme participants	35.5	0.0
(166.0)	(12.7)	Benefits/transfers paid	(175.1)	(12.6)
(13.0)	0.0	Curtailments/settlements cost	(6.7)	0.0
(4.4)	(0.2)	Experience gains/(losses) on liabilities	29.0	(2.2)
(534.7)	(5.0)	Actuarial gains/(losses) arising from changes in financial assumptions	(48.5)	(3.3)
(11.3)	(0.4)	Actuarial gains/(losses) arising from changes in demographic assumptions	(16.3)	(0.4)
3,374.1	91.3	Closing balance as at 31 March	3,450.3	77.7

¹The 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 2025	Asset category	Quoted in active markets (Y/N)	31 March 2026
£m			£m
	Equities:		
4.9	Financials	Y	4.9
	Bonds:		
0.0	UK corporate	Y	0.0
4.9	Overseas corporate	N	0.0
	Property:		
0.0	Offices	N	0.0
29.5	Industrial/warehouse	N	38.5
9.8	Shops	N	10.7
19.7	Multi let commercial building	N	18.8
	Alternatives:		
0.0	UK private equity	N	0.0
302.2	Overseas private equity	N	264.4
653.4	Infrastructure	N	673.9
789.9	Credit funds	N	923.8
265.3	Pooled fixed income	N	306.1
335.9	Indirect property funds	N	396.0
0.1	UK pooled equity	N	2.2
2,428.4	Overseas pooled equity funds	N	2,208.4
	Cash:		
62.6	Cash accounts	N	38.1
10.3	Net current assets/(liabilities)	N	10.7
4,916.9	Total assets		4,896.5

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.

2024/25		2025/26
Mortality assumptions		
Longevity at 65 for current pensioners		
22.3 years	Male	22.1 years
25.4 years	Female	25.1 years
Longevity at 65 for future pensioners		
21.1 years	Male	21.0 years
23.6 years	Female	23.6 years
Financial assumptions		
2.6%	Rate of CPI inflation	2.9%
4.1%	Rate of increase in salaries	4.4%
2.7%	Rate of increase in pensions	3.0%
5.8%	Rate for discounting scheme liabilities	6.2%

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%)	(222.4)	(9.6)	(22.2)
Rate of inflation (increase by 0.25%)	116.9	5.3	7.4
Rate of increase in pay growth (increase by 0.25%)	13.1	0.0	0.9
1 year increase in life expectancy	71.8	1.6	4.6
Change in investment returns (increase by 1%)	(48.5)	0.0	(3.0)
Change in investment returns (decrease by 1%)	48.5	0.0	3.0

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 2026 are £77.0 million.



Group accounts and explanatory notes

Preston Docks

Photo: Michael J P

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

2024/25				2025/26		
Gross expenditure	Gross income	Net expenditure		Gross expenditure	Gross income	Net expenditure
£m	£m	£m		£m	£m	£m
935.8	(523.9)	411.9	Adult services and health and wellbeing ¹	970.5	(532.6)	437.9
351.5	(72.9)	278.6	Education and children's services ¹	394.0	(74.0)	320.0
389.7	(134.5)	255.3	Place ¹	289.1	(143.5)	146.3
137.3	(33.3)	104.0	Resources and chief executive services ¹	127.5	(48.9)	78.6
1,330.0	(1,202.5)	127.5	Schools ¹	1,424.2	(1,286.0)	138.2
3,144.3	(1,967.1)	1,177.3	Cost of services	3,206.0	(2,085.0)	1,121.0
100.4	(3.1)	97.3	Other operating income and expenditure ¹	45.8	(12.1)	33.7
86.6	(72.7)	13.9	Financing and investment income and expenditure ¹	61.7	(45.9)	15.8
0.0	(1,148.8)	(1,148.8)	Taxation and non-specific grant income	0.0	(1,222.6)	(1,222.6)
3,331.3	(3,191.6)	139.7	(Surplus)/deficit on provision of services	3,313.5	(3,365.6)	(52.1)
0.8	0.0	0.8	Taxation on profit on ordinary activities (Note 6)	0.0	0.0	0.0
3,331.2	(3,191.6)	140.5	Group (surplus)/deficit ¹	3,313.5	(3,365.6)	(52.1)
		(273.9)	(Surplus)/deficit on revaluation of non-current assets ¹			(157.2)
		(74.2)	Remeasurement of the net defined benefit pension liability/(asset)			4.3
		36.6	(Surplus)/deficit on financial assets measured at fair value through other comprehensive income			6.3
		(311.5)	Other comprehensive income and expenditure ¹			(146.6)
		(171.0)	Total comprehensive income and expenditure ¹			(198.7)

¹ The 2024/25 figures have been assessed for restatement to reflect structural Directorate changes. The adjustments are shown in detail in Note 41 – Prior period adjustments.

Group movement in reserves statement

2025/26

	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
Balance at 1 April 2025	(435.4)	(18.3)	(188.3)	(642.0)	(1,215.0)	(1,857.0)	(70.0)	(1,927.0)
<u>Movement in reserves during 2025/26</u>								
Total comprehensive income and expenditure	(47.9)	0.0	0.0	(47.9)	(146.6)	(194.5)	(4.2)	(198.7)
Adjustment between accounting basis and funding basis under regulations	44.1	0.9	(1.4)	43.6	(43.6)	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
(Increase)/decrease in year	(3.8)	0.9	(1.4)	(4.3)	(190.2)	(194.5)	(4.2)	(198.7)
Balance at 31 March 2026	(439.2)	(17.4)	(189.7)	(646.3)	(1,405.2)	(2,051.5)	(74.2)	(2,125.7)

2024/25

	General fund / earmarked reserves restated ¹	Capital receipts reserve restated ¹	Capital grants unapplied	Total usable reserves restated ¹	Unusable reserves restated ¹	Total reserves of the council restated ¹	Reserves of subsidiaries	Total reserves restated ¹
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2024 ¹	(490.4)	(24.3)	(196.5)	(711.2)	(977.2)	(1,688.4)	(67.6)	(1,756.0)
<u>Movement in reserves during 2024/25</u>								
Total comprehensive income and expenditure ¹	143.0	0.1	0.0	143.0	(311.5)	(168.6)	(2.4)	(171.0)
Adjustment between accounting basis and funding basis under regulations ¹	(88.0)	5.9	8.2	(73.9)	73.9	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	0.00	0.0
(Increase)/decrease in year	55.0	6.0	8.2	69.1	(237.8)	(168.6)	(2.4)	(171.0)
Balance at 31 March 2025	(435.4)	(18.3)	(188.3)	(642.0)	(1,215.0)	(1,857.0)	(70.0)	(1,927.0)

¹ The 2024/25 figures have been assessed for restatement to reflect structural Directorate changes. The adjustments are shown in detail in Note 41 – Prior period adjustments.

Group balance sheet

31 March 2025 restated ¹		Note	31 March 2026
£m			£m
2,830.3	Property, plant and equipment		3,067.4
28.7	Heritage assets		28.7
88.2	Investment properties	8	92.3
14.0	Intangible assets		9.4
189.8	Long term investments		170.1
34.1	Long term debtors		32.2
3,185.1	Long term assets ¹		3,400.0
17.6	Short term investments		17.1
4.6	Inventories		4.5
311.2	Short term debtors		271.0
29.1	Payments in advance		31.9
51.9	Cash and cash equivalents		97.9
414.4	Current assets		422.4
(557.5)	Short term borrowing		(583.0)
(254.9)	Short term creditors		(294.4)
(15.8)	Other receipts in advance		(17.7)
(9.3)	Short term provisions		(134.8)
(72.2)	Government grants receipts in advance		(7.8)
(10.0)	Other current liabilities		(13.7)
(919.7)	Current liabilities		(1,051.4)
(40.5)	Long term provisions		(40.9)
(9.4)	Deferred tax liability	9	(9.4)
(496.3)	Long term borrowing		(368.4)
(1.3)	Other long term creditors		(1.3)
(205.3)	Other long term liabilities		(225.3)
(752.8)	Long term liabilities		(645.3)
1,927.0	Net assets		2,125.7
(642.0)	Usable reserves	10	(646.3)
(1,215.0)	Unusable reserves	10	(1,405.2)
(70.0)	Subsidiary reserves	10	(74.2)
(1,927.0)	Total reserves		(2,125.7)

¹ The 2024/25 figures have been restated to reflect structural Directorate Changes. The adjustments are shown in detail in Note 41 – Prior period adjustments.

Group cash flow statement

2024/25 restated ¹		Note	2025/26
£m			£m
(140.5)	Net surplus/(deficit) on the provision of services ¹		52.1
320.4	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements ¹	11	232.2
(198.8)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	11	(181.8)
(18.9)	Net cash flows from operating activities		102.5
109.1	Investing activities	12	13.0
(102.5)	Financing activities	13	(69.5)
(12.3)	Net increase/(decrease) in cash or cash equivalents		46.0
64.2	Cash and cash equivalents at the beginning of the reporting period		51.9
51.9	Cash and cash equivalents at the end of the reporting period		97.9

¹ The 2024/25 figures have been restated to reflect structural Directorate Changes. 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 2026 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 Combined Authority	N/A	Statutory Joint Governing Body
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

2024/25		2025/26
£000		£000
	Fees in respect of Lancashire County Council	
362.1	Fees incurred with regard to external audit services provided by Grant Thornton	372.2
15.0	Fees incurred for certification work undertaken by Grant Thornton	13.1
3.0	Fees incurred for other audit work undertaken by Grant Thornton	0.0
0.8	Fees payable in respect of other services provided by Grant Thornton	10.0
3.0	Fees payable in respect of additional prior year statutory audit work	15.9
383.9	Total fees for Lancashire County Council	411.2
	Fees in respect of Lancashire County Developments Limited	
29.5	Fees incurred with regard to external audit services provided by Beever and Struthers	30.5
7.3	Fees payable in respect of other services provided by Beever and Struthers during the year	4.9
36.8	Total fees for Lancashire County Developments Limited	35.4
420.7	Total	446.6

Note 6 - Group taxation

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

2024/25		2025/26
£m		£m
0.0	Deferred tax: origination and reversal of timing differences	*
0.8	Capital gains	*
0.8	Total deferred tax	*
0.8	Taxation on profit on ordinary activities	*

* The group taxation figures have not yet been finalised.

Note 7 - Group transfers to and from earmarked reserves

	Balance at 31 March 2024	Transfers out 2024/25	Transfers in 2024/25	Balance at 31 March 2025	Transfers out 2025/26	Transfers in 2025/26	Balance at 31 March 2026
	£m	£m	£m	£m	£m	£m	£m
Total earmarked reserves of the council	(486.0)	220.1	(169.5)	(435.4)	108.5	(112.2)	(439.1)
Capital funding reserve	(15.6)	7.0	0.0	(8.6)	0.0	0.0	(8.6)
Profit and loss account	(21.9)	0.0	0.2	(21.7)	0.0	0.0	(21.7)
Total revenue and capital reserves of the subsidiary	(37.5)	7.0	0.2	(30.2)	0.0	0.0	(30.3)
Total reserves	(523.5)	227.1	(169.3)	(465.6)	108.5	(112.2)	(469.4)

Note 8 – Group investment properties

2024/25		2025/26
£m		£m
(5.6)	Rental Income from investment property	(5.7)
2.1	Direct operating expenses arising from investment property	2.2
(3.5)	Total	(3.5)

2024/25		2025/26
£m		£m
84.7	Balance as at 1 April	88.2
0.0	Additions	0.0
0.0	Disposals	0.0
3.5	Net gains/(losses) from fair value adjustments	4.2
88.2	Balance as at 31 March	92.3

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.

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 2025/26 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 2025			Property type	31 March 2026		
Balance sheet value	Fair value	Fair value level		Fair value level	Balance sheet value	Fair value
£m	£m				£m	£m
88.2	88.2	3	Commercial units	3	92.3	92.3
88.2	88.2		Total		92.3	92.3

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 2026 £m	Valuation technique	Unobservable inputs	%
Lancashire business park	78.0	Market rent	Net initial yield	6.1
			Reversionary yield	8.9
			Nominal equivalent yield	7.9
			True equivalent yield	8.2
White Cross business park	14.3	Market rent	Net initial yield	8.3
			Reversionary yield	12.0
			Nominal equivalent yield	10.5
			True equivalent yield	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

2024/25		2025/26
£m		£m
(8.6)	Balance as at 1 April	(9.4)
(0.8)	Charge for the year	*
(9.4)	Balance as at 31 March	(9.4)

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

* The group taxation figures have not yet been finalised.

Note 10 - Group reserves

The total usable reserves are shown in the table below:

31 March 2025		31 March 2026
£m		£m
(56.0)	General fund	(66.3)
(303.2)	Earmarked reserves	(306.5)
(76.2)	School reserves	(66.4)
(435.4)	Total earmarked reserves of the council	(439.2)
(189.0)	Capital grants unapplied reserve	(189.7)
(18.3)	Usable capital receipts	(17.4)
(642.7)	Total usable reserves of the council	(646.3)
(30.2)	Reserves of the subsidiary	(30.3)
(672.9)	Total usable reserves of the group	(676.6)

Note 11 - Group cash flows from operating activities

The cash flows for operating activities include the following items:

2024/25		2025/26
£m		£m
(23.8)	Interest received	(14.1)
63.3	Interest paid	53.7

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

2024/25 restated ¹		2025/26
£m		£m
105.2	Depreciation ¹	91.0
47.8	Impairment and downward/(upward) valuations ¹	(79.6)
9.5	Amortisation of intangible assets	5.8
(26.4)	Increase/(decrease) in provision for bad debts	(11.9)
(96.6)	Increase/(decrease) in creditors	200.5
128.7	(Increase)/decrease in debtors	9.1
(0.1)	(Increase)/decrease in inventories	0.1
60.7	Movement in pension liability	(18.5)
98.7	Carrying amount of non-current assets sold	44.5
(7.1)	Other non-cash items charged to the surplus or deficit on the provision of services	(8.8)
320.5	Total ¹	232.2

¹ The 2024/25 figures have been restated to reflect structural Directorate Changes. 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:

2024/25		2025/26
£m		£m
(2.4)	Proceeds from short term (not considered to be cash equivalents) and long term investments (includes investments in associates, joint ventures and subsidiaries)	0.0
1.9	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7.1)
(42.5)	Premiums or (Discounts) on the repayment of financial liabilities	(24.4)
(155.8)	Capital grants credited to the (surplus)/deficit on the provision of services	(150.3)
(198.8)	Total	(181.8)

Note 12 - Group cash flows from investing activities

2024/25		2025/26
£m		£m
(164.1)	Purchase of property, plant and equipment, investment property and intangible assets	(157.9)
(522.6)	Purchase of short term and long term investments	(91.7)
(1.9)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7.1
640.1	Proceeds from the sale of short term and long term investments	92.7
157.6	Other capital grants and receipts from investing activities	162.8
109.1	Net cash flows from investing activities	13.0

Note 13 - Group cash flows from financing activities

2024/25		2025/26
£m		£m
1,286.5	Cash receipts from short term and long term borrowing	870.2
(7.7)	Appropriate to/from collection fund adjustment account	2.3
(1,372.5)	Repayment of short term and long term borrowing	(932.8)
0.0	Other receipts from financing activities	0.0
(8.9)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(9.2)
(102.5)	Net cash flows from financing activities	(69.5)

A landscape photograph of a hill with a stone tower on top, surrounded by grassy slopes and trees. The hill is covered in golden-brown grass, and the sky is a clear, pale blue. The tower is a small, square stone structure with a crenellated top. The foreground is filled with bare, brown trees and a wooden fence. The overall scene is a mix of natural and man-made elements in a rural setting.

Pension fund accounts and explanatory notes

Rivington
Photo: Pete Stuart

Pension fund accounts and explanatory notes

Lancashire County Pension Fund

Fund account for year ended 31 March 2026

2024/25		Note	2025/26
£m	Dealing with members, employers and others directly involved in the Fund		£m
248.2	Contributions	6	252.2
27.3	Transfers in from other pension funds	7	45.9
275.5	Additions from dealings with members		298.1
(411.4)	Benefits	8	(434.5)
(28.1)	Payments to and on account of leavers	9	(31.3)
(439.5)	Withdrawals from dealing with members		(465.8)
(164.0)	Net contributions (withdrawals) from dealings with members		(167.7)
(98.3)	Management expenses	10	(114.7)
(262.3)	Net withdrawals including fund management expenses		(282.4)
	Returns on investments		
234.8	Investment income	11	200.1
255.0	Profit and losses on disposal of investments and changes in the value of investments	13	379.8
489.8	Net return on investments		579.9
227.5	Net increase in the net assets available for benefits during the year		297.5
11,746.7	Opening net assets of the scheme		11,974.2
11,974.2	Closing net assets of the scheme		12,271.7

Pension fund accounts and explanatory notes

Net assets statement as at 31 March 2026

31 March 2025		Note	31 March 2026
£m			£m
11,694.1	Investment assets	13	12,028.3
261.5	Cash deposits & Cash Equivalents	13	223.5
11,955.6	Total net investments		12,251.8
26.9	Current assets	19	29.7
(8.3)	Current liabilities	20	(9.7)
11,974.2	Net assets of the fund available to fund benefits at the end of the reporting period		12,271.8

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 their certificate and opinion. It presents fairly the position of the Lancashire County Pension Fund as at 31 March 2026 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 2025/26 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.

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, as at 31 March 2026 were 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). From 1 April 2026, the LPPI Pool expanded to provide services to 9 LGPS Funds, requiring a change to the corporate structure from that date. Please see Note 2 – Events after the Reporting Date for further information. This does not affect the 2025/26 financial statements of the Fund.

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.

Pension fund accounts and explanatory notes

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 2026 is detailed in the following table:

31 March 2025	Lancashire County Pension Fund	31 March 2026
370	Number of employers with active members ¹	385
191	Number of ceased employers (no active members but some outstanding liabilities)	198
	Number of active scheme members²	
29,939	County Council	28,168
34,291	Other employers	34,842
64,230	Total	63,010
	Number of pensioners	
30,437	County Council	31,500
31,130	Other employers	32,298
61,567	Total	63,798
	Number of deferred pensioners²	
37,893	County Council	38,543
41,526	Other employers	40,226
79,419	Total	78,769
205,216	Total membership	205,577

¹ includes employers for whom admission to the Fund is in progress

² The 2025/26 active membership numbers include scheme members who are not actively contributing into the scheme. This may be due to a break in service or potentially in the process of being transferred to deferred leaver status. These are referred to as "pending leavers". In 2024-2025, the number of pending leavers were adjusted between the active and deferred membership numbers on the assumption that they were in the process of being transferred to deferred leaver status. Following the conclusion of a significant review of pending leavers during the year, no adjustment has been considered appropriate for 2025-2026.

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 2026. Employer contributions are set based on triennial actuarial funding valuations. The contributions in 2025/26 are based on the valuation at 31 March 2022. The latest valuation was at 31 March 2025 which set contributions for the three years commencing 1 April 2026.

Employer contribution rates for 2025/26 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
Pension	Each year worked is worth 1/80 th x final pensionable salary.	Each year worked is worth 1/60 th x final pensionable salary.	Each year worked is worth 1/49 th x the pensionable pay for that year (or 1/98 th of pensionable pay if member opts for the 50/50 section of the scheme).
Lump sum	Automatic lump sum of 3 x pension. 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.

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 2026. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in United Kingdom 2025/26* 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 2025/26*, 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 2026 but not yet adopted by the Code. There are no such accounting changes to be disclosed for 2025/26.

Events after the reporting period and Contingent Liabilities

Non adjusting events after the reporting period

Fund Investments

Following the end of the year the Fund has continued with investing activities in line with the Fund's investment strategy. In preparing the financial statements, certain private market and alternative investments reflect valuation data as at the 31 December 2025. Updated valuations as at 31 March 2026 will not be received until after the publication of these draft financial statements at which point the fund will assess whether any differences are material to the financial statements. Where appropriate, amendment's will be made in accordance with the Fund's materiality considerations and applicable accounting standards. Further information on the investment strategy can be found on the Fund's website at www.lancashirecountypensionfund.org.uk

Expansion of Investment Pool

Lancashire County Council is a shareholder in Local Pensions Partnership Ltd (LPPL) with the Pension Fund providing share capital to the company. At 31 March 2026, this company has two subsidiary companies, LPPA (providing administration services to 19 public sector pension funds across England) and LPPI (providing pooled investment services to 3 LGPS Funds) and LCC was a 50% shareholder in the company. From 1 April 2026, LPPI has expanded to service 9 LGPS Funds. To facilitate this, LPPI demerged from the LPPL Group and each of the 9 administering authorities of the Partner Funds became equal shareholders in its new parent company, LPPI Holdings Ltd ("LPPIH"). Consequently, LCPF now remains as a 50% shareholder in LPPL (with LPPA as its sole subsidiary) and a 1/9th shareholder in LPPIH.

Pension fund accounts and explanatory notes

Virgin Media Limited v NTL Pension Trustees II Limited (and others)

In June 2023, the High Court issued a judgment in the case of Virgin Media Limited v NTL Pension Trustees II Limited (and others) concerning the validity of historic pension scheme amendments made without the actuarial confirmation required under Section 37 of the Pension Schemes Act 1993. In July 2024, the Court of Appeal dismissed Virgin Media's appeal, upholding the High Court's conclusions. The case has potential implications for other UK defined benefit (DB) pension schemes, particularly those that were contracted out of the additional state pension between 6 April 1997 and 5 April 2016, including the Local Government Pension Scheme (LGPS).

As the LGPS actuary, the Government Actuary's Department (GAD) is undertaking a review to determine whether Section 37 certificates exist for all relevant amendments. While some certificates have been confirmed, the review remains incomplete at the date of these financial statements. HM Treasury has indicated that it does not believe the judgment applies directly to public service pension schemes, where benefit changes are typically made through legislation. However, until GAD's review is finalised or HM Treasury's position is formally confirmed, the Fund cannot determine whether there is any impact on the actuarial present value of promised retirement benefits under IAS 26, or whether such an impact can be reliably estimated.

On 5 June 2025, the Government acknowledged the uncertainty arising from the Court of Appeal's decision and confirmed its intention to legislate to allow affected pension schemes to retrospectively obtain the required actuarial confirmation for historic amendments. The Government stated that this legislation would ensure that scheme obligations remain unaffected. Based on this announcement, it is anticipated that there will be

no impact on the LGPS or the Fund as a result of the Court of Appeal's ruling.

On 29 April 2026, The Pensions Schemes Act 2026 received Royal Assent and includes provisions to deal with the Virgin Media Case. However, at the date of authorising these accounts the LGPS is waiting guidance from the Ministry of Housing Communities and Local Government (MHCLG) and the Scheme Advisory Board (SAB) on the next steps.

Accordingly, Lancashire County Pension Fund does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements or in Note 24 - the disclosure of the actuarial present value of promised retirement benefits in its 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's 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.

Pension fund accounts and explanatory notes

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.

Transfers to and from other schemes

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

Transfer values represent amounts received or 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.

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.

Pension fund accounts and explanatory notes

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.

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 2025/26, £23.0m of fees is based on such estimates (2024/25: £39.2m).

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

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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 2026 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”.

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 deposits and cash equivalents

Cash deposits comprise of 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. A variety of cash equivalents are used as part of the cash management policy to mitigate the risk of capital loss and to ensure prudent diversification.

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.

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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).

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

These financial statements do not contain any critical judgements in applying accounting policies.

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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 2026 for which there is a significant risk of material adjustment in the forthcoming year are set out in the following table.

Item	Uncertainties	Impact if actual results differ from assumptions
Private equity, infrastructure and environmental opportunities investments	Private equity, infrastructure and environmental opportunities 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.	The market value of Private equity, infrastructure and environmental opportunities investments in the financial statement's totals £2,408.1m (2024/25: £2,378.6m). Note 16 and 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks.
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.	The market value of long-term credit investments in the financial statements totals £2,380.7m (2024/25: £2,022.6m excluding investment in loans secured on real assets). 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 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.	Indirect property investments in the financial statements total £1,051.6m (2024/25: £852.2m). 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.

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<p>Actuarial present value of promised retirement benefits</p>	<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>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 £302m. A 0.5% increase in assumed earnings inflation would increase the value of the liabilities by approximately £70m and a 1-year increase in assumed life expectancy would increase the liabilities by approximately £178m.</p> <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) 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 and the court of appeal ruling on the Sergeant and McCloud cases although these are now largely allowed for within the figures), the Virgin Media court case (although the expectation is that there will be no impact here) and recent market volatility and tariffs. Further information can be found in note 24 to these accounts.</p>
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Note 6 - Contributions receivable

2024/25		2025/26
£m	By category	£m
83.5	Members	88.0
	Employers:	
154.0	Normal contributions ¹	163.7
6.1	Deficit recovery contributions ¹	(1.1)
4.6	Augmentation contributions ²	1.6
164.7	Total employers contributions	164.2
248.2	Total contributions receivable	252.2
	By type of employer	
73.9	County Council ¹	77.0
147.6	Scheduled bodies ¹	152.6
26.7	Admitted bodies	22.6
248.2		252.2

¹ 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.

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

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Note 7 - Transfers in from other pension funds

2024/25		2025/26
£m		£m
27.3	Individual transfers in from other schemes	45.9
27.3		45.9

Note 8 - Benefits payable

2024/25		2025/26
£m	By category	£m
326.7	Pensions	342.2
76.4	Commutation and lump sum retirement benefits	81.2
8.3	Lump sum death benefits	11.1
411.4	Total benefits payable	434.5
	By type of employer	
169.5	County Council	179.3
208.7	Scheduled bodies	219.0
33.2	Admitted bodies	36.2
411.4		434.5

Pension fund accounts and explanatory notes

Note 9 - Payments to and on account of leavers

2024/25		2025/26
£m		£m
1.0	Refunds to members leaving service	1.2
25.3	Individual transfers	30.1
1.8	Bulk transfers	0.0
28.1		31.3

Note 10 - Management expenses

2024/25		2025/26
£m		£m
6.0	Fund administrative costs	6.7
90.3	Investment management expenses	106.0
2.0	Oversight and governance costs ¹	2.0
98.3		114.7

¹Oversight and governance costs above include external audit fees which amounted to £136,003 (2024/25: £117,422). Additional fees of £3,300 were paid to the external auditor for IAS19 assurance work on behalf of Fund employers within the PSAA regime.

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Investment management expenses

31st March 2026

	Total	Management Fees ²	Performance Related fees	Transaction Costs ¹
	£m	£m	£m	£m
Pooled Investments	96.9	78.9	14.7	3.3
Pooled property investments	8.6	7.5	0.5	0.6
Property	0.3	0.3	0.0	0.0
Cash Deposits	0.1	0.1	0.0	0.0
	105.9	86.8	15.2	3.9
Custody Fees	0.1	0.1		
	106.0	86.9	15.2	3.9

31st March 2025

	Total	Management Fees ²	Performance Related fees	Transaction Costs ¹
	£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
	90.2	75.5	9.3	5.4
Custody Fees	0.1			
	90.3			

¹Transaction 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. ² 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.

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Note 11 - Investment income

2024/25		2025/26
£m		£m
0.5	Fixed interest securities	0.2
188.5	Pooled investment vehicles	151.3
29.9	Pooled property investments	31.5
8.8	Net rents from properties	9.7
7.1	Interest on cash deposits	7.4
234.8	Total investment income	200.1

Note 12 - Property income

2024/25		2025/26
£m		£m
12.7	Rental income	15.0
(3.9)	Direct operating expenses	(5.3)
8.8	Net income	9.7

Pension fund accounts and explanatory notes

Note 13 - Reconciliation of movements in investments

	Market value as at 1 April 2025	Purchases at cost	Sales proceeds	Change in market value	Market value as at 31 March 2026
	£m	£m	£m	£m	£m
Fixed interest securities	9.1	87.7	(67.1)	0.2	29.9
Pooled investment vehicles	10,662.2	594.6	(811.3)	324.2	10,769.7
Pooled property investments	852.2	152.5	(8.6)	55.6	1,051.7
Private equity	12.5	0.0	0.0	0.0	12.5
Direct property	150.6	23.4	(9.3)	(0.3)	164.4
	11,686.6	858.2	(896.3)	379.7	12,028.2
Cash deposits & Cash Equivalents	261.5				216.1
Loan Investments	0.0				0.0
Investment accruals	7.6				7.4
Net investment assets	11,955.7				12,251.7

	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	0.0	0.0	0.0	9.1
Pooled investment vehicles	10,558.6	486.9	(641.0)	257.7	10,662.2
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
	11,606.1	487.8	(662.3)	255.0	11,686.6
Cash deposits	70.3				261.5
Loan Investments	45.0				0.0
Investment accruals	8.0				7.6
Net investment assets	11,729.4				11,955.7

Pension fund accounts and explanatory notes

Investments analysed by fund manager

31 March 2025			31 March 2026	
£m	% of net investment assets		£m	% of net investment assets
Private equity investments				
692.9	5.8%	LPPI Private Equity Fund	687.4	5.6%
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	3.3	-
713.0	6.0%	Total private equity investments	703.2	5.7%
Long term credit investments				
2,007.3	16.8%	LPPI Credit Investments	2,370.0	19.4%
Credit investments managed outside of LPPI Credit Investments Fund				
10.1	0.1%	Neuberger Berman	5.7	-
2.9	-	Pimco Bravo	2.8	-
2.3	-	Bridgepoint	2.2	-
2,022.6	16.9%	Total long term credit investments	2,380.7	19.4%
Fixed income investments				
741.7	6.2%	LPPI Fixed Income Fund	893.6	7.3%
Liquid credit investments managed outside of LPPI Fixed Income Fund				
278.1	2.3%	LPPI internal and LCC Treasury Management	253.4	2.1%
1,019.8	8.5%	Total fixed income investments	1,147.0	9.4%
Global equity investments				
5,519.3	46.2%	LPPI Global Equities Fund	5,087.3	41.5%
5,519.3	46.2%	Total global equity investments	5,087.3	41.5%

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Infrastructure investments				
1,626.4	13.6%	LPPI Global Infrastructure Fund	1,665.2	13.6%
Infrastructure investments managed outside of LPPI Global Infrastructure Fund				
25.9	0.2%	Arclight Energy	21.8	0.2%
18.3	0.2%	Icon Infrastructure Partners	14.1	0.1%
4.8	-	Pike Petroleum Holdings LLC	4.2	-
2.1	-	Highstar Capital	2.1	-
0.6	-	Eastern Generation Holdings LLC	1.2	-
1,678.1	14.0%	Total infrastructure investments	1,708.6	13.9%
Diversifying strategy investments				
0.2	-	Select Market Access	-	-
0.2	-	Total diversifying strategies investments	-	-
Property investments				
<u>Directly held properties</u>				
150.6	1.3%	Knight Frank	164.5	1.3%
<u>Pooled property funds</u>				
Core property				
852.2	7.1%	LPPI Real Estate Fund	1,051.6	8.6%
1,003.2	8.4%	Total property investments	1,216.1	9.9%
Environmental Opportunities investments				
-	-	LPPI Environmental Opportunities Fund	8.8	0.1%
-	-	Total environmental opportunities investments	8.8	0.1%
11,956.2	100.0%	Net investment assets	12,251.7	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.

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Fixed interest securities

31 March 2025		31 March 2026
£m		£m
0.0	UK Gilts	29.9
9.1	Overseas corporate bonds/supernational bonds quoted	0.0
9.1		29.9

Pooled investment vehicles

31 March 2025		31 March 2026
£m		£m
	UK funds:	
741.7	Fixed income funds	893.6
159.2	Private equity	176.4
1,626.5	Infrastructure	1,665.2
2,007.3	Long term credit investments	2,370.0
852.2	Property funds	1,051.6
14.5	Diversifying strategies	0.2
0.0	Environmental Opportunities	8.8
	Overseas funds:	
541.4	Private equity	514.4
51.6	Infrastructure	43.4
15.4	Long term credit investments	10.7
5,519.3	Equity funds ¹	5,087.3
11,514.4		11,821.4

¹The LPPI Global Equities Fund includes UK equities.

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Direct property investments

31 March 2025		31 March 2026
£m		£m
136.3	UK – freehold	149.4
14.3	UK – long leasehold	15.1
150.6		164.5

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 2025		31 March 2026
£m		£m
145.4	Opening balance	
	Additions:	
0.0	Purchases	23.1
0.9	Subsequent expenditure	0.3
	Deductions:	
(9.0)	Disposals	(9.3)
13.3	Net increase/decrease in market value	(0.3)
150.6	Closing balance	164.4

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 is 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 2026, the Fund has the following future minimum lease payments due from tenants.

2024/25		2025/26
£m		£m
1.7	Leases expiring within one year	0.3
7.6	Leases expiring between one and five years	3.9
74.5	Leases expiring later than five years	82.7
83.8	Total future minimum lease payments receivable under existing non-cancellable leases	86.9

The above disclosures have been reduced by a credit loss allowance of 7.9% for the county portfolio and 15.9% for the national portfolio (2024/25: 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.

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Cash deposits

31 March 2025		31 March 2026
£m		£m
216.6	Sterling	215.8
44.9	Foreign currency	0.3
261.5		216.1

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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 2026

	Fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost
	£m	£m	£m
Financial assets			
Fixed interest securities	29.9	0.0	0.0
Loan investments & cash equivalents	0.0	160.0	0.0
Pooled investment vehicles	10,769.6	0.0	0.0
Pooled property investments	1,051.7	0.0	0.0
Directly held private equity	12.5	0.0	0.0
Cash deposits	0.0	56.1	0.0
Investment accruals	7.4	0.0	0.0
Debtors	0.0	29.7	0.0
Total financial assets	11,871.1	245.8	0.0
Financial liabilities			
Creditors	0.0	0.0	9.7
Total financial liabilities	0.0	0.0	9.7

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31 March 2025

	Fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost
	£m	£m	£m
Financial assets			
Fixed interest securities	9.1	0.0	0.0
Loan investments	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
Total financial assets	11,543.5	288.4	0.0
Financial liabilities			
Creditors	0.0	0.0	(8.3)
Total financial liabilities	0.0	0.0	(8.3)

Note 15 - Net gains and losses on financial instruments

The net gain on financial assets at fair value through profit and loss was £380.1m (2024/25: £241.6m gain). Note 13 outlines the change in Market Value of Fund Asset's, of which, £0.2m relates to unrealised losses and £380.3m 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 environmental opportunities 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.

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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.

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 2026

	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	5,094.6	923.5	5,853.0	11,871.1
Financial Assets at Amortised Cost ¹	76.1	160.0		236.1
Non-financial assets at fair value through profit and loss (property holdings) ¹			164.5	164.5
Net investment assets	5,170.7	1,083.5	6,017.5	12,271.7

¹Included to aid reconciliation to Total Net Investments figure in the Net Asset Statement

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	5,535.7	741.7	5,266.1	11,543.5
Financial Assets at Amortised Cost ¹	190.1	90.0	0.0	280.1
Non-financial assets at fair value through profit and loss (property holdings) ¹	0.0	0.0	150.6	150.6
Net investment assets	5,725.8	831.7	5,416.7	11,974.2

¹Included to aid reconciliation to Total Net Investments figure in the Net Asset Statement

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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 Savills (UK) Limited in accordance with Royal Institute of Chartered Surveyor's (RICS) Valuation Standards (9 th 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, Environmental Opportunities 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, public market comparables, private market transactions.	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 2026.

Description of asset	Assessed valuation range ¹	Value at 31 March 2026	Value on increase	Value on decrease
	(+/-)	£m	£m	£m
Private equity funds	10.1	703.2	774.4	632.0
Infrastructure funds	2.1	1,708.7	1,744.5	1,672.8
Long term credit	4.7	2,380.7	2,492.4	2,269.0
Diversifying strategies	10.1	8.8	9.7	7.9
Property/Property Funds	4.6	1,216.1	1,271.6	1,160.6
Level 3 investments	4.7	6,017.5	6,292.6	5,742.3

¹All 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
Market value 31 March 2025	713.0	1,678.1	2,022.5	1,002.8	0.0	5,416.4
Purchases during the year and derivative payments	50.4	69.6	215.0	175.9	9.4	520.3
Sales during the year and derivative receipts	(105.1)	(60.9)	(46.6)	(17.9)	(0.2)	(230.7)
Unrealised gains / (losses)	(4.8)	11.0	189.2	55.3	(0.3)	250.4
Realised gains	49.7	10.8	0.6	0.0	0.0	61.1
Market value 31 March 2026	703.2	1,708.6	2,380.7	1,216.1	8.9	6,017.5

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 2025/26 reporting period.

Asset type	Potential market movements (+/-)
Total bonds (including index linked)	5.1%
Total equities	10.1%
Alternatives	3.8%
Total property	4.6%

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 2026	Potential market movements (+/-) ¹	Potential value on increase	Potential value on decrease
	£m	%	£m	£m
Investment portfolio assets:				
Total equities	5,791	10.1	6,377	5,204
Alternatives	4,992	3.8	5,182	4,801
Total property	1,216	4.6	1,272	1,161
Total bonds (including index linked)	30	5.1	32	28
Total assets available to pay benefits²	12,029	4.7	12,863	11,940

¹The 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.

²The sensitivity table above excludes the cash and loan investments.

Pension fund accounts and explanatory notes

Asset type	31 March 2025	Potential market movements (+/-) ¹	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
Total assets available to pay benefits²	11,687	5.3	12,617	10,757

¹The 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.

²The sensitivity table above excludes the cash and loan investments.

Pension fund accounts and explanatory notes

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.

County Portfolio

Asset type	5.25%	5.75%	Asset value as at 31 March 2025 (NIY 6.23%)	6.75%	7.25%
	£m	£m	£m	£m	£m
Direct Property	157.2	142.8	131.2	120.4	111.5

National Portfolio

Asset type	4.00%	4.50%	Asset value as at 31 March 2026 (NIY 5.12%)	5.50%	6.00%
	£m	£m	£m	£m	£m
Direct Property	43.8	38.4	33.3	30.6	27.7

Pension fund accounts and explanatory notes

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 2025 and 31 March 2026 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

31 March 2025	Asset type	31 March 2026
£m		£m
261.5	Cash deposits and cash equivalents	216.1
261.5	Total	216.1

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	31 March 2026	Impact of	
		1% increase	1% decrease
	£m	£m	£m
Cash deposits and cash equivalents	216.1	2.2	(2.2)
Total change in assets available		2.2	(2.2)

Pension fund accounts and explanatory notes

Asset type	31 March 2025 £m	Impact of	
		1% increase £m	1% decrease £m
Cash deposits and cash equivalents	261.5	2.6	(2.6)
Total change in assets available		2.6	(2.6)

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 2026 and as at the previous year end.

31 March 2025 £m	Currency exposure – asset type	31 March 2026 £m
6,060.7	Overseas equities	5,601.7
67.1	Overseas alternatives	54.1
9.0	Overseas bonds (including index linked)	0.0
6,136.8	Total overseas assets	5,655.8

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 5.0%. A 5.0% 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 (2024/25: 6.1%).

A 5.0% 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 2026	Potential market movement +/- 5.0%	Value on increase	Value on decrease
	£m	£m	£m	£m
Overseas equities	5,601.7	280.4	5,882.1	5,321.3
Overseas alternatives	54.1	2.7	56.8	51.4
Total assets available to pay benefits	5,655.8	283.1	5,938.9	5,372.7

Currency exposure - asset type	Asset value at 31 March 2025	Potential market movement +/- 6.2%	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
Total assets available to pay benefits	6,136.8	376.0	6,512.8	5,760.8

Pension fund accounts and explanatory notes

The following table summarises the Fund's approximate currency exposure by currency:

Currency	Asset value at 31 March 2026	Potential market movement (+/-) ¹	Value on increase	Value on decrease
	£m	%	£m	£m
Canadian Dollar	15.5	4.5	16.2	14.8
Euro	137.6	3.3	142.1	133.1
Swedish Krona	0.8	6.3	0.9	0.8
US Dollar	414.6	6.8	442.9	386.3
Global Basket	5,087.3	5.0	5,340.9	4,833.7
Total Holdings in Foreign Currencies	5,655.8	5.0	5,943.0	5,368.7

¹The 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 2025	Potential market movement (+/-) ¹	Value on increase	Value on decrease
	£m	%	£m	£m
Canadian Dollar	15.3	5.0	16.1	14.5
Euro	159.4	4.2	166.1	152.6
Singapore Dollar	9.0	4.5	9.4	8.6
Swedish Krona	1.1	7.3	1.1	1.0
US Dollar	432.7	8.3	468.9	396.6
Global Basket	5,519.3	6.1	5,855.7	5,182.8
Total Holdings in Foreign Currencies	6,136.8	6.1	6,517.3	5,756.1

¹The 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 deposits and cash equivalents holding under its treasury management arrangements at 31 March 2026 was £216.1m (31 March 2025: £261.5m) and was held with the following institutions:

31 March 2025	Summary	Rating	31 March 2026
£m			£m
	Bank deposit accounts		
90.1	Northern Trust	A2	29.0
40.0	Svenska Handelsbanken	AA1	12.6
40.0	National Westminster Bank	A1	0.4
2.0	Santander	A1	15.0
	Cash equivalents		
10.0	Aberdeen Lux Sterling Liquidity Fund	AAA-MF	10.0
30.0	REPO	-	100.0
50.0	Loan Investments	-	50.0
	Cash float with property manager		
(0.6)	Barclays Bank Plc	A1	(0.9)
261.5	Total		216.1

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.

The Fund has financial liabilities of £9.7m at 31 March 2026, all of which 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 2025 to 31 March 2026 for Prudential and 1 September 2024 to 31 August 2025 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*.

AVC values or 2025/2026 have not been received from Utmost in time for the production of the draft financial statements.

31 March 2026

	Utmost Life and Pensions	Prudential	Total
	£m	£m	£m
Value at start of the year	0.3	44.9	45.2
Income (incl. contributions, bonuses, interest and transfers in)		12.7	
Expenditure (incl. benefits, transfers out and change in market value)		(9.7)	
Value at the end of the year		47.9	

Pension fund accounts and explanatory notes

Note 19 - Current assets

31 March 2025		31 March 2026
£m		£m
17.4	Contributions due – employers	19.3
7.1	Contributions due – members	7.4
2.4	Sundry debtors	3.0
26.9		29.7

Note 20 – Current liabilities

31 March 2025		31 March 2026
£m		£m
8.4	Accrued expenses	9.7
8.4		9.7

Note 21 - Contractual commitments

As at 31 March 2026 the commitments relating to outstanding call payments due to unquoted limited partnership funds held in the private equity, environmental opportunities and infrastructure part of the portfolio totalled £1,014.9m (2025: £490.8m). 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 £8.8m (2025: £8.4m). 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 (2025: £0m).

There are no outstanding commitments in relation to the pooled real estate fund (2025: £0m)

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 (2024/25: £1.3m) 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 £77.0m to the Fund in 2025/26. The council made an upfront payment of contributions for the 3-year period starting 1 April 2023 totalling £140.7m, of which, £47m relates to 2025/26. Total employer contributions from the Council in 2025/26 amounted to £41.6m. 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. As at 31 March 2026, LPP managed the investment and administration functions of the Fund, and the Fund made regular payments to LPP to cover investment management charges and scheme administration expenses. Payments made for the year to 31 March 2026 amount to £7.2m (2024/25: £6.4m). Structural changes within LPP from 1 April 2026 are referred to Note 2 but do affect the 2025/26 financial statements of the Fund.

The Fund has a private equity investment of £12.5m in the Local Pensions Partnership as at 31 March 2026.

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 2026 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 2025/26 regarding membership of, and transactions with such persons or their related parties. No related party transactions were identified during the year to 31 March 2026.

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:

2025/26

	Employment period	Salary ¹	Employer Pension contributions ¹	Total including pension contributions ¹
		£	£	£
Head of Fund	01/04/25 – 22/07/25 & 01/11/25 – 31/03/26	58,597	10,220	68,817
Director of Finance & Commerce	Contractor appointment	-	-	-
Chief Executive	01/04/25 – 31/03/26	5,236	805	6,041
Director of Resources	01/08/25 – 31/03/26	3,152	497	3,649

¹ The remuneration amount has been apportioned to the Fund on the basis of time spent on Fund work

² The remuneration detailed above includes staff employed directly by the Council and excludes contracted staff covering periods of vacancies.

2024/25

	Employment period	Salary ¹	Employer Pension contributions ¹	Total including pension contributions ¹
		£	£	£
Head of Fund	01/04/24 – 31/03/25	77,278	13,444	90,722
Director of Finance & Commerce ²	01/04/24 – 30/06/24 & 05/06/24 – 31/03/25	2,424	45	2,469
Chief Executive ³	01/04/24 – 25/09/24 & 01/08/24 – 31/03/25	5,620	519	6,139
Executive Director of Resources ⁴	01/04/24 – 31/07/24	1,116	177	1,293

¹ The remuneration amount has been apportioned to the Fund on the basis of time spent on Fund work

² 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.

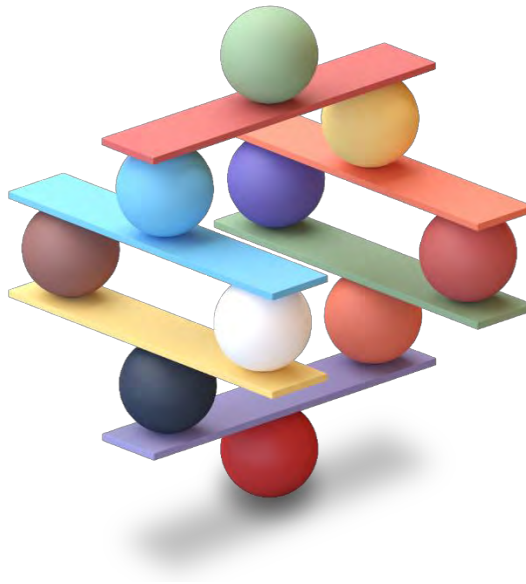
³ The initial postholder ceased to be Chief Executive from 25 September 2024, the subsequent postholder was Interim Chief Executive between 1 August 2024 and 17 October 2024, Acting Chief Executive from 18 October 2024 until 25 February 2025 and appointed to Chief Executive effective from 26 February 2025.

⁴ The postholder ceased to be Executive Director of Resources on 31 July 2024. The role is currently vacant.

Note 24 - Funding arrangements

Lancashire County Pension Fund

Accounts for the year ended 31 March 2026 – Statement by the Consulting Actuary

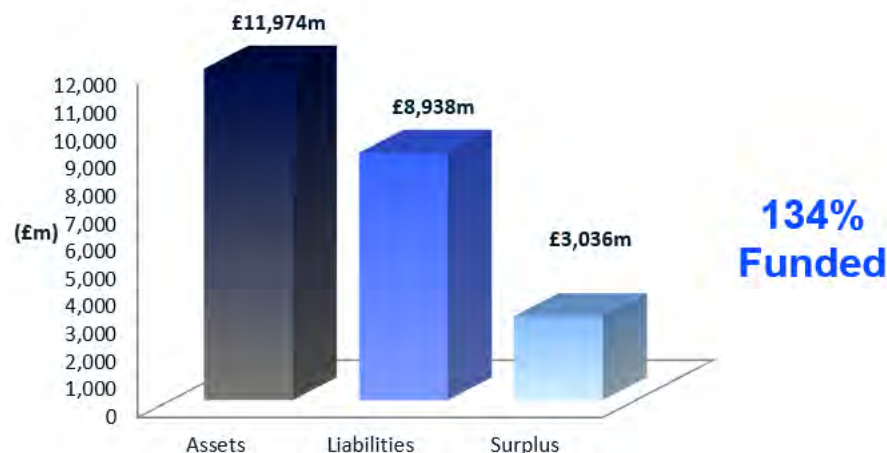


Pension fund accounts and explanatory notes

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 2025 to determine the contribution rates with effect from 1 April 2026 to 31 March 2029.

On the basis of the assumptions adopted, the Fund's assets of £11,974 million represented 134% of the Fund's past service liabilities of £8,938 million (the "Solvency Funding Target") at the valuation date. The surplus at the valuation was therefore £3,036 million.



The valuation also showed that a Primary Contribution Rate of 16.2% 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.

Pension fund accounts and explanatory notes

The FSS sets out the process for determining the contributions in respect of any deficit / surplus for each employer. At the 2025 actuarial valuation the average recovery period adopted for employers in deficit was 10 years, and the average run off period for employers with a recoverable surplus was 20 years. The resulting total “Secondary Rate” for 2026/29 was, on average, a surplus offset of approximately 7.1% of pay per annum (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.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2026.

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) may be made to the Fund by the employers.

The valuation was carried out using the projected unit actuarial method. Full yield curves were used in calculating the liabilities and the approximate single equivalent rates for the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary Contribution Rate, were as follows:

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	5.25% per annum	4.85% per annum
Rate of pay increases (long term)	4.10% per annum	4.10% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.60% per annum	2.60% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2028. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2029.

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:

	£m
Start of period liabilities	8,180
Interest on liabilities	473
Net benefits accrued / paid over the period*	(170)
Actuarial (gains) / losses (see below)	194
End of period liabilities	8,677

**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 5.9% p.a. to 6.2% p.a. The long-term assumed CPI also increased over the year from 2.6% p.a. to 2.9% p.a. The net effects of these two changes largely offset each other.

Change in demographic assumptions: As noted in Appendix B, the mortality assumptions have been updated to reflect the latest mortality study carried out for the 2025 actuarial valuation. This acts to slightly reduce the liabilities.

Pension increases / inflation experience: The figures allow for the impact of actual CPI over the year compared to the start of period assumption (experience to September 2025 fed into the April 2026 pension increase of 3.8%, and actual inflation from that point will feed into the 2027 increase). As inflation over the year was higher than the long-term assumption, this slightly increases the liabilities.

Allowance for 2025 actuarial valuation results: The figures allow for the now completed 2025 actuarial valuation of the Fund. The effect of this is an increase in liabilities.

Mark Wilson
FIA C.Act

Clive Lewis
FIA C.Act

Mercer Limited
June 2026

Additional Considerations

The “McCloud judgment”: The figures above allow for the impact of the judgment based on the remedy and the data provided for the 2025 actuarial valuation.

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: There was significant volatility in markets both shortly before and after the accounting date. 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.

Financial and demographic assumptions

To assess the liability value of the benefits, we have used the following assumptions as at 31 March 2026 (the 31 March 2025 assumptions are included for comparison):

Pension fund accounts and explanatory notes

Financial assumptions

	31 March 2025	31 March 2026
Rate of return on investments (discount rate)	5.90% per annum	6.20% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.60% per annum	2.90% per annum
Rate of pay increases	4.10% per annum	4.40% per annum

Post retirement mortality (normal health)

	31 March 2025 (M/F)	31 March 2026 (M/F)
Base mortality table	SAPS 4 / SAPS 4 middle	SAPS 4 / SAPS 4 middle
Future improvements	CMI 23 1.5%	CMI 24 1.5%
Other choices	S=7, A=0 W20=W21=0%, W22=W23=15%	Core Underlying
<i>Non-retired members (currently age 45):</i>		
Weightings	112% / 101%	119% / 106%
Life expectancies at age 65	22.3 / 25.4	22.1 / 25.1
<i>Retired members (current age 65):</i>		
Weightings	106% / 101%	112% / 103%
Life expectancies at age 65	21.1 / 23.6	21.0 / 23.6

The start of period assumption is set based on the most recent mortality analysis as at the previous accounting date (so from the 2022 actuarial valuation), but with:

Pension fund accounts and explanatory notes

- a best estimate long-term improvement rate of 1.5%
- an update to the future improvement model (CMI 2023)
- an update to the base tables (S4 tables, with a reweighting to maintain consistency with the underlying mortality analysis)

The end of period base tables are set based on the updated analysis undertaken as part of the 2025 actuarial valuation (note that the 1.5% improvement rate is still our best estimate assumption).

Other demographic assumptions

The other demographic assumptions as at the start of period 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.

Those as at the end of period are the same as those used for 2025 actuarial funding valuation – full details are set out in the formal report on the actuarial valuation dated March 2026.

Governance Statement



Lancaster Castle - Lancaster

Introduction

The council is responsible for ensuring it has a sound system of governance and internal control. The Delivering Good Governance in Local Government: Framework (CIPFA/Solace 2016) sets out the principles that underpin our governance arrangements and provides a structure that helps us to:

- Review our existing governance arrangements,
- Develop and maintain a local code of governance, and
- Report publicly on compliance with our code of governance on an annual basis.

Our Code of Corporate Governance comprises the values, systems, policies, procedures, rules, processes and behaviours by which the council is controlled and governed. It enables the council to monitor the achievement of its objectives and ensure delivery of those objectives benefits the people of Lancashire. The system of internal control is a part of our governance framework and is designed to manage risk to a reasonable level.

The Code of Corporate Governance has been in place across the council for the year ended 31 March 2026. It is agreed annually by Full Council and follows the seven principles set out in the CIPFA/Solace Framework, shown in the diagram below:



Annual governance statement

This Annual Governance Statement summarises the outcome of the council's review of its governance arrangements in 2025/26. It has been prepared in accordance with the Accounts and Audit Regulations 2015, the CIPFA/Solace Framework, and the addendum covering the annual review of governance and the annual governance statement (CIPFA/Solace 2025).

Our external auditor describes our governance arrangements as follows:

"Governance is sound, with targeted improvements underway to enhance transparency, strategic alignment, and continuous improvement" [...]

"The Constitution defines decision-making powers, supported by scrutiny structures and ethical frameworks. Cabinet decisions are well-documented and legally reviewed"

Grant Thornton, Auditors' Annual Report for year ending March 2025

Our Corporate Peer Challenge in March 2026 included the following feedback:.

"Peers saw evidence of a culture of strong governance, transparency, assurance and risk management"

In the Internal Audit Annual Report and opinion, the Head of Internal Audit anticipates issuing a (provisional) reasonable assurance conclusion on the adequacy and effectiveness of the council's governance, risk management and internal control frameworks for 2025/26.

At Lancashire County Council, we are clear the good governance is everyone's responsibility

Maintaining the effectiveness of the council's governance arrangements involves key members and officers, namely the Executive (Cabinet), the Chief

Executive, the Chief Financial Officer, the Monitoring Officer, Overview and Scrutiny Committee members, and Audit, Risk and Governance Committee members. Their governance roles and responsibilities are set out in the council's Constitution.

The effectiveness of our governance arrangements is assessed throughout the year through the work of Internal Audit, the (officer) Compliance and Assurance Board, the Cabinet, Overview and Scrutiny Committees, and the Audit, Risk and Governance Committee.

This statement is also informed by the work of officers who have responsibility for developing and maintaining governance arrangements for their service areas. Director assurance statements (completed annually by directors), the Head of Internal Audit's annual report, comments and recommendations received from the external auditor, and feedback from other external reviews and inspections are incorporated.

The overall findings are set out in the executive summary. More detailed information is provided in relation to each of the seven principles of good governance, actions have been identified to ensure our arrangements continue to improve and remain fit for purpose.

Executive summary

We recognise the importance of having good management, effective processes, and appropriate controls in place to run the county council and deliver services to Lancashire's communities.

The annual review of governance for 2025/26 demonstrates that our governance arrangements provide satisfactory assurance and are fit for purpose in accordance with the CIPFA/Solace Framework. This means they continue to operate effectively and support the achievement of the council's priorities and objectives.

This Annual Governance Statement summarises how our governance arrangements have continued to be reviewed, updated and improved over the last year. Our decision-making, risk management, value for money, and transformation portfolio management arrangements have been strengthened, all underpinned by the priorities set out in the Council Plan, Our Areas of Focus, and the Council Improvement Plan.

Strong governance arrangements equipped the council to respond quickly and holistically to support members following the outcome of the county council election in May 2025; learn from challenging inspection outcomes in SEND and Adult Services; respond cooperatively to public inquiries; and adapt to new partnership working arrangements.

We recognise that these arrangements should be continually reviewed to ensure they remain effective and fit for the future, particularly in the context of innovative transformation of services and Local Government Reorganisation. This will remain a shared focus for the Cabinet and Executive Leadership Team for the year ahead. This statement includes an action plan

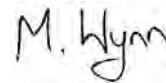
summarising the key areas where improvements could be made to strengthen our governance framework further. The plan will be monitored by the Compliance and Assurance Board, alongside any actions which follow the LGA Corporate Peer Challenge held in March 2026.

The council is satisfied that the appropriate systems, processes and behaviours are in place to ensure good governance is maintained.

Signed on behalf of Lancashire County Council



County Councillor Stephen Atkinson
Leader of the Council



Mark Wynn
Chief Executive

Assessment of effectiveness

1. The following sections summarise how the council's governance arrangements have operated during 2025/26, in line with each of the seven principles of good governance and their sub-principles. A full description of the council's governance arrangements is set out in our Code of Corporate Governance.

2. The information set out below demonstrates how our governance arrangements are aligned with the council's delivery of its priorities, objectives and responsibilities. It provides an overview of improvements made over the last twelve months and, where weaknesses or areas for improvement have been identified, a summary of the actions taken or planned to address them.

Integrity, ethical values, and the rule of law

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Behaving with integrity

3. The council's Code of Conduct for Employees and the Code of Member Conduct require all employees and county councillors to behave with integrity and act in the public interest, in accordance with the Seven Principles of Public Life (the Nolan Principles).

4. Our Vision for Lancashire and corporate values (supportive, innovative, respectful and collaborative) are at the heart of everything we do, underpin the Council Plan, and ensure members and officers lead a culture where acting in the public interest is visibly and consistently demonstrated.

5. As leaders both in their communities and of the council, members have a key role in shaping the organisation's culture and values and leading by example. Following the county council election in May 2025, all members signed their declaration of acceptance of office and complied with the legal requirement to register any disclosable pecuniary and non-pecuniary interests. A comprehensive induction and training programme was delivered to equip all members with the knowledge and skills needed to carry out their roles effectively. This included, for example, sessions on the Code of Member Conduct, members' allowances, chairing skills, and the council's decision-making and scrutiny arrangements. Feedback from members on the induction programme was overwhelmingly positive, and the training and support offer has continued throughout the year. An external review of the council's induction and member support programme has also been commissioned to inform future work.

6. The Code of Member Conduct was updated by Full Council in July 2025, following a review of the Constitution by the Political Governance Working Group after the election. The changes included making clear members' right to freedom of expression under the law, as the basis of democracy and provided that the right to express lawful views and opinions is exercised in accordance with the law. This change reflected that county councillors, as elected politicians, are subject to an "enhanced protection" regarding their right to freedom of expression. Comments made or received by politicians that might otherwise be considered offensive, shocking or evocative may be tolerated if they are political. Whilst county councillors are always required to treat everyone with respect and bullying and harassment

will not be tolerated under the Code, councillors can express lawful views and opinions.

7. The Audit, Risk and Governance Committee considers how well the council meets its duty to promote and maintain high standards of conduct by members and co-opted members, in accordance with the Localism Act 2011. In January 2026, the Audit, Risk and Governance Committee received an annual report setting out a summary of all complaints received against members under the Code of Member Conduct in 2025. 61 complaints against members were received under the Code in 2025, which is an increase compared with previous years. All complaints received are handled in accordance with the Complaints Procedure set out in the Code. Of the 61 received, 17 were found to have breached the Code and 15 were informally resolved with the support of the council's independent persons where appropriate. In two cases, the investigation has been paused while police investigate. No complaints required full investigation or referral to the Conduct Committee.

8. All but three of those complaints were received following the election in May 2025. The increase in Lancashire is also reflected across local government nationally. There are several factors likely to have impacted the number of complaints:

- The wider and more active use of social media by members,
- The high number of new members who were elected to public office for the first time in May 2025 and were less familiar with the Code,
- A change from the traditional two-party political landscape to representation by a more diverse range of political parties, and
- Cross-party support for a strong commitment to freedom of speech.

9. Members' failure to comply with the Code can be an issue of concern for the public and may result in a perception of poor governance. The council therefore maintains an open and transparent process for receiving and handling complaints against members. It is important to note that, despite the increase in the number of complaints in 2025, this has not led to a corresponding increase in breaches of the Code. The complaints process also emphasises the aim to resolve complaints quickly and informally wherever possible; this year, members have generally been quick to acknowledge, and where appropriate apologise, in relation to complaints received.

10. Nonetheless, it is recognised that there is a need to focus on high standards of behaviour, leadership and respect between members and therefore the following actions have been taken or are ongoing:

- Cross-party meetings with the political group leaders and a commitment to reduce breaches of the Code, avoid the political weaponisation of the complaints process, and where possible reduce the number of complaints received.
- Commitment to continue with cross-party leadership meetings before and after Full Council meetings to provide space to build common ground, resolve points of difference, and maintain strong member-member relationships.
- Meeting held between cross-party political group leaders and the police to emphasise members' leadership role in upholding and promoting high standards of behaviour and strong communities. Information was also shared about the support available to members through national programmes to ensure their own safety.
- Introduction of an online form for complaints received from members. This follows the same format that residents are asked to complete and ensures that, when complaints are made, consideration is given to the element of the Code that may have been breached. The member form also

requires confirmation that informal, inter-party resolution has been sought prior to making the formal complaint.

- Agreement to adopt the Local Government Association's Debate Not Hate campaign. The website and resources have been shared with all members, and the LGA has been contacted for support with further communication and training.
- Adoption of a new social media protocol, which sits alongside the Code and sets out more clearly how the Code's requirements and the Nolan Principles should guide interactions on social media. The new protocol reflects the council's commitment to free speech, includes examples, highlights to risks of liability, and provides guidance on identifying misinformation, dealing with concerns about council services, and handling personal information.
- Adoption of a new filming protocol, which also sits alongside the Code and provides clarity for members about filming whilst they are participants in meetings. The protocol emphasises that filming must not disturb or distract others, interfere with the running of the meeting, and that footage must not be edited to misrepresent speakers or proceedings. It also includes guidance on data protection requirements and implications.
- Additional training on the Code delivered in partnership with the Local Government Association, and further training and communication planned to cover the new protocols agreed and ensure sustained focus on sustaining high standards of conduct.
- An independent review of the support provided by officers to members to encourage high standards to ensure a culture of continuous improvement

11. The council is required to establish an Independent Remuneration Panel (IRP) and have regard to its recommendations before any changes are made to its Members' Allowance Scheme. The 2025/26 Scheme was approved

by Full Council in March 2025, and Full Council considered two further reports from the IRP during the year:

- In July 2025, the IRP recommended changes to the Dependants' Carers' Allowance set out in the Scheme to align the allowance with the "Real Living Wage" or the council's "Home Care Rate" as appropriate. Full Council agreed to update the Scheme in line with the IRP's recommendation.
- In October 2025, the IRP reported on its review of the Scheme following the county council election and the annual local government pay award. Full Council considered the IRP's recommended changes but agreed to keep members' allowances at the same level as 2024/25.

12. The IRP has also met to consider the 2026/27 Scheme and recommended to Full Council changes to the remuneration for opposition groups. The IRP's recommendations consider that Lancashire has moved from a two-party system with a single, large opposition group to a system with several smaller opposition groups all of a similar size. The recommended changes were agreed by Full Council in March 2026 and will take effect in 2026/27.

13. In accordance with Local Authorities (Members' Allowances) (England) Regulations 2003, the council is also required to publish annually the amount paid to each member. This information for 2024/25 was published on the council's website in May 2025: County Councillor Allowances and Payments.

14. The codes of conduct for members and employees are also supported by the Protocol on County Councillor/Officer Relations, which provides guidance about how members and officers should interact with each other and their different roles.

Demonstrating strong commitment to ethical values

15. 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. The Code of Conduct for Employees includes the Statement of Ethical Standards for Employees. Together, these documents make those standards clear and every employee must read, understand and adhere to them as part of their contract of employment.

16. The council is focused on ensuring a culture where everyone feels empowered to speak up, whether 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 that employees and partners share. The council's Whistleblowing Policy sets out the informal and formal arrangements in place for employees, consultants, or contractors to raise concerns they have relating to possible wrongdoing. Whistleblowing activity is reported on a six-monthly basis to the Compliance and Assurance Board and the Audit, Risk and Governance Committee.

17. Employees' compliance with the council's rules, regulations and policies is ensured by managers and Heads of Service through mandatory e-learning and training, access to the policies and procedures, regular 1-1 conversations with line managers, team meetings, and corporate messages shared with all staff. Line managers' confidence and capability to have constructive conversations with employees is continues to be developed through the programme of Manager's Journey courses, including Key Conversations and Managing Change.

18. A new induction training course was launched in February 2026 and is now mandatory for all new employees. Alongside 1-1 line management support and the corporate induction checklist, the new course provides a comprehensive and standardised introduction to the council's vision, values, Code of Conduct and Statement of Ethical Values.

19. Throughout the year, corporate messages to remind employees about the requirements of the Statement of Ethical Standards and their importance have been shared via Staff News on the intranet, Key Messages from the Chief Executive, and through People Service's communications with line managers. This included the council's arrangements for registering any financial or personal interests on Oracle Fusion and whistleblowing arrangements.

20. Similarly, in accordance with the Statement of Ethical Standards all senior officers were reminded of the requirement for employees on Grade 14 or above make an annual declaration of interests, including a nil return. This ensured all Heads of Service and above submitted their annual declaration by 31 July 2025.

21. Following the election in May 2025, training and reminders were shared with all members to ensure they submitted their declaration of interests to the Monitoring Officer within 28 days of their election, in accordance with legislation and the Code of Member Conduct. All registers were published on the council's website under each councillor's profile and regular reminders since the election, for example via the C-First newsletter, have prompted members to review and update their declarations as needed. The Monitoring Officer has agreed to 61 exemptions under the Localism Act 2011, so that members' home addresses are not published on their public register.

22. The Code of Member Conduct is supported by the County Councillors' Use of Resources Protocol, which sets out what resources are available for members to use, including the support available to political groups, and the requirement for members to ensure council resources are not used improperly, for example for political purposes.

23. The council's Financial Rules and the Procurement Rules, which form part of the Constitution, set out the approach and processes in place to ensure legal, transparent and ethical financial management and contracting. They ensure the council's finances are managed in a proper and responsible way which promotes value for money. These rules will be reviewed by the newly formed Commercial Service in 2026/27.

24. In accordance with the Procurement Rules, the Audit, Risk and Governance Committee received six-monthly reports of procurement waivers and non-compliance in July 2025 and January 2026. Across both reports, 25 waivers were recorded and there were no instances of non-compliance recorded.

25. In 2025/26 and in response to concerns, specific audits were commissioned relating to contract management for the provision of passenger transport, the tender process for enabling works to prepare development plots at Samlesbury Aerospace Enterprise Zone, and a further review of procurement arrangements is planned for 2026/27. The passenger transport audit identified some weaknesses relating to compliance checks, data quality, performance reporting, and payment of providers; an action plan has been agreed, and it is expected that technological solutions and investment in capacity will address the issues identified.

Respecting the rule of law

26. The Director of Law and Governance is the council's Monitoring Officer and responsible for ensuring that the decisions and actions of the council are lawful. The Monitoring Officer is required to prepare a report if they consider any proposal, decision or omission would give rise to unlawfulness, or if any decision or omission has given rise to maladministration. The Annual Governance Statement includes information about upheld Local Government and Social Care Ombudsman complaints where the Ombudsman identified maladministration relating to SEND services. Otherwise, there have been no such reports in 2025/26.

27. An annual statutory officer report was considered by the Compliance and Assurance Board in November 2025 and provided assurance in relation to the Monitoring Officer's duties under the Local Government and Housing Act 1989.

28. The Director of Finance and Commerce is the council's Chief Financial Officer and responsible for ensuring the proper administration of the council's financial affairs. The Chief Financial Officer is required to prepare a report if they consider any proposal, decision or course of action will involve incurring unlawful expenditure. There have been no such reports in 2025/26.

29. Alongside consideration of the 2026/27 budget report in February 2026, Full Council also considered the Chief Financial Officer's report under Section 25 of the Local Governance Act 2003 on the robustness of the estimates made for the purposes of the council's budget calculations and the adequacy of the council's balances and reserves.

30. In 2025/26 it has been challenging for the council to appoint a permanent postholder for the role and duties of the Chief Financial Officer and as such three separate interim appointments were made. Following a recruitment process led by the Employment Committee, Full Council confirmed the permanent appointment of a new Corporate Director of Finance and Chief Financial Officer in February 2026. They will join the council from Spring 2026 and provide stability, strategic direction, and experience of Local Government Reorganisation in this crucial role.

31. The Chief Executive is the council's Head of Paid Service and responsible for ensuring the right number, grade and organisation of officers to discharge the council's functions. An annual statutory officer report was shared with the Compliance and Assurance Board in August 2025 and provided assurance in relation to the Head of Paid Service's duties under the Local Government and Housing Act 1989.

32. Together, the Head of Paid Service, the Monitoring Officer and the Chief Financial Officer form the "golden triangle" of statutory officers. In accordance with the Code of Practice for Good Governance for Local Authority Statutory Officers (Solace/CIPFA/LLG, 2024), the golden triangle officers have worked together closely and met regularly throughout 2025/26 to ensure good administrative, financial, and ethical governance of the council.

33. Other employees who hold statutory responsibilities are included in the list of Proper Officers, which forms part of the Constitution. This includes the functions of the Director of Children's Services, the Director of Adult Social Services, and the Director of Public Health. These statutory officers also report annually to the Compliance and Assurance board.

34. The Head of Internal Audit is responsible for providing independent assurance on the council's governance, risk management and internal control environment in accordance with the Local Government Act 1972, the Local Audit and Accountability Act 2014, and the Accounts and Audit Regulations 2015. The work of the Internal Audit Service therefore provides assurance that the council is meeting its statutory responsibilities and throughout the year the service's activity and conclusions have been reported regularly to the Compliance and Assurance Board and the Audit, Risk and Governance Committee.

35. The council has a zero-tolerance approach to fraud and corruption, which is set out in the Counter Financial Crime Policy. The investigations team, part of the Internal Audit Service, examines all reports of fraud, actively monitors the council's anti-financial crime, anti-bribery, and anti-corruption arrangements, and pursues sanctions and prosecutions. The team's activity is reported on a six-monthly basis to the Compliance and Assurance Board and the Audit, Risk and Governance Committee.

36. The council's Overview and Scrutiny Committees and the Audit, Risk and Governance Committee have also received reports throughout the year to provide information and assurance about the council's compliance with the law and its statutory duties. These reports included:

- The annual report on the Regulation of Investigatory Powers Act (RIPA) considered by the Audit, Risk and Governance Committee in October 2025.
- A report on the CQC inspection outcome, recommendations and action plan considered by the Health and Adult Services Scrutiny Committee in September 2025.
- Principal Social Worker's annual report considered by the Children, Families and Skills Scrutiny Committee in December 2025.

- Quarterly financial monitoring reports and a report on the council's budget proposals for 2026/27, considered by the Budget and Finance Scrutiny Committee in January 2026.

- Six-monthly reports on the council's treasury management activity considered by the Audit, Risk and Governance Committee in July 2025 and January 2026.

- The annual report of the Senior Information Risk Owner (SIRO) considered by the Audit, Risk and Governance Committee in March 2026.

37. All reports prepared for Cabinet, 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 provides members with legal and financial advice and sets out the risks and available options to ensure decisions, actions and expenditure are informed and lawful.

38. The Scheme of Delegation to Officers, which forms part of the Constitution, also requires officers to seek and follow the legal and financial advice of the Monitoring Officer and the Chief Financial Officer, or their representative, before taking decisions.

39. All decisions, actions and expenditure must also comply with the council's Financial Rules and the Procurement Rules and Directors are responsible for reviewing their governance arrangements to ensure compliance. For example, in 2025/26 a new Digital Commissioning Service was established to manage all digital commissioning and procurement activity centrally and ensure compliance with constitutional, legal and digital security requirements. A new Commercial Service was also established to ensure efficient, effective and compliant management of council contracts and partnership arrangements.

40. The council's regulators and inspectorates help the council to identify areas at risk of non-compliance. For example:

- In June 2025 the council received an improvement notice for its SEND services following an Ofsted and Care Quality Commission (CQC) inspection. The report demonstrated widespread and/or systemic failings leading to significant concerns about the experiences and outcomes of children and young people with SEND. The SEND Improvement Board with an independent chair is overseeing delivery of the SEND Priority Action Plan to improve statutory compliance and outcomes for children and young people. The Children, Families and Skills Scrutiny Committee has also received regular reports to monitor service improvement.

- In August 2025 the council's adult social care services received a 'requires improvement' rating following a CQC inspection. The CQC reported highlighted that people were waiting too long for assessments and reviews, and that some systems, processes and relationships needed to be improved. The Adult Services Improvement Board with an independent chair is overseeing delivery of the Adult Services Improvement Plan to improve statutory compliance and quality of service. The Health and Adult Services Scrutiny Committee has also played an important role in monitoring performance against the improvement action plan.

- Throughout 2025/26, the council has worked closely with the Information Commissioner's Officer (ICO) to improve compliance with the statutory timescales for Subject Access Requests (SARs) and participated in the ICO's Care Leaver Pilot to identify ways of improving the service available to care experienced people seeking to access their information held by the council. The Audit, Risk and Governance Committee provides oversight of ICO compliance and receives the annual report of the Senior Information Risk Owner (SIRO).

Openness and stakeholder engagement

Ensuring openness and comprehensive stakeholder engagement.

Openness

41. The council's commitment to openness and transparency is set out in key documents including the Constitution and the Council Plan. The Constitution explains how decisions are made in an open and democratic way, with scrutiny, accountability and public engagement. The Council Plan sets out our vision for Lancashire, aligns with our values, and explains how the council listens to and works with residents, partners and stakeholders to deliver its objectives.

42. In May 2025, the county council election was delivered legally, transparently, and in accordance with the Electoral Commission's Performance Standards for Returning Officers. Key outcomes set by the performance standards include that everybody who is eligible and wants to vote is able to do so, everybody who is eligible and wants to stand for election is able to do so, and everyone can have confidence that the election process is well managed and in the accuracy of the results.

43. The Publication Scheme sets out how the council proactively publishes information and data to promote transparency and accountability in accordance with the Freedom of Information Act 2000 and the Local Government Transparency Code 2014. The council's Scheme is reviewed annually and continues to follow the Model Publication Scheme produced by the Information Commissioner's Office.

44. A key aim of the Publication Scheme is to reduce the burden of individual Freedom of Information (FOI) requests by making commonly accessible data readily available. During 2025, the number of FOI requests received increased by 10% compared with 2024 and is a continuation of the increase seen in previous years. The increase over 2025 is likely to be partially linked to increased public attention and scrutiny following the county council election in May. This presents a compliance risk for the council, which will be mitigated by reviewing how the council can ensure an "open data" approach.

Calendar year	FOI requests received	Increase from previous year
2022	1,408	
2023	1,541	+9%
2024	1,828	+18%
2025	2,002	+10%

45. The council's website, including the pages on Transparency, Get involved – have your say, and the Accessibility Statement, provide information and guidance for the public on how they can access information about council services and how this information is made accessible to a wide audience.

46. During 2025/26, work has progressed on a new website for the council is due to go live in spring 2026. Nearly all pages across the website have been reviewed, updated or retired, leaving the site significantly clearer, more consistent and easier for residents to navigate. A mobile first design has been adopted, with improved the search functionality to support the increased use of mobile devices to access the website. Content is now written in plain English, fully aligned with accessibility standards and better optimised for search, helping people find what they need more easily.

47. Following the election, the Political Governance Working Group reviewed the procedures in the Constitution relating to public and member engagement at council meetings. Its recommendations were agreed by Full Council in July and included:

- Increasing the time allocated to Public Question Time at Full Council meetings from 20 minutes to 30 minutes.
- Changing the format of Councillor Question Time at Full Council meetings to introduce six question slots and allowing each political group the opportunity to submit/ask one question before any second questions can be asked.
- Changing the process to submit Notice of Motion for Full Council meetings, by introducing a maximum of two slots which will be reserved for the ruling group and the remaining slots to be allocated to the opposition groups.

48. Information and guidance for the public on engaging with council meetings, including Full Council, Cabinet and the Development Control Committee is available on the council's website. In 2025/26 a new online form was introduced to make it simpler and clearer to register interest in attending or speaking at formal meetings.

49. Publication of the council's forward plan of Key Decisions also maintains the transparency and openness of Cabinet decision-making. Notice of all executive (Cabinet) decisions which will have a significant impact, financially or on communities, is published at least 28 days in advance.

50. The agendas, minutes and decisions of Full Council, Cabinet, and committees are published on the council's website alongside links to watch, live or at a later date, the webcasts of those meetings. In accordance with the Scheme of Delegation to Officers, officer decisions are also published on the

council's website if they meet certain criteria, for example if they exceed £100,000 in value.

51. In 2025/26 the council has improved its approach to place-based working to deliver services that are more visible, responsive and better tailored to local needs, reinforce civic pride, and strengthen local identity. To support this, the organisation's structure has been reviewed and a new directorate focussed on Communities and Engagement established, under the Executive Director for Place.

52. The Communications and Public Affairs service has revised its approach to business partnering to better support all services to deliver impactful communication and engagement activity with residents, service users and stakeholders. Some examples from the last year include:

- The service's early engagement in the Models of Care programme to shape the communications approach across the whole programme, including to the workforce, councillors, residents, partners, customers and their families. This resulted in clear, consistent messaging across multiple phases of work to a range of stakeholders, reduced risk during a high profile and complex service change, and stronger relationships between services built on trust and shared ownership and responsibilities.
- A new communications approach in Highways and Transport that is clearer, more responsive, and better aligned with residents' expectations. This has included the service's early involvement in strategic planning and developing a consistent narrative about disruption, investment, safety and responsiveness. A practical communications framework has been developed to ensure messages are visible, honest, proactive and rebuild public trust.
- Working alongside the Inclusion service and SEND Partnership as a trusted partner in their improvement journey, helping to shape clear and honest narratives that align with the SEND Priority Action Plan. Early

engagement has ensured the service has prioritised communications activity, including staff briefings, stakeholder updates, and media and social media engagement during periods of high scrutiny.

53. Some recent improvements to our transparent and open service delivery include:

- A focus in Learning Disability Provider Services on the Duty of Candour requirements to ensure openness and transparency in all regulated care activities, and a strong culture of accountability and safe practice.
- Monitoring visits from government for the Refugee Resettlement programme have highlighted strong partnership working and openness between the council, district councils, and VCSFE partners.
- Monthly communication from the Independent Chair or the SEND Improvement Board about national updates, conversations with service users and partners including work with the NHS, and progress against the SEND Priority Action Plan.

Engaging comprehensively with institutional stakeholders

54. Over the year the council has built on the ambition and precedent set by the Council Plan and improved how it engages with stakeholders and partners through better planning, clearer standards and more accessible content.

55. A key element of the council's improvement journey is the work of the Adult Services Improvement Board and the SEND Improvement Board, which are independently chaired and ensure close working and regular consultation with key stakeholders to deliver improvements across adult social care and inclusion services which children, young people, adults and their families rely on.

56. The council's work with stakeholders, including the NHS, government and the VCFSE sector, to deliver these service improvements is reported to and monitored by members through reports to Cabinet and Overview and Scrutiny. In February 2026, the Health and Adult Services Scrutiny Committee received a report on CQC Improvement and Adult, Health and Wellbeing Services Transformation. In September 2025, the Children, Families and Skills Scrutiny Committee received a report on the SEND Priority Action Plan, SEND Strategy, and SEND Local Offer.

57. The 2026/27 budget consultation, which ran for six weeks in December 2025 and January 2026, achieved significantly better engagement with the council's stakeholders than previously. Over 400 stakeholders were contacted at launch, including MPs, NHS, police, businesses, the VCFSE sector, education partners and trade unions and key stakeholders received information packs and invitations to provide written feedback. The feedback received demonstrated that increased engagement was welcomed and was used to inform the Medium Term Financial Strategy.

58. Reviewing and improving the budget consultation, including reviewing its timing, length and promotional opportunities to foster wider engagement, was a recommendation shared by the external auditor following the 2023/24 audit which is now complete.

59. Engagement with stakeholders has also improved through the mobilisation of the Lancashire Combined County Authority (LCCA) following the LCCA's inaugural meeting in March 2025. Since then, the main authority meeting has convened bi-monthly to deliver the devolution deal agreed with government and ensured collaboration between the council at the unitary authorities in Blackburn and Blackpool, district councils, the Police and Crime Commissioners, and the Lancashire Business Board. The work of the LCCA is

supported by three advisory boards which on economy, skills and transport which also facilitate better regional, strategic engagement with the council's partners, such as during development of the Lancashire Growth Plan, the Adult Skills Fund, and the Local Transport Plan. The LCCA has its own government arrangements, including Overview and Scrutiny and Audit and Governance Committees. Progress has been made to prepare for the commencement of the LCCA's new transport functions from 1 April 2026.

60. Similarly, the Leader of the Council has continued to chair monthly meetings of Lancashire Leaders which provides a forum for the council to ensure strong partnership working with Lancashire's other local authorities on matters of importance to the whole county, including the transformation of waste services, support for asylum seekers, the Local Transport Plan, and Local Government Reorganisation (LGR).

61. Craftus Communications were engaged jointly by all Lancashire authorities to undertake stakeholder consultation in September 2025 which informed all five LGR proposals to be considered by government. All 15 councils also worked together to share data sources and align final preparation for the submission of the LGR proposals, to ensure accurate and comparable submissions. All 15 authorities have also established collaborative governance arrangements for LGR including joint workstreams for finance, law and governance, procurement, assets and data.

62. During 2025/26, engagement with institutional stakeholders has also included:

- Collaborating with district councils to deliver the county council election in May 2025, on the Supported Housing Strategy, and to improve the Refugee Resettlement programme to strengthen expectations, reporting and engagement

- Working with the local NHS and Integrated Care Board (ICB) in accordance with legislation, national guidance and local policies which ensure clear roles and expectations including through the Better Care fund (BCF) Board.
- Working with the Social Care Institute for Excellence (SCIE) to develop Adult Services' approach to coproduction.
- The work of the Lancashire Health and Wellbeing Board, which has met quarterly and includes representatives from the council, the NHS, district councils, Healthwatch, and the VCFSE sector.
- The work of the Corporate Parenting Board, which has met quarterly and includes representatives from the council, the NHS, the police, advocacy services, fostering and adoption fora, and young people.
- The work of the Community Safety Partnership Board, which has met quarterly and includes representatives from the council, Lancashire's other local authorities, the NHS, police, probation services, and fire and rescue.
- Delivering the Families First reform programme, which identified a lack a shared, systemwide understanding of intended outcomes. This has been addressed through early engagement with senior leaders and key partners to improve alignment with statutory responsibilities and national reform expectations.
- Hosting the Parish and Town Council conference in November 2025, which involved over 100 local council members.
- Establishing a dedicated Armed Forces Covenant Project Manager post to ensure the council's workforce, services and support for partners aligns with the Armed Forces Covenant.
- Developing and launching the council's new enquiries system for MPs, to provide a single front-door for MPs to raise concerns and questions on behalf of their constituents and to improve the council's support for their roles.
- Regular meetings and consultation with the recognised trade unions.

- Consultation with the Schools Forum as to how funds should be allocated in 2026/27.
- Consultation and engagement with Lancashire County Pension Fund Scheme employers and wider stakeholder groups on the 2025 valuation and the draft Funding Strategy Statement including the parameters used to determine employer contribution rates.
- Establishing a Collaborative Pensions Optimisation Programme (CPOP) working group with Local Pensions Partnership Administration (LPPA) to resolve delays in the retirement process.
- Co-producing a new Market Stewardship Strategy which defines shared outcomes for adult social care service providers across Lancashire

Engaging with individual citizens and service users effectively

63. How the council communicates and engages with residents and customers is key to realising its vision for Lancashire and we proactively seek out their views, listen to them, and encourage their involvement in shaping decisions and services.

64. The 2026/27 budget consultation achieved significantly better engagement with residents than previously. Following the recommendation of the external auditor that the council should improve its budget consultation including promotional opportunities to foster wider engagement, this year's consultation included an online survey, a budget simulator tool, a Value for Money campaign via social media, and an explainer video. Overall, we received 470 survey responses (81% of which were from residents), 69 budget simulator submissions, and 8,453 views on the video. The feedback received demonstrated:

- General support for efficiency measures and smarter spending, without reducing essential services.
- Strong concern about the impact of savings on vulnerable residents, social care and education quality.
- The need for transparency, including cleared details about the budget proposals and their consequences.
- Mixed views on asset management proposals, including concerns about whether property sales would affect community benefits.

65. The Budget and Finance Scrutiny Committee considered the results of the budget consultation in January 2026 alongside the Draft Budget 2026/27, including a "you said, we listened" summary to explain how the consultation responses had been used to shape the draft budget proposals.

66. Residents have also been invited to engage in the in-house provider services redesign consultation, which ran for two months from October to December 2025. This review follows the council's CQC inspection result, which requires the council to look at all its adult social care services and follow a plan for improvement. The consultation results will be used alongside an evaluation framework to help the council review its services so that they are safe, suitable and fit for purpose for the future. The consultation received more than 1,600 responses and the Minister of State for Care, Stephen Kinnock MP welcomed the council's decision to undertake a full public consultation and the transparent, resident-focussed approach taken. The outcome will be considered by Cabinet in May 2026.

67. The council has also worked closely with Lancashire's other authorities and government to ensure widespread engagement in the council's proposal for Local Government Reorganisation (LGR), which was agreed by Full Council and Cabinet in November 2025, and the government's statutory consultation on proposals for LGR which ran for seven weeks from February to March 2026.

Craftus Communications were engaged jointly by all Lancashire authorities to undertake a public consultation in September 2025 which informed all five LGR proposals to be considered by government.

68. Feedback from residents and customers continues to inform the council's learning and drive improvements to services. The Compliments, comments or complaints section of the council's website explains how to share feedback about different services and the Annual Reports on Complaints and Feedback 2024-25 were considered by Cabinet in November 2025, including a summary of lessons learned and actions taken. In February 2026, the council's Corporate Complaints Procedure was updated to the Ombudsman's Complaint Handling Code. The annual reports for 2025/26 will be prepared when the full year's data is available. During 2025/26 the council did not receive any public reports from the Ombudsman; a summary of complaints upheld by the Ombudsman is included at Appendix A.

69. To support easier, more transparent communication with residents, the council has launched and continued to develop its new enquiries system over the year. The public are now able to raise enquiries, ask questions, report problems, share compliments, and make formal complaints via the online feedback form. This provides a single, digital front-door to help services provide clear, factual, honest and timely responses the enquiries. Councillors can also use the enquiries system to raise and track casework enquiries on behalf of residents, and the cross-party Councillor Support Steering Group has led enhancements to ensure the system is fit for purpose. Internally, the enquiries system will also enable services and the council's management team to identify trends and better inform their strategic planning and decision-making.

70. During 2025/26, engagement with residents and service users has also included:

- Across adults, health and wellbeing services, using insight from VCFSE partners to strengthen coproduction approaches, improve how feedback is captured, and engage with under-served communities.
- Hearing from parents, carers and young people who are members of key operational steering groups, such as SEND IAS, to capture their expertise, experience and views of education and children's services.
- Supporting and promoting opportunities for young people with care experience through the Care Leaver Apprenticeships programme.
- Launching a new SEND survey for children, young people and parents accessing SEND services, with the results to be reviewed by the SEND Partnership Board twice per year and used to identify gaps, areas for development, and strengths in the SEND system.
- Improving the Quality Assurance Framework for children's services to mandate the inclusion of parent and carer feedback in Learning Space audits.
- Launching Lancashire SEND roadshows for families and practitioners to find out more about support and services available, bringing the SEND Local Offer directly to different areas.
- Delivering a joined-up presence at the Royal Lancashire Agricultural Society Show so that visitors could find out about all council services from one stand.
- Launching a new approach to Highways communications, with clearer messaging, more localised communication, and greater emphasis on openness about works and performance.
- Developing the Report it Lancashire service to improve accessibility, transparency of responses, and customer feedback loops.

C: Defining outcomes

Defining outcomes in terms of sustainable economic, social and environmental benefits.

Defining outcomes

71. Lancashire's Council Plan 2025-2030: Building a better Lancashire sets out the council's vision, ambitions and priorities. It was agreed by Full Council in December 2024 and has shaped and focussed the council's planning, decision-making and activity during 2025/26. At the centre of the plan, the council's vision is "we are building a better Lancashire where everyone can live their best life through stronger communities, a growing economy and high-quality public services". This vision is supported by four ambitions which underpin everything we do: better lives for all, economic ambition, stronger communities, and thinking differently.

72. A key priority for the council was the safe and legal delivery of the county council elections in May 2025. The Chief Executive is the council's Returning Officer and responsible for ensuring that the election was administered effectively, in accordance with the law, and that, as a result, the experience of voters and those standing for election was positive. The Electoral Commission sets clear Performance Standards for Returning Officers, focussed on four outcomes; the council refreshed its approach to planning and delivering the election in 2025 to ensure these outcomes were met. The Returning Officer appointed deputies at each of Lancashire's district councils with responsibility for the election in their areas; agreed clear expectations, instructions and outcomes through a Returning Officer's Directions document; and monitored compliance against the performance

standards throughout the process. The poll and the election result were delivered successfully, safely and with confidence in the accuracy of the results.

73. The election in May resulted in significant change to the council's political composition and leadership. Following the election, the new administration reaffirmed the Council Plan and has introduced:

- Our Areas of Focus 2025-26 to set annual priorities focussed on service improvement, economic development, and efficiency. This document confirmed the council's ambition to deliver higher levels of civic pride and empowered communities; more efficient, innovation and effective services; and to be the best council in the country.
- The Improvement Plan 2025-27 to translate the council's vision and ambitions into visible action for targeted areas for improvement. The Improvement Plan is based on the three themes (financial sustainability, service improvement, and organisational effectiveness), each with its own outcomes, milestones and metrics and aligned to the council's transformation portfolio.

74. The council also continues to follow, review and update a comprehensive suite of strategies, policies and plans which set out how the council's vision will be translated into tangible action and outcomes. They are available to access on the Strategies, policies and plans page of the council's website.

75. Progress against the Council Plan continues to be monitored against key performance indicators (KPIs) and Cabinet receives quarterly corporate performance reports. In September 2025 and to align with the administration's areas of focus, Cabinet also agreed to monitor some additional KPIs relating to the ambition stronger communities, focussed on

community cohesion, supporting the armed forces, and energy efficiency. The total number of KPIs monitored corporately is now 46.

76. The Business Intelligence Service continues to provide the council with evidence needed to inform decisions, including population analysis, demand forecasting and needs assessment, and performance against KPIs. During 2025/26 work has started on the council's Data Transformation Programme, aimed at becoming a data-enabled council and developing a sector-leading approach to insight that informs effective and efficient services for residents. This work started with a data maturity assessment and benchmarking exercise in 2025 to identify areas for improvement which will be used to inform a new data strategy.

77. Following Cabinet's agreement of the Improvement Plan, a new officer Delivery Board was established to drive forward and oversee delivery of the plan, including performance priorities, a sustainable budget, and the transformation portfolio. The Board meets monthly and forms part of the council's revised strategic board structure, which supports the Executive Leadership Team, Cabinet and Directors by providing strategic oversight and accountability for forward planning and decision-making. The Delivery Board's work is therefore focussed on outcomes for residents and stakeholders.

78. Similarly, the council's approach to service planning and objective setting has been refreshed in 2025/26 to ensure each directorate's priorities are clearly articulated, outcome-focused, and aligned with the council's vision and ambitions.

Sustainable economic, social and environmental benefits

79. The council remains focussed on achieving value for money through the delivery of its vision, strategies and services. This commitment was reaffirmed by the new administration following the election in May and their leadership of the council's Efficiency Review, launched by Cabinet in June 2025 to generate savings and service improvements.

80. Phase one of the Efficiency Review examined financial management, procurement, assets, digital transformation and income generation. It identified £21.9m of savings over the next three years to be achieved through operational efficiency, preventative investment, and technology-enabled improvements, and formed a key part of the council's Medium Term Financial Strategy agreed in February 2026. Phase two of the review will progress in 2026/27 and ensure the council continues to deliver better outcomes for residents and a sustainable financial position.

81. The external auditor reviews the council's arrangements to ensure value for money and economy, efficiency and effectiveness as part of its annual assessment of the council's finances and governance arrangements. Their Auditor's Annual Report 2024/25 was presented to the Audit, Risk and Governance Committee in January 2026. The auditor did not identify any significant weaknesses in the council's arrangements and identified four improvement recommendations relating to:

- Sustainability of the Dedicated Schools Grant position, including pressures relating the SEND Improvement Plan and Home to School Transport costs.
- Delivery of identified savings, particularly in Adult Services, and improving capacity to deliver the extent of change needed to reduce expenditure.

- Improving the system used to monitor external audit recommendations to strengthen governance, accountability, and transparency.

- The annual self-assessment of the Audit, Risk and Governance Committee to support continuous improvement.

82. The Medium Term Financial Strategy was agreed by Full Council in February 2026 alongside the 2026/27 budget and sets out how the council's resources will be allocated to ensure sustainable delivery of services in the context of a number of challenges, including funding demand led services, the high cost of statutory requirements, an ageing population, and reliance on successful partnership arrangements. This included setting Council Tax at 3.8%.

83. The council's Equality Objectives 2024-2028 set out how we ensure fair access to services and compliance with the Public Sector Equality Duty (PSED). Cabinet also agreed a new Fairness, Equality and Inclusion (FEI) Workforce Framework in January 2026, which sets out the council's ambition to be an employer of choice, a focus on fairness, and aligns with statutory responsibilities and corporate priorities. This has been supported by regular reports on PSED compliance to the Compliance and Assurance Board including gender pay gap reporting; quarterly monitoring of the FEI Workforce Framework; and undertaking equality impact assessments for major programmes of work and where decisions or actions may have an impact on people, processes, or services. Reports for member and officer decision-making also requires report authors and decision-makers to consider the equality and diversity implications of all decisions in accordance with the PSED.

84. The establishment of the Place directorate is also aimed at ensuring services are more visible, accessible and tailored to local needs; and the and

equality and cohesion team are now part of the Corporate Strategy and Policy Service and play a key role in ensuring the council's priorities and strategic planning achieve fair access to services.

85. Improvements to prevention, partnership working and commissioning arrangements over the year also demonstrate how the council is finding collaborative, innovative ways of designing services that are fit for the future and deliver sustainable outcomes, including:

- Co-producing a new Market Stewardship Strategy which sets out the adult social care needs of the population and defines shared outcomes for service providers and partners across Lancashire.

- Developing a Commissioning Pathfinder to improve outcomes and performance in Lancashire's adult social care market.

- Collaborating with health partners to ensure roles and responsibilities are explicit, including in relation to the Better Care Fund, neighbourhood health plans, and a Memorandum of Understanding which sets out joint strategic outcomes.

- Planning and launching the Families First Reform programme to deliver integrated family help, multi-agency child protection teams, and improved family decision-making.

- Engaging in the government's Fit for the Future programme and pooling with six other Local Government Pension Scheme Funds.

- Co-producing the Lancashire Community Safety Agreement 2025-28, informed by the Lancashire strategic assessment.

- Establishing the Lancashire Business Board to support the work and priorities of the Lancashire Combined County Authority (LCCA) to promote long-term investment in Lancashire.

- The council's Pensions Fund Committee receives regular Responsible Investments Reports and during 2025/26 commissioned a task and finish group to review the Lancashire County Pension Fund's Responsible

Investment Policy and preparations for the implementation of climate-related financial disclosure requirements.

86. The council has also started preparing for Local Government Reorganisation (LGR), engaging with government and working closely with Lancashire's local authorities to plan for disaggregation and future delivery of services. There is risk that failure to coordinate activity and decision-making over the next two years will impact the success of the newly established unitary authorities. Work will continue in 2026/27 to develop existing joint working arrangements and shared outcomes.

D: Achieving outcomes

Determining the interventions necessary to optimise the achievement of the intended outcomes.

Determine interventions

87. The council continues to ensure that decision makers receive objective and rigorous analysis of options, setting out the financial, legal, and equality and diversity implications, highlighting risks, and considering feedback from service users and stakeholders.

88. All reports to formal meetings are reviewed and formally cleared by the Chief Financial Officer and the Monitoring Officer, or their representative, to ensure the council's decisions are lawful, informed, and deliver value for money. This process is efficiently managed through the online report management system.

89. Overview and Scrutiny committees can carry out scrutiny on upcoming Cabinet decisions, in accordance with their work programmes, to provide constructive, cross-party engagement on new or amended policies. During 2025/26, the following pre-decision scrutiny items have contributed to the council's decision-making:

- In October 2025, the Environment, Economic Growth and Transport Scrutiny Committee reviewed proposals for Phase 3 of the Transport Asset Management Plan, which were considered and approved by Cabinet in November 2025.
- In January 2026, the Budget and Finance Scrutiny Committee reviewed the budget proposals, which were considered by Cabinet and then Full Council in February 2026.
- In January 2026, the Children, Families and Skills Scrutiny Committee reviewed the draft Education Strategy, which was considered and approved by Cabinet in March 2026.

90. It is recognised that the role of Overview and Scrutiny in reviewing decisions and policies before they are finalised could be strengthened. The relatively low number of pre-decision scrutiny items considered in 2025/26 reflects that, at the point the committees' annual work programmes were being agreed, the new administration was in the process of setting its priorities and areas of focus for the year ahead. Improved forward planning, informed by a better business objective setting process, will lead to improvements in this area for 2026/27. Additionally, in January and April 2026, the Political Governance Working Group reviewed the effectiveness of the council's Overview and Scrutiny function and agreed some short- and long-term recommendations, including refining the work planning and prioritisation of committees to ensure quality and impact; strengthening scrutiny reports' links to corporate performance and risk data; and reflecting

the outcome and any recommendations from the LGA Corporate Peer Challenge which took place in March 2026.

91. The council's strategic officer board structure has also been reviewed in 2025/26, so that reports to formal meetings, officer decisions, and strategic planning are informed by the right expertise, oversight and scrutiny. The refreshed board structure aims to provide clarity and transparency, empower decision-makers, and ensure a "one council" approach that's focussed on agreed priorities. The Executive Leadership Team (ELT) is now supported by two other strategic boards: the Delivery Board and the Compliance and Assurance Board. These boards are in turn supported and informed by the work of directorate leadership teams, cross-directorate working groups, and transformation programme boards.

Planning interventions

92. Building on the improvements made in 2024/25 and feedback received from senior officers, the council's business planning process was reviewed for 2025/26. A refreshed approach to business objective setting was introduced, aimed to be simpler and more strategic. Directors, supported by Heads of Service, were asked to set out a small number of high-level objectives, explain the reason behind each, and identify the measures of success. The objectives identified will inform the council's activity, decision-making and a refreshed Our Areas of Focus document for 2026/27, in order to ensure delivery of the Council Plan and the Improvement Plan.

93. The Council Plan and the business objective setting process are supported by the corporate performance framework, which ensures tangible action and that progress can be monitored. The Business Intelligence Service

continues to support the council with performance monitoring against agreed KPIs.

94. Accessible and high-quality data and insight to inform planning and decision-making at a directorate and service level is recognised as an area that needs strengthening further in Director's assurance statement returns. In addition to the Data Transformation Programme which began with a data maturity assessment and benchmarking exercise, some examples of the improvements to data and reporting made during 2025/26 include:

- The development of service dashboards in the Care Navigation service, which have strengthened performance oversight at both team and service levels, enabling informed, data-driven decision-making.
- A new project in Adult Social Care, aligned to the CQC Improvement Plan, to create a single view and platform for all adult social care activity and finance data, to provide managers the live data to inform both operational decision-making and strategic long-term planning.
- Improved partnership data collection and analysis through the Education and Children's Services Business Unit, with links established to North West regional data analysis.
- The implementation of a new legal case management system with enhanced reporting capabilities which will allow for more detailed and useful financial data and performance monitoring
- The development of workforce and sickness absence dashboards, which are shared monthly with Heads of Service and HR Business Partners to maintain oversight of staffing, wellbeing, and operational capacity.
- The implementation of a new audit management system, which supports a clear quality review process by enabling supervisors and managers to review files in real time, document feedback, and monitor resolution of review points.

- A new project to optimise the council's use of Oracle Fusion, to ensure financial reporting at a service level is timely, accurate and accessible.

95. The council continues to work closely with its stakeholders and partners to plan interventions that deliver our shared priorities and address shared risks. For example:

- The Better Care Fund (BCF) Strategic Board terms of reference have been refreshed and further developed to ensure clarity, relevance, and robust governance.
- A Lancashire-wide Waste Strategy has also been developed across the Lancashire Waste Partnership, which was endorsed by Lancashire councils' Leaders as a best practice approach.
- The Lancashire County Pension Fund's annual strategic plan is reviewed by the council's Pension Fund Committee and sets out the work to be undertaken by the council and stakeholders to deliver the Fund's strategic objectives.

96. Improving the council's approach to commissioning, procurement and contract management has also been an area of focus in 2025/26. Council-wide procurement activity is better coordinated through an annual planning cycle which culminates in Procurement Pipeline report to Cabinet for all procurement exercises exceeding the Key Decision threshold. The Procurement Pipeline for 2026/27 was considered and approved by Cabinet in March 2026. A new Commercial Oversight Group has been established, with representatives from each directorate and enabling services, to provide council-wide oversight, drive value for money, and ensure good outcomes are delivered within available resources and in line with corporate priorities.

97. In particular, targeted improvements to contract management have been made in relation to Highways and Transport. Outcomes include the

adoption of compliant framework contracts for both materials supply and contractor engagement, embedding of performance indicators within contracts and supported by regular monitoring which enables identification and resolution of any service delivery issues. Where weaknesses have been identified, such as gaps in performance data or risk management, targeted action have been taken, including enhanced reporting protocols, more comprehensive risk logging, and the introduction of additional training for project managers. These improvements have increased oversight, reduced risk exposure, and promoted a culture of continuous service enhancement.

98. Resource planning is factored into the newly agreed Medium Term Financial Strategy, which includes the Chief Financial Officer's realistic estimates of revenue and capital expenditure in order to develop a sustainable funding strategy for the council's priorities, objectives, and future challenges, including funding the SEND Priority Action Plan, the Dedicated Schools Grant deficit, and maintaining adequate levels of working capital in the management of the council's treasury operations.

99. The council's transformation portfolio has also been reviewed during 2025/26 so that it is focussed on delivery of the Council Plan and the Improvement Plan. This is supported by resource planning and investment, to mitigate risks to the delivery and success of the transformation portfolio.

Optimising achievement of intended outcomes

100. Improvements to the 2025/26 budget setting and planning process, to inform the council's Medium Term Financial Strategy for 2026/27 and 2027/28, ensure the council's financial planning is integrated with and balances service delivery priorities, affordability and resource constraints. For example, it has been informed by the council's Efficiency Review, a Staff Suggestions Scheme, an improved budget consultation process, and engagement with the newly established Budget and Finance Scrutiny Committee.

101. In particular, the financial strategy sets the context for council's financial planning and preparation for Local Government Reorganisation and enables the council to set a balanced budget for the next two years until Vesting Day. It provides resources to allow the council to contribute an equitable share of the resources needed to deliver LGR in Lancashire in line with government policy, with £15m set aside and split equality between 2026/27 and 2027/28.

102. The Social Value Policy and Framework 2024-28 sets out how the council aims to deliver wider community, economic and environmental benefits through its activity, decision-making, and procurement of goods and services. The council recognises that all staff, members, partners and suppliers should play a part and work together to deliver social value to generate additional positive outcomes which meet the needs of Lancashire's communities. The policy includes a social value measurement framework and a Social Value Portal to monitor performance and delivery of outcomes.

103. During 2025/26 a corporate parenting working group of senior officers has contributed to improving outcomes for care experienced young people

through the council's procurement activity and relationships with partners. As a result, Lancashire's Local Offer for care leavers has been updated to include free prescriptions and improved work experience and employment opportunities. Work continues with partners to promote outcomes for care leavers amongst businesses, identify unoccupied student housing with universities, and offer discounted public transport.

104. The Company Member Cabinet Committee provides oversight of the council's shareholder responsibilities in relation to its wholly and partly owned companies, ensuring they are delivering the priorities and responsibilities of the council effectively. In 2025/26 this has included receiving the companies' annual reports and annual accounts, identifying success measures to achieve social outcomes and return on investment, engaging with their strategic business planning process, and evaluating their effectiveness against their objectives and business plans.

E: Capacity and capability

Developing the council's capacity, including the capability of its leadership and the individuals within it.

Developing the council's capacity

105. The council regularly reviews its activity, performance and assets to ensure their continuing effectiveness. Improving capacity across the council's assets, technology, partnerships and workforce has been a key aim of the Efficiency Review.

106. Cabinet receives quarterly corporate performance reports to monitor progress against the Council Plan's KPIs, with some additional KPIs focussed on community cohesion, supporting the armed forces, and energy efficiency added in 2025/2 to align with the new administration's areas of focus.

107. The new officer Delivery Board's remit includes overseeing and prioritising capacity and capability across the council, to drive improvements, facilitate change, and enable services to work together effectively to deliver the Improvement Plan. The board is focussed on council-wide performance and receives monthly updates on transformation portfolio delivery, savings delivery, workforce metrics, performance against KPIs, and corporate risks.

108. In October 2025, Cabinet also agreed a set of Property Strategy Principles for managing and developing the council's land and property assets, covering approximately 330 operational buildings excluding schools. The strategy sets out the council's aim to further rationalise its portfolio by carrying out in depth reviews into how properties are used by services, identifying their needs for the future, and making sure they are fit for purpose and maintained to a good standard. The principles agreed by Cabinet will ensure the council's buildings continue to meet the needs of communities, deliver value for money, are compliant, fit for purpose, and enhance partnership working opportunities.

109. The council's digital capacity continues to be reviewed and developed in line with the Digital Strategy 2025-2029, which includes six ambitions to improve the outcomes for residents, by increasing digital inclusion and making services more accessible. Work on projects supporting the Digital Strategy's outcomes in 2025/26 has included:

- Developing custom prompts through a range of Artificial Intelligence (AI) trials in frontline services to improve operational efficiency for social

workers, educational psychologists, and enabling services. AI tools only support officers and do not make any decisions.

- In collaboration with the NHS Integrated Care Board (ICB), distributing 286 grants to support care homes with adopting digital solutions.
- Launching the Children's Portal to enable professionals to streamline safeguarding referrals and support MASH's processes. The portal includes an EHCP dashboard, enabling parents, carers and young people to track assessment progress; ensuring secure communication with practitioners; and reducing reliance on manual EHCP communication pathways.
- Establishing a new online social care referral service, for use by professionals and residents, which directs users to community-based services as part of the self-assessment process.
- Preparing for the launch of a new Directory of Services platform to enable data sharing between the council, NHS partners, and VCFSE partners and empower residents to find the right local services for their needs.
- Introducing Virtual Agents to support residents' content search and service navigation from the council's website, including for registration, waste, school transport, and school admission services.
- Procuring a highways defect solution which enables fleet vehicles to assess carriageway defects using AI.

110. As the Head of Paid Service, the Chief Executive is responsible for ensuring the right number, grade and organisation of officers to deliver the council's services and functions. During 2025/26, recruitment and retention of staff has continued to be monitored and reported as a corporate risk; significant progress has been made throughout the year to put in place effective mitigating actions. Targeted recruitment campaigns have resulted in the council's overall vacancy rate reducing from 10.29% to 9.97%, achieving the corporate KPI of 10%. As a large organisation, the council considers natural turnover and vacancy rates when planning and setting its objectives in this area.

111. Recruitment of senior and statutory offices has also continued during the year. In particular, the risk of vacancy in the statutory role of Chief Financial Officer has been mitigated through interim appointments. In February 2026, following a recruitment process led by the Employment Committee, Full Council agreed to appoint a permanent Corporate Director of Finance who will join the council in early 2026/27 and provide stability in this statutory post. The Employment Committee also considered proposals to ensure a sustainable, market-responsive approach to senior officer recruitment and retention during Local government Reorganisation.

112. The Communities, Cultural and Corporate Services Scrutiny Committee has continued to review and provide assurance relating to the council's capacity through the following reports:

- In November 2025, the committee reviewed the Digital Strategy 2025-2029: First Year Delivery Report, which provided an overview of progress in year one and an action plan for year two.
- In February 2026, the committee received an annual Workforce Update Report which provided an overview of the trends, pressures and developments facing the council's workforce and the progress made in key areas including employee engagement and relations, early careers, recruitment and retention, policy and compliance, and leadership development.
- In March 2026, the committee received a Property Service Update which provided members with assurance relating to the council's estate, use and occupancy of buildings and asset disposal, in line with the Property Strategy Principles agreed by Cabinet.

113. The council also recognises the benefits of partnership and collaborative working to enhance its capacity and add value. The renewed focus on place-based working and the establishment of the Place directorate in 2025/26 will enable closer working with VCFSE and other public sector partners. Adults, Health and Wellbeing and Education and Children's Services also continue to improve joint working arrangements with the local NHS, schools, and VCFSE partners to focus on prevention, community-based services, and directing residents to the right services for their needs.

Developing the capability of the council's leadership and other individuals

114. Following the election in May 2025, members' received a comprehensive induction and training programme focussed on the knowledge and skills needed to carry out their roles effectively. This ensured an understanding of the differences between the roles and responsibilities of officers and members, and specific sessions were organised for Cabinet and ELT to facilitate a shared understanding of roles, objectives and priorities.

115. The Protocol on County Councillor/Officer Relations also forms part of the employee and member codes of conduct; it provides clear guidance about members' and officers' different roles and how they should work together with mutual trust and respect.

116. Feedback from members on the induction programme was overwhelmingly positive, and the training and support offer has continued throughout the year, overseen by the Councillor Support Steering Group. Further committee- and role-specific training needs will be reviewed to inform a revised member development plan for 2026/27 that ensures members are able to update their knowledge on a continuing basis. To

support this, an external review of the council's induction and member support programme has been commissioned.

117. For example, the Audit, Risk and Governance Committee's self-assessment of effectiveness has been carried out in early 2026 and will be reported to the committee's meeting in April 2026 with an action plan to address any areas for improvement. The Pension Fund Committee also reviewed the Pension Fund's Training Strategy 2025/26 in June 2025 and has received regular updates since.

118. The Chief Executive and the Leader of the Council have clearly defined and distinctive leadership roles, as set out in the council's Constitution. A clear understanding of their roles was embedded via a series of joint communications to council staff after the election. These messages focused on shared priorities and delivering for Lancashire's residents, to provide reassurance and stability following a significant change in the council's political leadership.

119. The Constitution includes a clear Scheme of Delegation to Officers, which sets out the decisions which senior officers are empowered to take, subject to the Budget and Policy Framework set by members. Under the Scheme, Directors may delegate decisions to other officers to facilitate effective managerial and operational decision-making at the most appropriate level. All such delegations are recorded in an online Scheme of Delegation database which Directors are responsible for regularly reviewing and updating as appropriate.

120. For officers, the council has clear arrangements in place for pre-employment checks, induction training, mandatory e-learning, and performance management which line managers are required to follow. The importance of robust performance management and regular 1-1 meetings

has been promoted over the last year through communications to line managers and leaders, particularly through a new Managers and Leaders Teams site maintained by People Services. A dedicated intranet page for managers and leaders is also regularly updated and includes links to the relevant frameworks, people policies and training courses.

121. Work has continued throughout 2025/26 to embed and promote the council's Leading Lancashire Framework. New courses have been introduced and rolled out as part of the Manager's Journey, which all existing and new line managers are required to attend. This year, new training on Leading High Performing Teams, Leading Self – Thriving in LCC and Managing Change have been launched.

122. The Leadership Behaviours Assessment (LBA) tool has been further developed in 2025/26 to support a culture of open, constructive feedback and improvement that is focussed on the values, behaviours and skills set out in the Leading Lancashire Framework. All managers and leaders were encouraged to request feedback via the LBA in March and September 2025. Following feedback, text fields have been added to enable more detailed and tailored responses. The frequency of the LBA will also be revised from six-monthly to annually from March 2026.

123. The whole workforce continues to be developed through training and apprenticeship opportunities. Utilisation of the apprenticeship levy exceeds 60% and is expected to increase in 2026/27. There are over 700 apprentices enrolled on a range of courses across different services and at the end of 2025/26 the retention rate was 91%. An annual Apprentice Showcase event was hosted in February 2026 to highlight the positive impact apprenticeship training can deliver for staff, the organisation and residents. In Finance and Commerce, the Finance Graduate Scheme has been reintroduced, and three new graduates joined the service in Autumn 2025.

124. To support the council's transformation and improvement journey, several significant service redesigns have been undertaken in 2025/26 to ensure the council's officer structure is efficient and well-equipped for current and future challenges. People Services have supported managers and leaders on policy, procedure and staff engagement throughout.

125. Improvements have been made this year to the council's arrangements for ensuring the health and wellbeing of its workforce. New providers for the council's Employee Assistance Programme and Occupational Health services have been procured. Take-up of the Manager's Journey course about Key Conversations has been reported to Heads of Service, to ensure all managers are equipped with the skills to facilitate challenging, constructive and sympathetic conversations with staff.

126. Sickness absence levels have increased, from 4.86% in January 2025 to 5.16% in January 2026. This exceeds the council's KPI of 4.5% and therefore remains an area of focus for 2026/27. People Services are supporting deep dives into services with higher absence levels to understand the issues and developing action plans to ensure appropriate intervention and improvement.

F: Managing risks, performance and finance

Managing risks and performance through robust internal control and strong public financial management.

Managing risk

127. Managing and responding to risks and opportunities is the responsibility of all services and officers. In October 2025 and following consultation with key services, a new Risk Management Strategy was approved by the Audit, Risk and Governance Committee. The new strategy did not introduce significant changes to the council's approach to risk management, which continues to operate effectively. However, feedback from officers and an Internal Audit review completed in May 2025 highlighted the need for improved, more accessible guidance on risk management which set out roles and responsibilities more clearly.

128. The new strategy sets out the council's approach, process and guidance on risk management in one place to ensure it is accessible, complies with sector standards, aligns better with other corporate governance processes, and is a helpful reference and tool which officers can use to support them in their roles day-to-day. The key changes include:

- Clear principles and objectives are set out from the start.
- The risk management approach and risk control framework are more clearly defined.
- A new approach to risk appetite is introduced.
- The risk management process is set out step-by-step and includes new definitions and scoring criteria to improve consistency.
- An enhanced requirement on all officers to identify and report on fraud risks, in line with the duty on the council to prevent fraud.
- Improved integration with other corporate governance processes to prevent duplication, ensure risk management is dynamic and collaborative, and to facilitate better horizon-scanning and preparedness.

129. The new Risk Management Strategy has been supported by intranet guidance for all staff on the risk management process, and training with all Directors and Heads of Service to improve awareness and compliance with corporate risk management and reporting. In line with the strategy, a new network of Risk Leads has been identified; Risk Leads are Heads of Service who champion a culture of strong risk management and ensure a coordinated and consistent approach across their directorate. They also work with senior officers to identify new or emerging risks, including cross-cutting risks, and report on risk management across the directorate to inform the corporate risk reporting process

130. The corporate risk and opportunity register has been prepared on a quarterly basis throughout 2025/26 and reported to the Compliance and Assurance Board and the Audit, Risk and Governance Committee. Both have responsibility for overseeing and ensuring the council's risk management arrangements are working effectively and that responsibilities for managing risks are clearly identified. The corporate risk reporting process is supported by service and directorate risk management reporting, overseen by directorate leadership teams. An Internal Audit review of directorate risk management arrangements completed in May 2025 provided moderate assurance and identified one improvement recommendation which has been met.

131. Effective risk management enables well-informed, robust and strategic planning and decision-making. The risk management implications of all reports to formal council meetings have continued to be recorded under a dedicated heading. Improvements have also been made to alignment with strategic planning, with risk reporting built into the annual business objective setting process and programme management. Corporate health and safety

reporting will be reviewed over the next year to strengthen assurance in this area.

132. For the first time and under the new strategy, work has also been completed to align corporate risk management with the Emergency Planning, Resilience and Response Framework which sets out the council's contribution to the multi-agency approach to assessing the risk of an emergency occurring, in accordance with the Civil Contingencies Act 2004. Identified risks are recorded on the corporate resilience risk register, considered by the Lancashire Resilience Forum to inform the Lancashire Community Risk Register, and any high-scoring risks are now also be considered as part of the corporate risk management process.

133. Developing the council's risk appetite approach, principles and understanding is recognised as an area that needs strengthening. Initial work began in 2025/26 to shape the council's risk appetite statement and further work is planned for 2026/27 to better understand and apply risk appetite effectively. This work will empower services to assess and respond to risk better during day-to-day delivery, enable the council to take advantage of opportunities and deliver service improvements, and prevent both overexposure or an overly cautious approach to risk.

Managing performance

134. The council monitors its service delivery and performance continuously. Cabinet receives quarterly corporate performance reports to monitor progress against the Council Plan's KPIs. The new officer Delivery Board is also focussed on council-wide performance and receives monthly

updates on transformation portfolio delivery, savings delivery, workforce metrics, performance against KPIs, and corporate risks.

135. Cabinet is responsible for managing performance and ensures that effective arrangements are put in place to mitigate the risks of service underperformance. During 2025/26, Cabinet has agreed interventions relating to the following reports:

- School Place Planning Delivery Programme
- SEND Inspection Response
- Efficiency Review of the Council's Financial Management, Procurement and Associated Governance Arrangements
- Lancashire Child and Youth Justice Plan 2025/26
- Lancashire's Children in Our Care Sufficiency Strategy 2025-2028
- Management of Residual Waste in East Lancashire
- Building Schools for the Future
- Care Quality Commission (CQC) Assessment Result
- Special Educational Needs and Disabilities (SEND) Strategy Improvement Plan 2025-2027
- Property Strategy Principles
- Lancashire Community Safety Agreement 2025-2028
- Fairness, Equality and Inclusion Workforce Framework

136. All decisions made by Cabinet, Full Council and Committees are based on relevant, clear, objective analysis and advice, and clear explanation of the associated risks. The standard decision-making report template used for all formal council meetings sets out this analysis and advice under clear headings. During 2025/26, the same approach and report template has also been adopted for officer meetings to ensure all decision-makers are fully informed.

137. The Overview and Scrutiny Committees also provide constructive challenge on policies, objectives and service delivery to enhance the council's performance. To ensure their effectiveness, the Overview and Scrutiny functions structure was reviewed by the Political Governance Working Group following the election and resulted in the establishment of a new Budget and Finance Scrutiny Committee, to ensure a robust finance scrutiny process and monitor progress against agreed budget savings. As part of the member induction programme, specific training was all provided to Overview and Scrutiny Committee chairs, deputy chairs and members. A further review of the function's effectiveness has been carried out by the Political Governance Working Group in early 2026, with the working group due to consider additional improvement recommendations at its meeting in April 2026.

138. The Annual Report of the Overview and Scrutiny Committees was also considered by Full Council in October 2025 and provided assurance in relation to the work, impact and effectiveness of the council's scrutiny function.

139. Improvements made to the council's partnership working, commissioning, procurement and contract management arrangements are also expected to deliver better performance from partners and suppliers. For example, the new Commercial Oversight Group is focussed on providing council-wide oversight and driving value for money from commissioning activity. A standardised KPI dashboard for all major contracts in Highways and Transport has also been introduced, which enables better analysis of performance, trends, and compliance.

Robust internal control

140. The role of the Chief Audit Executive is fulfilled by the Head of Internal Audit. The Audit, Risk and Governance Committee received the Internal Audit Charter and Mandate and the Internal Audit Strategy in July 2025, which set out the arrangements to ensure the service's independence, deliver a risk-based internal audit plan, and ensure compliance with Global Internal Audit Standards (GIAS) in 2025/26.

141. The Internal Audit Plan was approved by the Audit, Risk and Governance Committee in March 2025. Its format was refreshed to better align with the Council Plan and corporate priorities. The Plan has remained flexible throughout the year, to enable the service to respond to specific risks as appropriate.

142. The work of the Internal Audit Service, including assurance levels and the outcomes of follow-up audits, was reported to the Audit, Risk and Governance Committee on a quarterly basis during 2025/26. These reports have provided the committee with assurance on the effectiveness of internal controls and enabled members to monitor the implementation of agreed actions.

143. In the Internal Audit Annual Report and opinion, the Head of Internal Audit anticipates issuing a (provisional) reasonable assurance conclusion on the adequacy and effectiveness of the council's governance, risk management and internal control frameworks for 2025/26. The final audit opinion will be presented to the Audit, Risk and Governance Committee in July 2026.

144. The council also has a dedicated Investigations Team within the Internal Audit Service, which undertakes proactive fraud investigation and detection work and supports the council's zero-tolerance approach to fraud and corruption. The team provides an independent investigatory service to support management in responding to instances of suspected financial crime, impropriety, or other potentially criminal activity. The impact of this work has been reported to the Compliance and Assurance Board and the Audit, Risk and Governance Committee on a six-monthly basis throughout 2025/26

Managing data

145. The council takes seriously its responsibilities for the safe and lawful collection, storage, use and sharing of data, including personal data and recognises that effective information governance is critical to its operation, credibility and resilience.

146. The Director of Law and Governance is the council's Senior Information Risk Owner (SIRO) and responsible for managing the council's information risks, security and maintaining legal compliance. They work closely with the Data Protection Officer (DPO), who is responsible for the council's statutory obligations under information governance data protection law; the Digital Governance, Risk and Compliance Manager, who is responsible for the council's digital security, infrastructure and risk management; the Information and Records Management Manager, who manages the council's records management and governance arrangements; and the Caldicott Guardian, who is responsible for overseeing the confidentiality and ethical use of health and social care information.

147. In March 2025 and in line with best practice, the first Annual Report of the Senior Information Risk Owner was considered by the Audit, Risk and

Governance Committee and provided satisfactory assurance that the council's information risk management arrangements were operating effectively. The next annual report will be presented to the committee in April 2026. The SIRO expects to provide positive assurance (provisional) overall that the council has in place appropriate policies, procedures and systems to ensure good information governance.

148. Throughout 2025/26, the officer Corporate Information Governance Group (CIGG) has continued to meet on a bi-monthly basis to monitor the council's processes, policies, risks and improvement actions relating to the council's processing of information. CIGG's membership includes officers with key statutory responsibilities relating to information governance and representatives from key service areas, including property, social care, digital, and internal audit.

149. The officer Corporate Cyber Risk and Cyber Security Group (CCRSG) has also met throughout the year to coordinate and manage work relating to cyber risks facing the council. The group has established processes to report and escalate risks relating to the security of council information and systems.

150. Every Head of Service is a Data Owner and responsible for ensuring that the information assets within their service are managed appropriately, protected effectively, and used to their full value to support the council's objectives. During 2025/26, CIGG has continued work to develop and formalise the Data Owner model, with clear definitions of roles and responsibilities established. A programme of targeted communications and training will be rolled out during 2026/27 to ensure consistency across all service areas.

151. Heads of Service are also responsible for ensuring all staff within their services complete the council's mandatory information governance e-

learning course annually. Compliance is monitored by the Information Governance team and during 2025/26 regular reminders have been issued through staff notices, newsletters and direct emails.

152. The council's data is held within a range of systems. Digital Services maintain oversight of all systems, ensure system and information risk registers are updated, and regularly and actively review retention policies. Over the last year, effective collaboration with adults' and children's social care services led to significant improvements to data retention rules in social care systems. Similarly, all requests for new digital software or systems continue to require early and formal engagement with Digital Services to ensure that full technical security assurance is completed prior to procurement approval. This includes mandatory assessment of cyber security controls and data protection compliance as core assurance requirements. Services are also required to undertake information management due diligence with any new contractors or service providers, and contracts contain standard approved data protection and transparency contract clauses to ensure service providers meet appropriate standards.

153. Timely and accurate access to data enables the council to support the work of internal and external audit, inspectorates, meet its obligations relating to public inquiries, and supports a transparent learning culture. For example, during 2025/26:

- As a core participant the Southport Public Inquiry, the council has responded to information requested by the Inquiry and shares recommendations with appropriate services as its findings are published. Publication of the Phase One findings are due in April 2026.
- The draft terms of reference for the Grooming Gang Inquiry have been published and are expected to be finalised in Spring 2026. The council has taken initial steps in relation to social care records.

154. Accessible and high-quality data and insight to inform planning and decision-making at a directorate and service level is recognised as an area that needs strengthening further in Director's assurance statement returns. During 2025/26 work started on the council's Data Transformation Programme, including a data maturity assessment and benchmarking exercise to identify areas for improvement which will be used to inform a new data strategy.

Strong public financial management

155. The council's financial management arrangements including the Financial Rules continue to comply with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) and CIPFA Financial Management Code (2021).

156. The council appointed the Director of Finance and Commerce to be Chief Financial Officer and responsible for ensuring the proper administration of the council's financial affairs. The Director of Finance and Commerce in turn appointed the Head of Financial Management and the Head of Corporate Finance as deputies, to ensure cover and stability in this statutory role. From 2026/27 onwards, a new Corporate Director of Finance has been appointed to this role and will report directly to the Chief Executive.

157. Alongside consideration of the 2026/27 budget report in February 2026, Full Council also considered the Chief Financial Officer's report under Section 25 of the Local Governance Act 2003 on the robustness of the estimates made for the purposes of the council's budget calculations and the adequacy of the council's balances and reserves.

158. Cabinet, Overview and Scrutiny, and the Audit, Risk and Governance Committee have received reports and assurance throughout the year that the council's financial management supports both long-term achievement of outcomes and short-term financial and operational performance, including:

- Cabinet received quarterly financial monitoring reports, which provided a regular update on the 2025/26 revenue and capital financial position and updated year-end forecasts based on current expenditure, expected demand, cost pressures and risk assessments.
- In July 2025 and January 2026, the Audit, Risk and Governance Committee received six-monthly updates on treasury management activity and decision-making, in line with the council's Treasury Management Strategy.
- From November 2025 onwards, the newly established Budget and Finance Scrutiny Committee received the quarterly financial monitoring reports and the 2026/27 budget reports before each Cabinet meeting.
- In January 2026, the Audit, Risk and Governance Committee received the external auditor's Value for Money commentary on the council's financial sustainability and governance arrangements.

159. Effective financial management enables well-informed, robust and strategic planning and decision-making. The financial implications of all reports to formal council meetings have continued to be recorded under a dedicated heading. Improvements have also been made to alignment with strategic planning, with financial sustainability and savings delivery a mandatory objective for all directorates.

160. In February 2026, Full Council considered and approved the 2026/27 budget and Medium Term Financial Strategy. The budget recommended by Cabinet set out a balanced and robust financial plan which underpinned the council's strategic ambitions (set out in the Council Plan, Our Areas of Focus,

and Improvement Plan) and responded to significant financial pressures including rising demand for services, inflationary cost increases, and national funding challenges.

161. During the year the council has taken steps to adopt a strategic approach to managing its Very Long Term Investment Portfolio (VeLTIP), consisting of Government and commercial bonds. This is in response to risks relating to its market value and the associated impact on the council's working capital levels. The Medium Term Financial Strategy was agreed to assemble sufficient cash resource in a specific reserve, the Working Capital Enhancement Reserve, to ensure that the associated borrowing costs are reduced over the period and which may contribute to financing any losses on sale that might occur on the basis of a suitable business case. The Medium Term Financial Strategy facilitates:

- Additional contributions to the Working Capital Enhancement Reserve of £58.4m over the next 3 years, resulting in a total balance of £115.6m through consolidating with other reserves already existing for a similar purpose.
- The budget contains sufficient resource to manage ongoing borrowing costs.
- A continual review to test whether there is a business case for sale of some or all of the bonds, taking ongoing advice from external treasury advisors on these matters.

162. The council's Internal Audit Service provides independent assurance to the Chief Financial Officer on the adequacy of the internal control environment as it relates to the council's financial management. In the 2026/27 budget, it was recognised that the Internal Audit Service's capacity should be increased to reflect the scale and complexity of the council and to supplement to resources available for financial audit.

163. The council uses Oracle Fusion as its financial monitoring and resource planning system but is yet to implement its full range of financial reporting, planning and payroll tools. This is recognised as an area that needs strengthening in order to provide budget holders with better access the financial information and improve the quality of the financial control environment.

G: Transparency and accountability

Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Implementing good practice in transparency

164. Information about improvements to the council's openness and transparency arrangements is included under B: Openness and Stakeholder Engagement.

165. The council's report writing guidance, clearance process and systems continue to ensure that reports to formal meetings of the council and records of decisions are fair, balanced and transparent. Officers are required to set out under clear headings the background, context and implications, options, risks and recommendations in all reports to council meetings. Reports are regularly supported by appendices setting out additional context, guidance, or data to ensure informed decisions. The agendas, minutes and decisions of all formal council meetings are published on the council's website.

166. Overview and Scrutiny Committees have an important role in informing and challenging decisions taken by the Cabinet and promoting transparency. As part of the Political Governance Working Group's review of the effectiveness of the council's Overview and Scrutiny function in 2025/26, the scrutiny report template will be reviewed to ensure clearer links to performance, risk management and data. Additional guidance will also be developed for officers preparing reports, to ensure data-informed reporting.

167. As part of the review of strategic officer boards in 2025/26, the report template for officer meetings was also updated to align with the template for formal council meetings to ensure that early planning and decisions taken under the Scheme of Delegation to Officers are informed by the same clear and transparent approach.

Implementing good practice in reporting

168. The annual review of governance and this Annual Governance Statement demonstrate the council's commitment to report regularly to stakeholders on performance, value for money, and stewardship of resources. Additionally, Cabinet, Overview and Scrutiny, and the Audit, Risk and Governance Committee have received reports throughout the year including:

- Cabinet received quarterly corporate performance reports to monitor progress against the Council Plan's KPIs.
- The outcomes of the Care Quality Commission (CQC) Assessment of Adult Social Care and the joint Ofsted/CQC inspection of SEND were reported to Cabinet.
- The Children, Families and Skills Scrutiny Committee received various annual reports including of the Principal Social Worker's Annual Report, the

Education Strategy Annual Report and attainment data, and an annual update on school place planning.

- In February 2026, the Community, Cultural and Corporate Services Scrutiny Committee received an annual report on workforce planning.
- The Health Scrutiny Steering Group received the NHS Quality Accounts and an annual update on winter planning.
- The Audit, Risk and Governance Committee received quarterly reports on the corporate risk and opportunity register, the work and findings of the Internal Audit Service, the work of the external auditor, and the annual report of Code of Member Conduct complaints.

169. The council prepared its Statement of Accounts 2024/25 in accordance with the CIPFA Code of Practice and published the accounts on its website by the statutory deadline of 30 June 2025, in accordance with the Accounts and Audit Regulations 2015. The Audit, Risk and Governance Committee considered the draft accounts in July 2025 and approved the final accounts subject to audit in January 2026, including significant matters affecting the financial statements since the previous year.

170. The council's accounts included the Lancashire County Pension Fund's Statement of Accounts. Full Council also received the Pension Fund's Annual Report 2024/25 in October 2025, including the Fund's Statement of Accounts and governance compliance statement.

171. The external auditor's Annual Report and final opinion on the council's accounts and the Lancashire County Pension Fund's accounts was presented to the Audit, Risk and Governance Committee in January 2026.

172. Arrangements for the annual review of governance and to prepare this Annual Governance Statement have been improved in 2025/26, in line with the addendum to the CIPFA/Solace guidance published in May 2025. The

Annual governance statement

council's director assurance statement process and this statement have been updated to align explicitly with the seven CIPFA/Solace principles of good governance, to provide assurance that the council's core governance arrangements are in place and operating effectively. This has included:

- Focussing on actions taken and improvements made throughout the year.
- Assessing the effectiveness of governance arrangements in practice, based on the last year and for the future, and identifying areas for further improvement.
- Considering how the council's governance arrangements support the achievement of its purpose and objectives.

173. This Annual Governance Statement includes a summary of improvements made in 2025/26 in relation to the council's governance arrangements and provides an action plan for 2026/27 where those arrangements could be strengthened further. The action plan will be reviewed by the Audit, Risk and Governance Committee alongside this statement and monitored throughout the year by the officer Compliance and Assurance Board.

Assurance and effective accountability

174. The council is committed to ensuring effective accountability and timely responses and support for the work of external audit, internal audit and other inspectorates to ensure continuous improvement.

175. Following the 2023/24 audit, the external auditor did not identify any areas of significant weakness but shared ten improvement recommendations

in their final report which have all been monitored and implemented during 2025/26 as follows:

Ref	Recommendation summary	Action status
1	Monitoring demand for home to school transport	Completed
2	Reducing the projected Dedicated Schools Grant (DSG) deficit	Completed
3	Focussing on the deliverability of identified savings	Completed
4	Reviewing budget consultation arrangements	Completed
5	Reviewing Overview and Scrutiny Committees' membership	Completed
6	Self-assessment of the Audit, Risk and Governance Committee	Completed
7	Improving Education, Health and Care Plan (EHCP) assessment compliance	Completed
8	Improving LGSCO complaints handling and timeliness	Completed
9	Improving oversight of council-wide partnerships	Completed
10	Strengthening procurement and contract management arrangements	Completed

176. Following the 2024/25 audit, the external auditor has not identified any areas of significant weakness but shared the following four improvement recommendations which will be monitored and implemented during 2026/27:

Ref	Recommendation summary	Action status
1	Reducing the projected Dedicated Schools Grant (DSG) deficit	In progress
2	Focussing on the deliverability of identified savings, particularly in Adult Services	In progress
3	Monitoring external audit improvement recommendations via Internal Audit's software	Completed
4	Improving response rates to the Audit, Risk and Governance Committee's self-assessment	Completed

177. The timely implementation of external audit's improvement recommendations will be improved further in 2026/27 by the introduction of the Internal Audit Services' software to track progress against agreed actions.

178. The Internal Audit Charter and Mandate, which was approved by the Audit, Risk and Governance Committee in July 2025, establishes the framework within which the council's Internal Audit Service operates. It includes the arrangements in place to ensure the service's independence, authority, objectivity, responsibilities, and accountability in line with the Global Internal Audit Standards (GIAS). The Internal Audit Strategy 2025-2028, also agreed by the committee, sets out the arrangements in place to assess the quality of internal audit's work through the Quality Assurance and Improvement Programme (QAIP) and stakeholder feedback surveys.

179. The Audit, Risk and Governance Committee received quarterly updates throughout 2025/26 on the work of the Internal Audit Service, which provided assurance on the effectiveness of the council's internal controls, updates on the implementation of agreed actions (reported through follow-up audit work), and ensured the Head of Internal Audit could report their findings to the committee independently.

180. During 2025/26, a self-assessment of the Audit, Risk and Governance Committee has been completed, the first since the county council election in May 2025. The self-assessment followed the standard set by the CIPFA Position Statement and Guidance for Local Authority Audit Committees (2022). The results and proposed action plan will be reported to the committee in April 2026 and used to inform the Chair of the committee's annual report of effectiveness in July 2026. The last report on the committee's effectiveness was considered in July 2025 and provided assurance that the

committee had discharged its functions effectively during 2024/25 and that the committees' members had the right skills and knowledge to carry out their role effectively.

181. To further enhance the Audit, Risk and Governance Committee's effectiveness, an additional independent co-opted member was appointed by Full Council in March 2026, to align the committee's membership with the standard set by CIPFA's Position Statement (2022).

182. The council welcomes peer challenge, reviews and inspection from regulatory bodies to ensure it delivers outcomes for Lancashire's residents and has robust processes in place to monitor the implementation of agreed actions. During 2025/26, this has included:

- The result of the joint CQC/Ofsted inspection of Special Education Needs and Disabilities (SEND) services was published in February 2025 and identified 'widespread and/or systematic failings'. In March 2025, Cabinet and the NHS Integrated Care Board agreed a joint Priority Action Plan for the delivery and development of SEND services and a SEND Improvement Board was established, with an independent chair, to oversee progress against the plan. Updates on progress have been provided to the Children, Families and Skills Scrutiny Committee in September 2025 and April 2026.
- The result of the Care Quality Commission's (CQC) inspection of Adult Social Care Services was published in August 2025 and identified several areas as 'requires improvement'. Following the inspection, the council established an Adults Improvement Board with an independent chair, and which meets on a six weekly basis to oversee progress against the Adults Improvement Programme. Updates on progress made and upcoming priorities were provided to the Health and Adult Services Scrutiny Committee in September 2025 and February 2026.

- In March 2026, the council welcomed an LGA Corporate Peer Challenge team; the outcome of that peer review will be considered by Cabinet in May 2026 and an action plan put in place for any improvement recommendations shared.

183. External challenge and scrutiny have also been welcomed in the following services to help the council deliver improvements and maintain high standards:

- A peer review of the council's Virtual School service to identify and ensure best practice.
- A Department for Education SEND advisor reviews in detail the council's plans for SEND services, supported by a Department for Education financial advisor.
- Supporting schools with Ofsted inspections and putting in place robust monitoring arrangements to learn from any areas of weakness.
- Healthwatch Lancashire's inspections of commissioned services to provide an independent review of service delivery.
- Department of Health and Social Care reviews of Public Health services.
- External audits of quality management systems and occupational health and safety arrangements across Highways and Transport services.
- Accreditations and inspections relating to the council's digital tools and cyber security, including through the Public Services Network (PSN), MS Secure Score, Cyber Essentials Plus, the National Cyber Security Council's (NCSC) Cyber Assessment Framework, NHS Data Security Protection Toolkit, and Payment Card Industry (PCI) compliance.
- HM Revenue and Customs (HMRC) audit of payroll services.

184. Overview and Scrutiny Committees hold the Cabinet to account for its decisions and Cabinet Members to account for the effectiveness of service

delivery and policies relating to their portfolios. The Health and Adult Services Scrutiny Committee, supported by the Health Scrutiny Steering Group, also carries out the statutory functions relating to scrutiny of NHS services and therefore ensures accountability for services delivered by and/or in partnership with the NHS. During 2025/26 this included reviewing the NHS' Vascular Services Reconfiguration Programme, 10-Year Health Plan, orthodontics services, and adult mental health services. The council also established a Joint Health Scrutiny Committee with Sefton Council to scrutinise proposals for the NHS' Shaping Care Together Programme.

Improvements made in 2025/26

This Annual Governance Statement demonstrates how the council's governance arrangements have continued to be reviewed, updated and improved throughout the year to respond to new ways of working, identified weaknesses, and risks and opportunities.

The Annual Governance Statement 2024/25 also identified the following deliverables or areas for improvement which been monitored through the council's risk management arrangements during 2025/26 as follows:

Ref	Improvement/delivery area	Action taken
1	Financial sustainability	Monitored on corporate risk and opportunity register – quarterly reports to the Audit, Risk and Governance Committee
2	Recruitment and retention	Monitored on corporate risk and opportunity register – quarterly reports to the Audit, Risk and Governance Committee
3	Promoting independence and reducing demand	Monitored on corporate risk and opportunity register – quarterly reports to the Audit, Risk and Governance Committee
4	School places	Monitored on corporate risk and opportunity register – quarterly reports to the Audit, Risk and Governance Committee
5	Workforce	Monitored on corporate risk and opportunity register – quarterly

		reports to the Audit, Risk and Governance Committee
6	Building Schools for the Future	Monitored on corporate risk and opportunity register – quarterly reports to the Audit, Risk and Governance Committee
7	Cyber security	Monitored on corporate risk and opportunity register – quarterly reports to the Audit, Risk and Governance Committee
8	Partnership working	Monitored on corporate risk and opportunity register – quarterly reports to the Audit, Risk and Governance Committee
9	Responding to national policy and issues	Monitored on corporate risk and opportunity register – quarterly reports to the Audit, Risk and Governance Committee
10	SEND Priority Action Plan	Progress overseen by the SEND Improvement Board and the Children, Families and Skills Scrutiny Committee. Also monitored on corporate risk and opportunity register – quarterly reports to the Audit, Risk and Governance Committee
11	Adult Services action plan following CQC	Progress overseen by the Adults Improvement Board and the Health and Adult Services Scrutiny Committee. Also monitored on

		corporate risk and opportunity register – quarterly reports to the Audit, Risk and Governance Committee
12	Governance arrangements for the CCA	Progress overseen by the LCCA's chief officers, Delivery Group, Board, Scrutiny Committee and Audit and Governance Committee
13	Local Government Reorganisation	Monitored on corporate risk and opportunity register – quarterly reports to the Audit, Risk and Governance Committee
14	Delivery of the county council elections	Delivered legally, with public/candidate confidence in the integrity of the election result, and in accordance with Electoral Commission's Performance Standards for Returning Officers

Annual governance statement

Actions planned for 2026/27

The annual review of governance has identified the following areas where the council's governance arrangements could be further strengthened:

Area for improvement	Actions planned	Delivery date	Responsible officer
Local Government Reorganisation (LGR)	Engaging with government and working closely with Lancashire's local authorities to plan for disaggregation, future delivery of services, joint working arrangements and shared outcomes.	April 2028	Executive Director of Resources
Improvement Recommendations	Ensure the council delivers against the actions set out in the Adult Services Improvement Plan, SEND Improvement Plan, LGA Corporate Peer Challenge action plan, Southport Public Inquiry action plan, and any	April 2027	All Executive Directors

	recommendations arising from public inquiries in a timely way.		
Requests for Information	Review the council's Publication Scheme and approach to "open data" to reduce the burden of FOIs by aiming to make commonly requested data readily available.	April 2027	Director of Transformation and Improvement Director of Law and Governance
Data, Insight and Analysis	Deliver the outcomes of the Data Transformation Programme to improve accessible and high-quality data and insight to inform planning, decision-making and performance management at a directorate and service level. This includes optimising use of Oracle Fusion's financial reporting,	April 2027	Director of Transformation and Improvement Corporate Director of Finance

	planning and payroll tools. to provide budget holders with better access to financial information.		
Staff Health and Wellbeing	Understand and develop tailored action plans to improve sickness absence levels across the council and support the workforce's health and wellbeing.	April 2027	Director of People
Risk Appetite	Develop the council's approach, principles, understanding and application of risk appetite to strengthen service delivery, strategic planning and decision-making.	April 2027	Director of Law and Governance
Overview and Scrutiny	Continue the review the role, work planning and effectiveness of Overview and Scrutiny Committees.	April 2027	Director of Law and Governance

Conclusion

The council is satisfied that the appropriate systems, processes and behaviours are in place to ensure good governance is maintained and this Annual Governance Statement provides satisfactory assurance against the CIPFA/Solace Framework. This means the council's governance arrangements continue to operate effectively and support the achievement of the council's priorities and objectives.

The annual review has also identified some key areas where improvements could be made to strengthen the council's governance arrangements further and ensure they remain fit for purpose. This action plan will be monitored by the Compliance and Assurance Board, alongside any actions which follow the LGA Corporate Peer Challenge held in March 2026.

In addition to the areas listed in the action plan, the council will continue to monitor the following risks and opportunities which are likely to impact the council's governance arrangements, service delivery and capacity over the year ahead:

- Demand for services particularly in adult social care, children's social care and Special Educational Needs and Disabilities (SEND)
- Future Local Government Reorganisation (LGR)
- Financial sustainability
- Partnership effectiveness, including with the Lancashire Combined County Authority (LCCA), the local NHS and service providers

Overall, this Annual Governance Statement provides assurance that the council's governance arrangements equip it to meet current demands, adapt to future challenges, and ensure resilient and sustainable services for Lancashire's communities.

Independent auditor's report

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

Winter Snow – Lancashire Countryside



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

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

Earmarked reserves

The council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

F

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

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

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

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

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

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

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

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

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:

Corporate Finance
Lancashire County Council
PO Box 78
County Hall
Fishergate
Preston
Lancashire
PR1 8XJ